2013 Annual Report




looking ahead **is the key for progress...**

Otokar

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“The most important attributes which have made placed Otokar in the position it is today are its dedication to always stand by its customers, and to produce solutions for their expectations, needs and requests in the most ideal manner.”

As one of the building blocks in the development of the Turkish automotive industry, Otokar has lit the torch which it has been carrying with the same excitement and belief for 50 years.

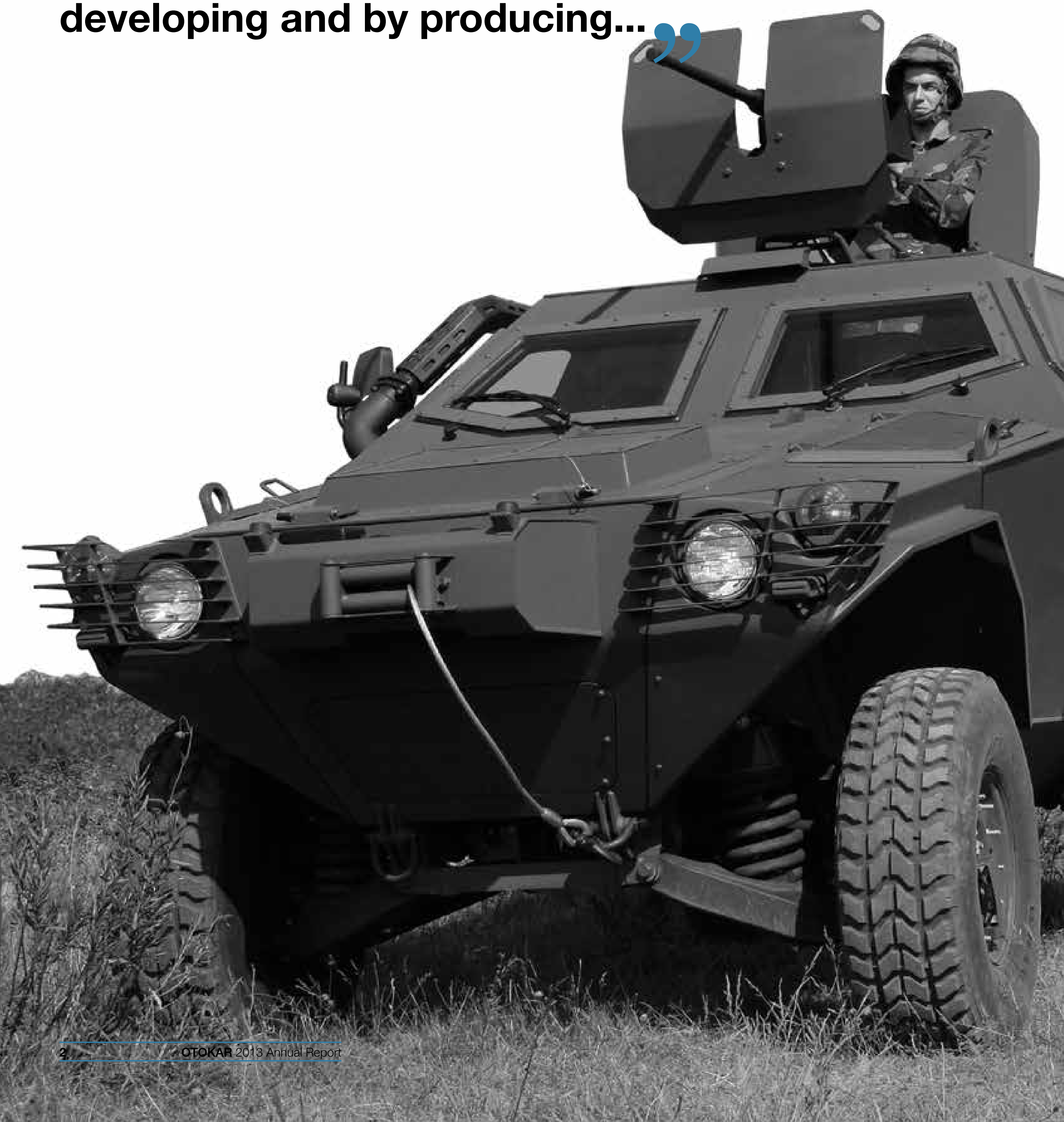
During this long journey, Otokar broke a great deal of new ground and achieved major success in Turkey and in the world, and has now reached a level in both the trade sector and defence industry that we must all be proud of.

Developing its own technologies and maintaining a national and domestic identity in its products, Otokar aims to ensure continuous satisfaction of its customers, employees and partners with its philosophy of perfection in every area.

Thanks to its advanced R&D facilities and specialized and experienced workforce, Otokar is equipped with all the necessary competencies to achieve its targets.

Looking ahead is the key for progress…

Our aim is to progress unwaveringly with our experience and vision... By researching, by developing and by producing...



Vision

Otokar preserves the local and national characteristics of its products by developing its technology in-house, and aims at the continued satisfaction of its customers, employees, and shareholders by embracing a total excellence philosophy.

Mission

The key mission of Otokar is to design, manufacture, and market commercial vehicles and various defence industry products developed in line with customer expectations that have global competitive power.

Otokar in Brief

"Otokar's greatest success has been its competence in transforming design, engineering and R&D capability into a product expeditiously through its proactive approach."


Turkey's Main Battle Tank Altay


8.5 tons Otokar Atlas light truck

552,000 m^2

Plant area

Otokar operates on a 552,000 square meter plant in Arifiye, Sakarya.

Certificate and Management Systems

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 27001 Information Security Management System
- AQAP 2110 NATO Quality Assurance Certificate
- Facility Security Certificate with National and NATO Secrecy Degree

Otokar was founded to manufacture Turkey's first busses in 1963, as part of the first steps aimed at Turkey's industrialization and modernization. Initially, the Company produced busses and minibuses; after 1984, with its merger with the Koç Group in 1976, the decision was taken to specialize in other segments of industry.

In addition to its ongoing bus and minibus production, Otokar took the decision to enter the defence industry in 1987. This represented a new era with the manufacture of Turkey's first tactical wheeled armoured vehicle, and Otokar has today reached the position of being a pioneer in Turkey with the largest private capital in the defence industry.

Since its foundation, Otokar has led the way for 50 years and constantly expanded its technological know-how, production capacity, R&D competence and product range.

Today's Otokar is a company specialized in design, development and system integration of vehicles and platforms in the land systems. Otokar holds the intellectual property rights for tactical wheeled armoured vehicles and tracked armoured vehicle, while bringing developed R&D facilities into use for the whole sector. Moreover, Otokar develops various vehicle sub systems including turret systems to complement its land vehicles, and uses them in its products.

In addition to these products, the main battle tank, the "Altay", which was designed and developed by the prime contractor Otokar, has been materialized in line with the needs of the Turkish Armed Forces by using national opportunities and resources. Thanks to the Altay tank, which is a design, prototype and qualification project, Turkey has not only attained a main battle tank with intellectual property rights, but also has gained the substructure of designing and manufacturing one of the most complicated land system.

~2,300

Number of employees

Otokar boasts human resources that can use state-of-the-art technology, are aware of customers and service, open to continuous learning and progress, and who are experienced and qualified.

60+

Number of countries served

Otokar is a global company serving more than 60 countries in 5 continents.

Otokar is manufacturing in two main fields - city transportation and tourism transportation - in the bus segment with its large product range extending from 5.8-meter to 12-meter long buses of various passenger capacities. The company is especially differentiated in the integrated solutions area in city mass transportation.

Otokar has stepped up its endeavours in the design of alternative fuelled busses in recent years and manufactured Turkey's first hybrid bus, called the "Vectio (Doruk) Hibra", Turkey's first natural gas operated medium-size bus, the "Vectio CNG (Doruk DG)", and Turkey's first electric bus, the "Vectio Electra (Doruk Electra)".

Otokar produces vehicles for various categories from dry cargo transportation to frigorific transportation and from container transportation to hazardous material transportation in line with international standards. Otokar produced Turkey's first tanker semi-trailer with the ADR certificate in hazardous material transportation, as well as safe and hygienic solutions in food transportation with its frigorific trailers.

Otokar added a new licensed light weight truck called the "Otokar Atlas" with an 8.5 tons provisional weight to its product range, and began to operate in the light weight truck segment in 2013.

Otokar's large product range is popular not only in Turkey, but in also in foreign markets over five continents and in more than 60 countries.

Otokar's 12-meter Kent municipal buses

900

Bus order from the Istanbul Municipality

900 Kent municipal buses delivered to Istanbul Metropolitan Municipality, İETT (Istanbul Electricity, Tramway and Tunnel General Management).

1963-2013 Milestones

1960s

1963
Otokar was established under the name Otobüs Karoseri A.Ş. in Bahçelievler, Istanbul.

1964
Turkey's first intercity bus was manufactured under the Magirus license.

1967
Small-size buses were manufactured for the first time.

1968
Apollo buses were manufactured.

1970's

1970
Minibuses suitable for public transport were developed and manufactured.

1976
Joined the Koç Group of Companies.

1980's

1980
Turkey's first armoured money transport vehicle was developed and manufactured.

1984
Company's name changed to "Otokar Otobüs Karoseri Sanayii A.Ş."

1987
Manufactured tactical wheeled vehicles under the Land Rover UK license, and won the first major order for these vehicles.

1990's

1990
Turkey's first tactical wheeled armoured vehicle manufactured, and Turkey's first tactical armoured vehicle exported.

1995
Initial Public Offering.

1997
Relocated to 86,000 m^2 plant in Sakarya.

Passenger buses manufactured in 1967

“Since its foundation, Otokar has led the way for 50 years and constantly expanded its technological know-how, production capacity, R&D competence and product range.”

2000’s

2002
Merged with Istanbul Fruehauf A.Ş.; developed and manufactured the Navigo, the first small bus, and captured the number two market share position during the first year of production.

2003
Manufactured Turkey’s first ADR certificated semi-trailer tanker.

2004
Established the Otokar R&D Centre.

2005
Added the Armoured Internal Security Vehicle to the product range; developed and manufactured semi- trailers under the Otokar brand.

2007
Developed and manufactured the Vectio, medium-size bus; launched Turkey’s first hybrid bus.

2008
- Selected as the prime contractor for the development of the modern main battle tank to be manufactured domestically, in line with the needs of Turkish Armed Forces.
- Expanded total production area to 552,000 m^2.

2009
- Added the Kaya, a mine resistant armoured vehicle, as well as the Kent 12-meter city bus, and M-2010 minibus to the product range.
- The Vectio model won the “Design Turkey Award”, and the “Busworld Kortrijk Grand Award” in Europe.
- The Company’s name changed to “Otokar Otomotiv ve Sanayi A.Ş.”

2010’s

2010
- Added the Arma 6x6, a multi-wheeled armoured vehicle, to the product range, receiving two export orders in the first year.
- Became the best-selling bus brand in Turkey in 2011, 2012, and 2013 consecutively.

2011
- Kent city bus won the “Jury’s Special Award” within the scope of European Coach Week. Addition of the Arma 8x8, an armoured combat vehicle, to the product portfolio.
- Displayed a full-scale model of the Altay national tank to the public for the first time.
- Establishment of Otokar Europe.

2012
- Opened the Otokar Tank Test Centre.
- Launched Turkey’s first electric bus.
- Introduced preliminary prototypes of the Altay tank.
- Received an order for 900 buses from the Istanbul Metropolitan Municipality, IETT (Istanbul Electricity, Tramway and Tunnel General Management).

2013

- Celebrated its 50^{th} anniversary.
- Started production of the light weight truck.
- Started production of tracked armoured vehicles
- Became the market leader in the bus market for the 4^{th} time.

Otokar Arma 6x6 (2010)

Otokar's Competitive Advantages

Products that Otokar owns the intellectual rights	**Independence to develop products according to the markets' needs**
Publicly traded	**Transparent structure, reliability**
Operating in niche markets	**Sustainable growth**
R&D capabilities and flexible manufacturing ability	**Swiftness in developing new products and serve the market**
Ability to serve according to needs	**Guarantee of customer satisfaction**
100% local capital	**Advantages in national projects**

- **A global company, holding intellectual property rights with its products in use on 5 continents and in more than 60 countries**
- **Turkey's largest private company in the defence industry**
- **The leading supplier of land systems for the Turkish Armed Forces**
- **Turkey's market leader in the +25 passengers capacity bus segment for the last 4 years**


OTOKAR
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İETT
BÜYÜKŞEHİR
2013-2153
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Otokar’s Operational Lines

	Defence Industry	Products
Commercial Vehicles	**Public Transportation** Otokar has Turkey’s widest product range in city passenger transportation, ranging from 5.8-meter minibuses to 12-meter city buses. Otokar maintains its leadership in the tourism and personnel transportation segment through creating a new niche market for itself in Turkey.	**Buses** Centro/M-2010, Tempo, Navigo/Sultan (Navigo C, Navigo U, Navigo T), Vectio/Doruk (Vectio C, Vectio U, Vectio T), Kent C, Territo U
	Logistic Vehicles Having added the trailer and semi-trailer vehicles to its product range through the merger with İstanbul Fruehauf Taşıt Araçları back in 2002, Otokar is among the leading manufacturers for the transportation and logistics sector through “Otokar” and “Otokar-Fruehauf” branded trailer and semi-trailers. Operates in the light weight truck segment with 8.5 tons Otokar Atlas trucks.	**Trailer, Semi-trailer** Otokar-Fruehauf Curtainsider Semi-Trailer (Tırliner, Speedslider, Mega Speedslider, Euroslider), Otokar-Fruehauf Frigorific Semi-Trailer (Iceliner), Otokar-Fruehauf Tanker Semi-Trailer with ADR and above-truck applications, Otokar-Ecotır, Otokar-Ecoliner, Otokar-Plato, Otokar-Duet, Otokar-Kontena, Otokar-Spira **Light Truck** • Otokar Atlas Long Chassis • Otokar Atlas Short Chassis
Defence Industry	Otokar is one of the world’s leading design and production bases in terms of land defence systems. The Otokar vehicles are used not just in Turkey but also throughout the world. Otokar vehicles are produced on an order basis whose intended purpose varies depending on the personnel capacity and required level of protection. Designed and produced by Otokar, turret systems that are suitable for various missions are also included in the Otokar product range.	**Tactical Wheeled Armoured Vehicles** Otokar APV (Armoured Patrol Vehicle), Ural, Cobra, Cobra II, Arma 6x6, Arma 8x8, Kaya, Kaya II, Kale, Armoured Internal Security Vehicle, Discreetly Armoured Tactical Vehicle **Tracked Armoured Vehicles** Tulpar Light Tracked Armoured Vehicle, Altay Main Battle Tank **Turret Systems** Mızrak RCT, Keskin RCT, Open Turrets, Internal Security Turret, Üçok, Bozok, Başok

Developments in 2013

Became the market leader in the Turkish bus market for a 4th time.

The 7-meter "TEMPO" model bus, designed as a shuttle bus and for personnel transport, was added to the product mix.

900 Kent model city bus was delivered to the Istanbul Metropolitan Municipality.

Otokar medium-size bus Doruk

The production of licensed Otokar Atlas light trucks was started. Approximately 200 vehicles were sold.

The Otokar maxi sectioned tanker was included in the semi-trailer tanker family and the tanker product range was completed.

Received Design Approval Certificates from the Turkish Standards Institution for semi-trailers.

Curtainsider semi-trailer added to the product range which is suitable for railway transportation.

Otokar curtainsider semi-trailer

Tulpar, Turkey's first tracked armoured vehicle, was introduced.

Ural and Cobra II added to the product range.

Üçok, Başok and Bozok turrets were introduced in turret systems segment.

Test studies of the preliminary prototypes of Altay Main Battle Tank continued.

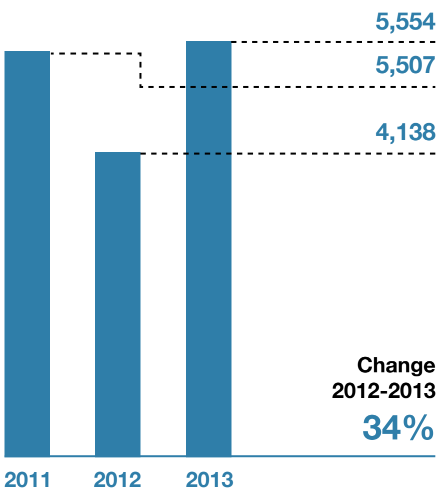
Otokar Arma 8x8 armoured combat vehicle

Key Indicators

Summary Financial Information

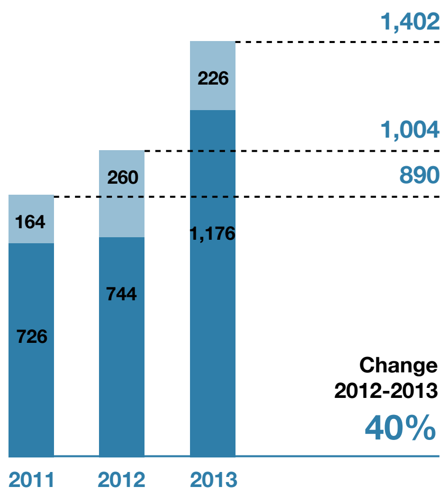
Sales Volume

(unit)



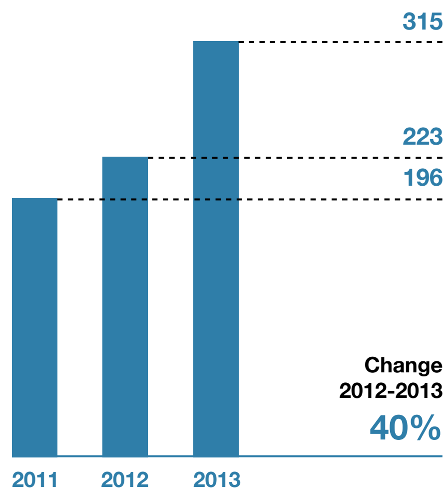
Sales Revenues

(TL million) Domestic Exports



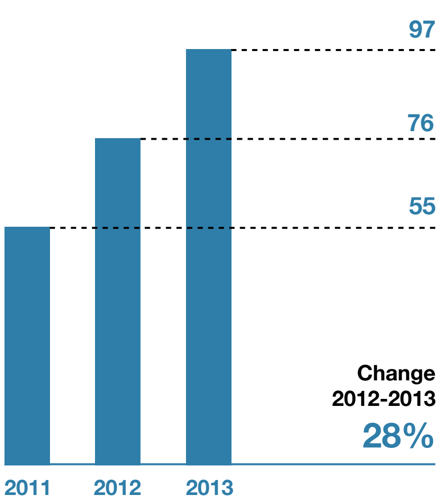
Gross Profit

(TL million)



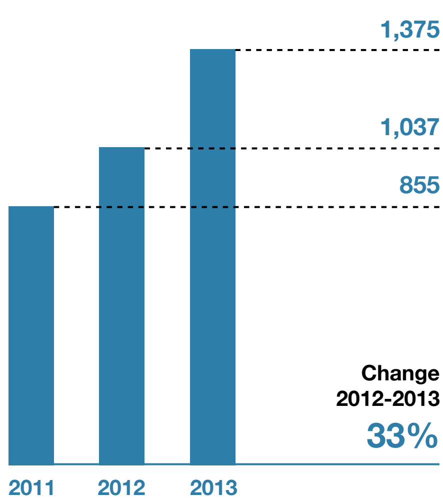
Net Profit

(TL million)



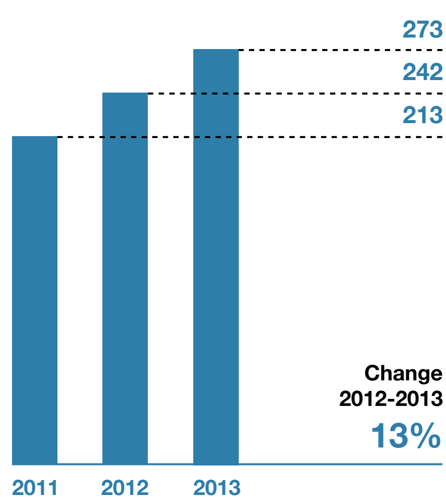
Total Assets

(TL million)



Shareholders' Equity

(TL million)



Financial Ratios

Liquidity Ratios	2012	2013
Current Ratio (Current Assets/Short Term Liabilities)	1.28	1.16
Liquidity Ratio (Current Assets-Inventories/Short Term Liabilities)	0.81	0.73
Financial Leverage Ratios	**2012**	**2013**
Total Debt to Total Assets Ratio (Short Term Debt + Long Term Debt/Total Assets)	0.77	0.80
Equity/Total Debt Equity/(Short Term Debt + Long Term Debt)	0.30	0.25
Profitability Ratios	**2012**	**2013**
Sales Profitability Ratio (Pre-Tax Income/Net Sales)	0.08	0.08
Return on Assets (Pre-Tax Income/Total Assets)	0.08	0.08
Return on Equity (Net Profit/Shareholders' Equity)	0.32	0.35

Main Ratios

(%)

	2011	2012	2013
Gross Profit Margin	22	22	22
Operating Margin	8	11	11
EBITDA Margin	11	14	14
Pre-Tax Income Margin	7	8	8
Net Margin	6	8	7

R&D Indicators

4.2%

The ratio of R&D spending in revenues over the last 5 years

95%

The share of Otokar designed vehicle sales in turnover

TL 229 million

Total R&D spending over the last 10 years

81

Number of patents and industrial designs owned

Productivity Indicators

164

Number of projects developed in 2013 in order to improve productivity

50%

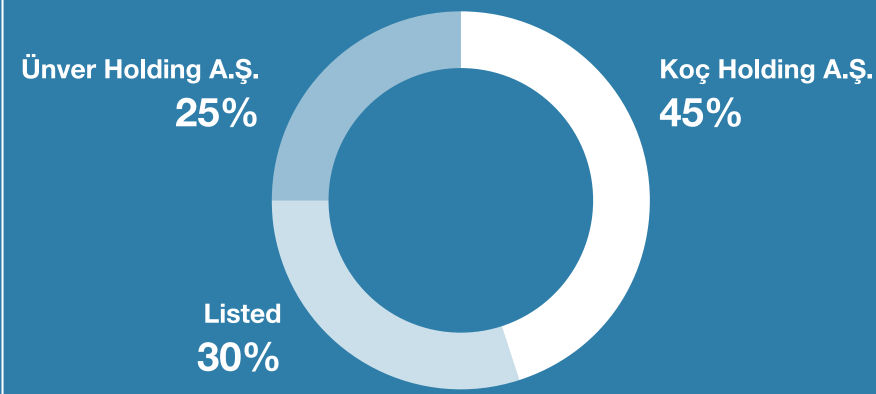
The quality improvement ratio achieved in production processes throughout 2013

Corporate Governance Rating Note

9.10

Otokar: 100% local ownership…

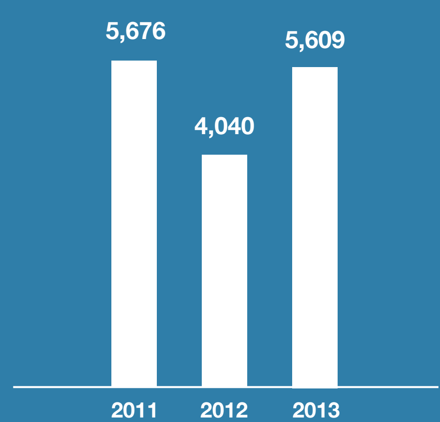
Ownership Structure



… generating value for Turkey …

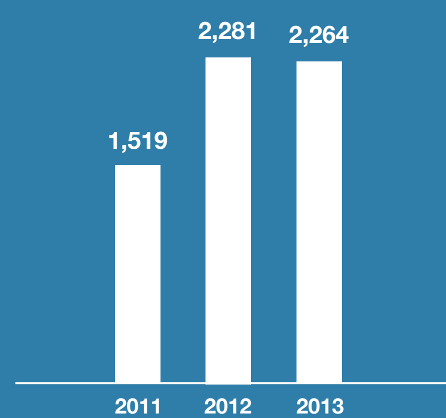
Production Volume

(unit)



Number of Employees

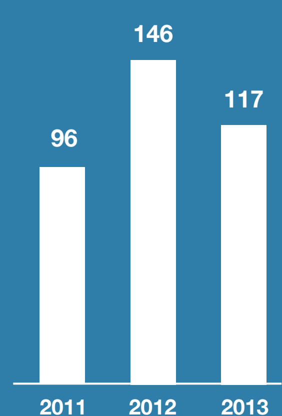
(persons)



… a global brand.

Export Revenues

(USD million)

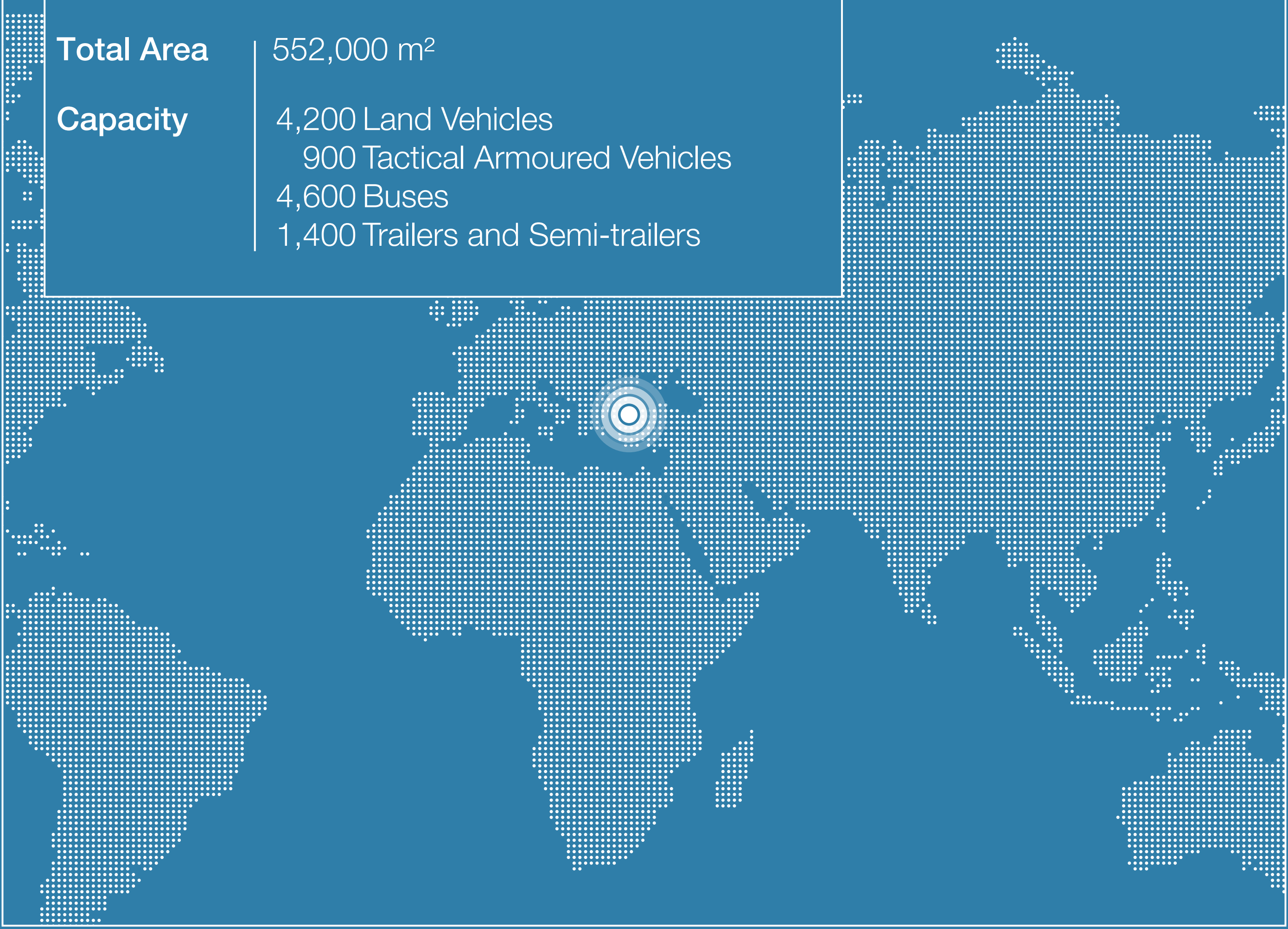


- **Otokar brand vehicles used in more than 60 countries in 5 continents**
- **Sales and service network expanded to more than 200 points**

“Otokar, whose wide product range is demanded not just in Turkey but also abroad, sells its vehicles to more than 60 countries in 5 continents.”

Sakarya Arifiye Plant

Total Area	552,000 m^2
Capacity	4,200 Land Vehicles 900 Tactical Armoured Vehicles 4,600 Buses 1,400 Trailers and Semi-trailers



Chairman's Message

Kudret Önen

Chairman

"There are two main values behind the success that Otokar has currently reached: focusing on a niche market and standing alone as an independent manufacturer."

Esteemed shareholders and stakeholders,

We round up a year which was marked by ongoing changes in global economic balances, challenges and opportunities. On the whole, with the 9% growth in the Turkish Automotive Industry, 2013 was a positive year. In defence industry, the precedence and support offered to the domestic industry paved the way for a good outcome. This tendency provided defence industry manufacturers with competitive advantages over foreign producers. Meanwhile, a recovery started to take hold in the European commercial vehicle market.

As Otokar, we had a successful year by utilizing the opportunities and creating new opportunities with our innovations and services. We attained a record 40% rate of revenue growth in what was our 50th year of operation. We realized a 34% increase in sales volumes, with the sale of 5,554 vehicles. We outperformed the wider automotive sector, and affected the change in the market in a positive manner.

In the bus segment, we served more than 30 countries, particularly in Europe; in the defence industry, we continued to serve approximately 30 countries in 5 continents with our products. We strived for strengthen our position in the market. We recorded USD 117 million of exports during 2013.

Looking ahead is the key for progress.

We said "Looking ahead is the key for progress", and we focused on needs in the market which had not been identified, and we took heed and pioneered products to meet these needs; we tried hard to understand our customers' expectations. We aimed to support the extension of our authorized dealers, authorized servicers and suppliers by increasing the variety of our services thanks to our innovations. Backed by our engineering competence, R&D experience and successful test centres, we developed new products and entered new business areas. We directed 4% of our revenues to R&D expenses and increased our product range with new vehicles. We were one of the top 20 companies according to the number of patent applications.

We became the best-selling bus brand in Turkey for the fourth time, developing our technology and protecting national identity in our products, while aiming to reduce external dependence in the defence industry. We added the Tulpar - Turkey's first tracked armoured vehicle, to our product range in 2013. We have also reached the final phase in design, prototype and qualification process of Turkey's first national battle tank, the Altay.

40%

A record rate of revenue growth

We attained a record 40% rate of revenue growth in what was our 50th year of operation.

top 20

Patent applications

We were one of the top 20 companies according to the number of patent applications in Turkey.

Two main values

There are two main values behind the success that Otokar has currently reached.

The first one is focusing on a niche market… Otokar has defined new markets, specialized on them and listened carefully to its customers ever since it was founded. The Company has worked hard to meeting these niche needs in the best manner. Accordingly, Otokar was responsible for producing Turkey's first bus, armoured vehicle, hazardous material transportation tanker semi-trailer and a number of other firsts during its 51 year history. By specializing on different fields, the Company has spread the risk and maintained its sustainable growth.

Otokar's second specialty is to stand alone as an independent manufacturer. As such, Otokar has recently started to produce its own designed products which carry millions of passengers throughout the world. Besides, we are proud to be Turkey's number one manufacturer of land systems and to be designing Turkey's national main battle tank.

Esteemed shareholders,

We will endeavour to multiply our successes with our strengths in 2014, as we have in the past. With all the developments - such as having the largest product range of commercial vehicles in the bus segment, launching our new product in the light weight truck segment, a further growth expected in the logistics segment with the application of new regulations, as well as new innovations, we will record important increases in market share. In the defence industry, we will endeavour to launch new products and ensure that these products enjoy as much success as the current products in 2014. We will continue our work in order to bring the Altay main battle tank to perfection and be ready to best serve our country and the Turkish Armed Forces.

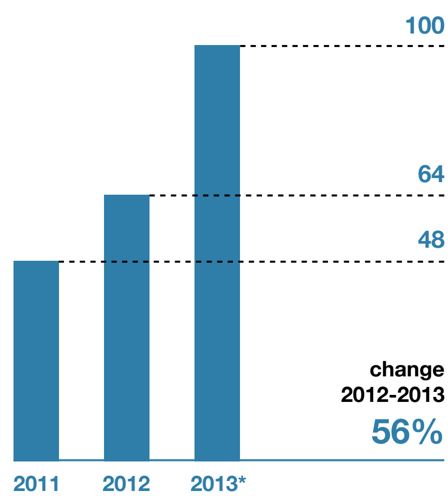
I hope that 2014 brings prosperity to all of our shareholders, customers, business partners, and employees. I also hope to close the year 2014 with another set of successful results.

Yours Respectfully,

Kudret Önen
Chairman

Dividend Payments

(TL million)



* Will be subject to approval at the Annual General Meeting to be held in March 2014.

Board of Directors

Kudret Önen
Chairman of the Board of Directors

Halil İbrahim Ünver
Vice Chairman of the Board of Directors

Osman Turgay Durak
Board Member

Ali Tarık Uzun
Board Member

Ahmet Serdar Görgüç
Board Member – General Manager

Tuğrul Kudatgobilik
Board Member

İsmet Böcügöz
Independent Board Member

Abdulkadir Öncül
Independent Board Member

Kudret Önen
Chairman of the Board of Directors

Born in Istanbul in 1953, Mr. Önen graduated from the Department of Mechanical Engineering at Gazi University. He joined Koç Group in 1975, working at Ford Otosan. In 1980 he was appointed as the R&D Manager at Koç Holding, and Assistant General Manager at Otokar in 1984. Between 1994 and 2005 he served as the General Manager at Otokar. After serving as the Co-President of the Other Automotive Companies Group within the Koç Holding organization in 2005, he served as the President of the Defence Industry and Other Automotive Companies Group of Koç Holding between 2006 and 2010. Since 2010, Mr. Önen has been serving as the President of the Defence Industry, Other Automotive and Information Technology Group within Koç Holding.

Pursuant to the CMB's Principles of Corporate Governance, Mr. Önen is an executive board member, and is not qualified to serve as an independent board member. While the positions he has held over the past ten years are detailed above, Mr. Önen currently serves on the Boards of several Koç Holding companies.

Halil İbrahim Ünver
Vice Chairman of the Board of Directors

Born in Istanbul in 1950, Mr. Ünver graduated from Ulmer Technical College in Germany. Mr. Ünver is the Chairman of Ünver Holding.

Pursuant to the CMB's Principles of Corporate Governance, Mr. Ünver is a non-executive board member, and is not qualified to serve as an independent board member. While the position he held over the past ten years is detailed above, Mr. Ünver currently serves on the Board of Otokar.

Osman Turgay Durak
Board Member

Born in Istanbul in 1952, Mr. Durak received his graduate and master degrees from Northwestern University (USA), at the Department of Mechanical Engineering. He joined Koç Group in 1976, working as a product development engineer at Ford Otomotiv. He served as Assistant General Manager in 1986, Chief Deputy General Manager in 2000, and General Manager at Ford Otosan in 2002. Between 2007 and 2009, Mr. Durak was the President of the Automotive Group at Koç Holding. From May 2009, he served as Deputy Chief Executive at Koç Holding, and was appointed CEO of Koç Holding in April 2010, becoming a Board Member. Mr. Durak was the Chairman of the Automotive Manufacturers Association between 2004 and 2010.

Pursuant to the CMB's Corporate Governance Principles, Mr. Durak is a non-executive board member, and is not qualified to serve as an independent board member. While the positions he has held over the past ten years are detailed above, Mr. Önen currently serves on the Boards of several Koç Holding companies.

Ali Tarık Uzun
Board Member

Born in Mersin in 1964, Mr. Uzun graduated from the Faculty of Political Science at the Department of Economics in Ankara University; he later completed a Master's degree in Business Administration from Koç University. Mr. Uzun began his professional career in 1985 as an Account Specialist at the Ministry of Finance. In 1992, he joined Koç Group as an Assistant Coordinator of Financial Affairs within the Audit and Finance Group. Mr. Uzun served as Coordinator between 1996 and 2003, and has been the President of the Audit Group within the organization of Koç Holding since 2004.

Pursuant to the CMB's Principles of Corporate Governance, Mr. Uzun is a non-executive board member, and is not qualified to serve as an independent board member. While the positions he held over the past ten years are detailed above, Mr. Önen currently serves on the Boards of several Koç Holding companies.

Ahmet Serdar Görgüç
Board Member – General Manager

Born in Izmir in 1959, Mr. Görgüç graduated from the Department of Mechanical Engineering at Boğaziçi University; he later completed a Master's degree in Business Administration from Istanbul University. Mr. Görgüç joined Koç Group in 1982, working at the Group's R&D Centre. He served as Automotive Unit Manager at the R&D Centre until 1985, and was appointed Advanced Projects Design Manager at Otokar in the same year. Mr. Görgüç served as Product Engineering Manager between 1989 and 1995, and as Assistant General Manager of Engineering between 1995 and 2005. He has been in the post of General Manager of Otokar since 2006.

Pursuant to the CMB's Principles of Corporate Governance, Mr. Görgüç is an executive board member, and is not qualified to serve as independent board member. While the positions he held over the past ten years are detailed above, Mr. Görgüç currently works within Koç Group.

Tuğrul Kudatgobilik
Board Member

Born in Istanbul in 1940, Mr. Kudatgobilik graduated from the Faculty of Law at Istanbul University. He completed a Master's degree in Economics from The London School of Economics. He began his professional career in 1968 at Koç Group, and has assumed several duties within the Group, mainly at Arçelik, over the course of a 34 year career. He was then elected as a Board Member of MESS (Turkish Employers' Association of Metal Industries). Mr. Kudatgobilik has been serving as the Chairman of MESS since April 2001. He is also the Chairman of the MESS Education Foundation (MEV) and MESS Entegre Geri Kazanım ve Enerji A.Ş. (MSG).

Pursuant to the CMB's Principles of Corporate Governance, Mr. Kudatgobilik is a non-executive board member, and is not qualified to serve as an independent board member. While the positions he has held over the past ten years are detailed above, Mr. Kudatgobilik currently serves on the Board of Otokar.

İsmet Böcügöz
Independent Board Member

Born in Burdur in 1943, Mr. Böcügöz graduated from Istanbul University, Academy of Economics and Commercial Sciences, at the Department of Business Administration. He worked as a Bank Inspector between 1968 and 1972, and joined Koç Group in 1972, working at the Finance Department of Tofaş. He served as Chief Accountant and Accounting Manager at Tofaş until 1995.

Between 1995 and 2003, Mr. Böcügöz was the Assistant General Manager in charge of Financial Affairs at Otokar, subsequently retiring from this position. Since 2012, he has been serving as an Independent Board Member at Otokar Otomotiv ve Savunma Sanayi A.Ş.

Pursuant to the CMB's Principles of Corporate Governance, Mr. Böcügöz is a non- executive board member, and holds the required qualifications to serve as an independent board member. While the positions he has held over the past ten years are detailed above, Mr. Böcügöz resigned from these duties after completing his term. Mr. Böcügöz has not executed any transactions with either Koç Holding A.Ş. or its affiliated parties at any time in the past five years.

Abdulkadir Öncül
Independent Board Member

Born in Merzifon/Samsun in 1946, Mr. Öncül graduated from the Faculty of Economics, at the Department of Business Administration at Istanbul University. He began his professional career in 1970 at Otosan Otomotiv, and later served as the Finance Manager of Otokar between 1977 and 1984. Mr. Öncül was a manager at Doğan Group between 1984 and 2001, subsequently retiring from this position. Since 2012, he has been serving as an Independent Board Member at Otokar Otomotiv ve Sanayi A.Ş.

Pursuant to the CMB's Principles of Corporate Governance, Mr. Öncül is a non- executive board member, and holds the required qualifications to serve as an independent board member. He has not executed any transactions with either Koç Holding A.Ş. or its affiliated parties at any time in the past five years.

Senior Management

Ahmet Serdar Görgüç
General Manager

Hüseyin Odabaş
Assistant General Manager - Finance

Hasan Basri Akgül
Assistant General Manager - Domestic Market Sales and Marketing

Ali Rıza Alptekin
Assistant General Manager - Production and Procurement

Murat Ulutaş
Assistant General Manager - Technical

Mustafa Bakırcı
Assistant General Manager - Main Battle Tank and Armoured Tactical Vehicles

Ahmet Serdar Görgüç
General Manager

Serdar Görgüç began his professional career in 1982 at the Koç Holding Automotive Unit as a Project Engineer, and was later appointed to the position of Unit Manager at the R&D Centre. In the same year, he was appointed as the Advanced Projects Design Manager, and served in that position until 1988. Mr. Görgüç worked as the Product Engineering Manager between 1989 and 1995, and as Deputy General Manager of Engineering between 1995 and 2005. He has been serving as the General Manager of Otokar since 2006.

Mr. Görgüç graduated from Boğaziçi University, Department of Mechanical Engineering in 1981; he later received a master's degree in Business Administration from Istanbul University in 1983.

Hüseyin Odabaş
Assistant General Manager - Finance

Hüseyin Odabaş began his professional career at Koç Holding in 1989 as a Management Trainee and served as an Audit Expert between 1992 and 1994. He then served as an Accounting Manager at Ormak -a Koç Group Company- between 1994 and 1996 before working as an Accounting Manager at Otokar between 1996 and 2003. He has been serving as Assistant General Manager responsible for Finance since 2003.

Mr. Odabaş graduated from the Department of Business Administration at İstanbul University in 1985.

Hasan Basri Akgül
Assistant General Manager - Domestic Market Sales and Marketing

Hasan Basri Akgül began his professional career at Tofaş in 1990 as a Regional Sales Assistant Manager and went on to serve as Regional Sales Manager between 1990 and 1992, Logistics Manager between 1993 and 1997, and Sales Coordinator in 1998. He has been serving as Assistant General Manager at Otokar responsible for Domestic Market Sales and Marketing since 1998.

Mr. Akgül graduated from the Department of Mechanical Engineering at Istanbul Technical University in 1984; he later completed a Master's degree in the same discipline from the Boğaziçi University in 1988.

Ali Rıza Alptekin
Assistant General Manager - Production and Procurement

Ali Rıza Alptekin began his professional career at Ford Otosan, a group company, in 1987 as a Product Development Engineer where he served until 1989. Mr. Alptekin then served as Quality Manager at İstanbul Piston ve Pim Sanayi between 1991 and 1993, as a Production Management Manager at Honda Turkey between 1993 and 2000, and as Procurement Director of Manufacturing at Honda UK between 2000 and 2006. He has been serving as the Assistant General Manager responsible for Production and Procurement at Otokar since 2006.

Mr. Alptekin graduated from the Department of Mechanical Engineering at Boğaziçi University in 1989; he later completed a master's degree in the same discipline at the University of Clemson in 1991.

Murat Ulutaş
Assistant General Manager - Technical

Murat Ulutaş began his professional career at Ford Otosan in 1992 as Product Development Assistant Manager and then served as Product Development Manager between 2001 and 2004, and as the Project Manager for the PUMA I5 Vehicle project from 2004 to 2005 at the same company. He has been serving as an Assistant General Manager at Otokar responsible for Engineering since 2006.

Mr. Ulutaş graduated from the Department of Mechanical Engineering at Istanbul Technical University in 1991; he later went on to complete a Master's degree in the same discipline, also from Istanbul Technical University in 1993.

Mustafa Bakırcı
Assistant General Manager - Main Battle Tank and Armoured Tactical Vehicles

Mustafa Bakırcı began his professional career in 1980 as an R&D Engineer at TÜBİTAK Defence Industry Research and Development Institute before working for Aselsan as an R&D Engineer from 1983 to 1985. Starting his career at Otokar as a Project Engineer in 1985, he then went on to serve as the CAD Specialist between 1987 and 1989, as CAD Chief between 1989 and 1995, as R&D Manager between 1995 and 2006 and as R&D Director from 2006 to 2008. He has been serving as the Assistant General Manager at Otokar responsible for the Main Battle Tank and Armoured Tactical Vehicles since 2008.

Mr. Bakırcı graduated from the Department of Mechanical Engineering at the Middle East Technical University in 1979 before completing a master's degree in the same discipline, also from the Middle East Technical University, in 1981.

2013 Activities

Otokar celebrated its 50th year.

Otokar, which has been a symbol of the Turkish automotive sector's presence and development, completed projects which had influence not just in Turkey but also in the world.

With 50 years of experience and extensive knowledge, competence in design and engineering and an effective solution-creating approach, Otokar continues to serve its customers.

Turkey's first original tracked armoured vehicle was developed.

Otokar added the Tulpar tracked armoured vehicle, the intellectual property rights of which belong to Turkey, to its product range in 2013. Otokar produced new tracked armoured vehicle aimed first and foremost at the Turkish Armed Forces, and secondly at export markets. In addition, the COBRA II - with its high safety and passenger capacity, and the 4x4 tactical armoured vehicle, URAL, are the other innovative products to have been added to the Company's product range.

The most popular company in the bus market for the 4th time

Otokar succeeded in becoming the most preferred bus brand in the market for 25 seater or larger passenger buses for the 4th time. In 2013 Turkish bus market, three in every five small busses and one in every sold two municipal buses carry the Otokar brand. The company maintained its endeavours in developing new products, and introduced Tempo buses.

Certificate of Design Approval obtained from TSE (Turkish Standards Institution).

With the ADR Certificate on the transportation of hazardous materials, Otokar became the first company to obtain the Certificate of Design Approval for its elliptic tanker trailers.

Otokar registered USD 117 million exports.

Otokar exports its products to more than 60 countries over five continents. The Company holds the intellectual property rights of the products, proven its success and become a world brand. Registering USD 117 million export revenues in 2013, Otokar aims to increasing its exports in the coming years.

Production in the light vehicle segment gets underway.

In line with its aim of broadening its product range, Otokar started to produce Atlas light truck.

40% growth in revenues

Otokar recorded revenues of TL 1.4 billion, marking 40% growth over the 2012 figure.

Commercial Vehicles

"Otokar is Turkey's market leader in passenger bus segment."

Otokar small-size bus Tempo

High-comfort tourism transportation bus Doruk T

Public Transportation

Otokar manufactures vehicles for city passenger transportation, tourism and personnel transportation as sub categories in the public transportation segment.

Sales of vehicles in the city passenger transportation segment expanded by 67% in 2013 on the back of rising demand in this category, and the market for small size buses grew by 28%.

Otokar has recently been selected by the Istanbul, Izmir, Samsun, Bursa, and Malatya Municipalities to produce vehicles for mass transportation, due to their durability, low operation costs and their environment-friendly characteristics.

In exports, Otokar extended its operations into Europe while enhancing its spare parts suppliers' operations in Europe and supported after sale services in France, which is the Company's biggest export market.

The Company initiated sales of Vectio U, Euro 6, Vectio C, and Navigo 8.4-meter vehicles to European countries in 2013.

The Company realized its first Euro 6 vehicle fleet sale in 2013.

In-city Passenger Transportation

Mass transportation has gained prominence throughout the world due to the problem of parking, increasing environmental pollution and traffic jams, especially big cities. Mass transportation has therefore become a necessity to meet cities' needs due to the increase in their populations. Thus, transport operators and municipal corporations are seeking mass transportation solutions with minimum costs, which support the economy, support social harmony and promote urban development.

In the light of these facts, Otokar is performing long-term and extensive endeavours on environment-friendly production based on high technology and a focus on comfort.

Aware of the trend towards clean energy and the use of alternative fuel in mass transportation, Otokar produced Turkey's first electric bus, the Doruk (Vectio) Electra. The electric bus was launched in 2012 in Turkey and undertook trial runs for the IETT in Istanbul at the beginning of 2013, and the ESHOT in Izmir at the end of 2013.

Otokar believes that mass transportation vehicles should be designed in a contemporary manner in line with the modernization process in the cities, an approach justified by the design prizes awarded to Otokar for its Vectio and Kent buses. Since modern mass transportation has gained prominence, investment in this area has increased. Otokar won the Istanbul Municipality's solo type bus tender and, in this scope, produced 900 Otokar Kent buses in 2012, completing their delivery in 2013. The contract also included after sales services, the spare parts and 5 year annual maintenance services.

Tourism and Personnel Transportation

Otokar has recently entered the tourism sector, and realized production focusing on meeting the needs of the sector. Medium sized buses of 9-10 meters in length are manufactured under the Vectio brand and, while the 7-8 meters long smaller buses manufactured under the Navigo brand have become the most popular buses over the last six years.

Otokar has gained considerable popularity in the tourism sector by producing bus models offering low cost, high levels of comfort and extensive room for baggage, and utilizes the opportunity of buyers' effective cost strategy.

Otokar launched small size Tempo buses in the tourism and personnel transportation segment during 2013. The buses have gained significant appreciation among customers in both domestic and foreign markets because of their design in line with the customers' demand and expectations.

Otokar Atlas light truck

Otokar Atlas

New product launch

Otokar manufactured and introduced the market its 8.5 tons Otokar Atlas truck and extended its product range with light weight truck segment in 2013.

Logistic Vehicles

Otokar has played a major role in the cargo segment and participated in a whole range of projects that add value in the sector.

Semi-trailer

Otokar semi-trailer products, which are designed in line with customers' expectations, EU regulations and customs legislation, have succeeded in meeting key transportation needs with their multi purposed area of usage. With their special designs, state-of-the-art technology and high level of quality, Otokar vehicles provide a safe transportation service.

Otokar was the first company to implement ADR standards in Turkey regarding the transportation of hazardous materials and is the most experienced manufacturer in this field.

Otokar conducted various projects to manufacture tanker semi-trailer fleets in Turkey and has gained considerable experience in this area. The Company is the one of the six counties in Europe to hold the R111 certificate implying reduced risk of the tankers overturning. Moreover, Otokar was Turkey's first company to hold TSE Design Approval Certificate regarding its elliptic tanker trailer in line with the ADR code implemented in Turkey.

Otokar has focused on restructuring in the trailer market, in which the Company enjoyed a commanding position and extended its dealer channel. The Company has also boosted its pioneering position with its range of newly developed and recently launched products.

Otokar's vehicles added into its product range in cargo segment in 2013:

- Maxi Sectioned Tanker - Semi-trailer tanker, meeting ADR standards and R111 instructions
- Mega Iceliner - Refrigerated semi-trailer with high transportation capacity
- Semi-trailer suitable for railway transportation

Light Truck

Otokar manufactured the 8.5 tons Otokar Atlas light truck and released it the market, and extended its product range with light weight truck segment in 2013. Otokar Atlas stimulated the light weight truck market with its high payload capacity and low operating costs. With its modular structure, the Otokar Atlas was designed for multipurpose usage. Otokar Atlas has received very positive feedback since the vehicle entered the market, and already received purchase orders for 200 of the vehicles.

- Otokar realized its first Euro 6 vehicle fleet sale to European market in 2013.
- 900 Kent model city bus was delivered to the Istanbul Metropolitan Municipality.
- Maxi Sectioned Tanker and Mega Iceliner are added to semi-trailer product range.
- Otokar Tempo model bus was added to the product portfolio.


Otokar Iceliner frigorific semi-trailer

Defence Industry

“Otokar is a pioneering company in the sector and commands the most experience among the companies manufacturing land vehicles in the defence sector.”

Otokar Cobra II 4x4 tactical wheeled armoured vehicle

Otokar has the largest product range in the defence industry, with its tactical wheeled armoured vehicles tracked armoured vehicles ranging from ¾ tonne to 60 tonnes, as well as turret systems.

Otokar, which has been operating in the defence industry with land systems since 1987, followed the developments and the condition of the sector worldwide, and played an active role in the success of the sector. In addition to its capability to compete with some of the world’s biggest players in the sector, Otokar enjoys effective competitive strength in terms of quality, technology and services.

Otokar is a pioneering company in the sector and commands the most experience among the companies in land defence sector. Otokar produced Turkey’s first tactical vehicle in 1966, first armoured vehicle in 1983, and first tactical armoured vehicle in the 1990s, and exported Turkey’s first tactical armoured vehicle in 1993.

Otokar is the largest privately owned industrial entity in the defence sector with a range of vehicles from ¾ tons to 60 tons, with 4x4 and 8x8 vehicles, and tracked armoured vehicles and turret systems.

Otokar has set its main strategy as one of developing, manufacturing, and selling high tech products in both the domestic and international markets. The Company has structured its operations around this strategy, building a pioneering position in Turkey, and has been strengthening its position in the world.

A strategy of placing priority on domestic projects and domestic manufacturers in the defence sector was continued in Turkey during 2013.

In 2013, according to customers’ needs, Otokar designed Turkey’s first tracked armoured vehicle called Tulpar thanks to its experience in land vehicles. In addition to that, Otokar added Cobra II and Ural tactical wheeled armoured vehicle to its product range, and introduced three different turret systems. Thus, Otokar has reached a producer position of meeting all types of customers’ needs regarding wheeled and tracked land vehicles and turret systems.

Tulpar

Tracked armoured vehicle

In 2013, Otokar designed Turkey’s first tracked armoured vehicle called Tulpar. Tulpar is named after the winged horse stated in Turkish epics.


Tulpar tracked armoured vehicle

Altay main battle tank winter tests

Altay

National Main Battle Tank

The Phase-I of the Altay tank project is scheduled to be completed in 2015.

Otokar undertook development, production and training activities for the special operations vehicle used in North America and tactical vehicles used in the Far East, within the scope of the Jaguar Land Rover projects in 2013. It began to engineer and manufacture Jaguar Land Rover military vehicles in the scope of the Approved Vehicle Modifier document. Sales operations of the spare parts related to these systems will be also performed by Otokar.

Altay National Main Battle Tank Project

Otokar released prototypes of Turkey's national main battle tank Altay at the end of 2012. The Altay project comprises two different phases; "Conceptual Design, Detailed Design, Prototype Development and Qualification Stage" and "serial production".

Altay, which was designed according to the technical and tactical demands of the Turkish Armed Forces, gained prominence with its superior firepower, high mobility and durability. When the project is completed, all of design and intellectual property rights will be held by the Republic of Turkey without any limitations.

The Altay tank was developed by incorporating the world's latest technology, and is a tank which has the most modern concept and design.

In May 2013, the second stage of the project - the Detailed Design Stage - was completed and the Company entered the third stage - Prototype Development and Qualification - of the Altay Project. Endurance tests and ballistic tests were undertaken during 2013. Production of the PV1/PV2 prototypes is planned to be initiated, and will be completed and tested for System Qualification and Approval Tests as part of the third stage in 2014. The Phase-I of the Altay tank project is scheduled to be completed in 2015.

The Altay project is expected to add significant momentum to the Turkish defence industry in the design, development and manufacture through its investments, qualified work force and accumulated technical knowledge.

Otokar Ural 4x4 tactical wheeled armoured vehicle

R&D Operations

> Otokar has a modern R&D centre which is structured multi-dimensionally and equipped with state-of-the-art technology.

81

Domestic and national identity

Otokar R&D centre owns 81 patents and industrial designs.

Climate controlled Test Chamber with Dynamometer

During its 50 years of operation, Otokar has provided the Turkish automotive sector with innovation and been a pioneer for the sector in its corporate history.

The main factor behind its success has been the R&D activity it has conducted in line with international standards.

Otokar began its R&D activities in the 1970s, and has a modern R&D centre which is structured multi-dimensionally and equipped with state-of-the-art technology.

In line with the Company's vision, which is "to protect the domestic and national identity of its products", Otokar's R&D centre has approximately 100 letter patents, industrial designs and working models.

Otokar has invested 4.2% of its total revenues in R&D over the last five years, and invested TL 50 million into R&D in 2013. Otokar has meticulously fulfilled the principle of utilizing resources domestically with its R&D investments over the last 10 years.

Otokar introduced Turkey's first and the world's most modern Tank Test Centre in 2012, and realized most of the projects including in its R&D operations. The 6DOF (6 Axised Simulator) was brought into use in turret systems field in 2013.

The Tulpar, Ural, Cobra II, Tempo, Euro 6 engine buses, Otokar Atlas, Maxi sectioned tanker semi-trailer, Mega Iceliner and trailer suitable for railway transportation were launched to the market as new products.

In line with the ADR Certification in hazardous materials transportation, Otokar became the first company to obtain the Certificate of Design Approval for its elliptic tanker trailer.

Otokar Test Centre

- A climate controlled Test Chamber with Dynamometer, the first of its kind and unique in Turkey, which is also well respected in Europe
- The highest capacity hydraulic road simulator in Turkey
- Electromagnetic Compatibility Test Chamber (EMC/EMI), the first of its kind and unique in Turkey, and also the most modern in the world
- One of the world's most advanced and modern ballistic laboratories and mine testing equipment

Productivity Operations

Otokar semi-trailer suitable for railway transportation

Cobra with amphibic capabilities

"Improvement in the quality of goods and services from the suppliers and improvement regarding quality problems in the manufacturing process was 65% and 50%, respectively, during 2013."

Otokar sees productivity operations as one of the major components for sustainable growth.

Otokar develops and applies productivity projects focusing on costs and quality in its production, in line with its business plan and goals. In addition, the Company also develops projects on employee satisfaction, environment and occupational safety.

In the scope of productivity operations, Otokar fulfilled 164 improvement projects in 2013. The Company analysed the main reasons for the challenges, held 64 meetings on these issues and created solutions aimed at overcoming the identified obstacles to realizing its goals. A total of 76% of the projects were focused on cost and quality, while 24% concerned deadlines, the environment and employee satisfaction.

The Company realized a 65% improvement in the quality of goods and services from its suppliers and a 50% improvement regarding quality problems in the manufacturing process in 2013.

164

Improvement projects

Otokar fulfilled 164 improvement projects in 2013 in the scope of productivity operations.

After Sales Services

“Otokar does not just provide after sales services to the domestic market, but also to everywhere in the world where the Company’s vehicles are used.”

444 68 57

Otokar Customer Care

Otokar endeavours to meet customers’ needs and demands in as timely a way as possible.

An efficient after sale service is one of the most significant components in developing a new product, in addition to customer satisfaction. In addition, after sale services represent a source of information for the company.

With an awareness of the importance of after sale services, Otokar endeavours to meet customers’ needs and demands in as timely a way as possible. The Company does not just provide after sales services to the domestic market, but also to everywhere in the world where Otokar’s vehicles are used.

Otokar is improving on this issue day to day, providing 24/7 customer accessibility through “Otokar Customer Care” on 444 68 57/444 OTKR in Turkey. This customer care aims to both increase customer satisfaction to the highest level and to obtain statistical data.

In line with the increasing number of vehicles and automotive products, Otokar will maintain its policies on customer care and customer satisfaction going forward.

Toward the Future…

> Otokar is placed in a leading position to produce buses suitable to transport disable passengers.

In 2014, Otokar will strengthen its position in defence sector and commercial vehicles segment, and focus especially on ensuring its recently launched products are just as successful as its earlier products.

Through the mandatory regulation to provide passenger transportation for the disabled, growth is expected due to the renewal of vehicles in the city bus segment. Otokar, which is the most preferred brand in the bus segment in Turkey, is placed in a leading position to produce busses suitable to transport disable passengers. In the tourism transportation segment, the Vectio T is expected to gain prominence as an alternative solution, thanks to its economical operating costs when compared to coaches in a market marked by rising operating costs. The Tempo, a new product in personnel transportation, is expected to fill a gap in the sector with its low operating costs. Otokar aims to export its products to Europe and plans to be the largest bus manufacturer in the small and medium size buses in those countries with major markets for buses.

Otokar foresees growth in the tanker semi-trailer market with the implementation of the ADR Certification, and continues to serve the market with a wide product range. In the frigorific transportation segment, where new regulations are expected to be introduced, Otokar provides solutions with its refrigerated semi-trailers and aims to be a pioneer in this segment. In parallel with recent trends in logistics, demand for trailers suitable for railway transportation is expected to grow.

With tonnage limitations, there is a move among manufacturers of heavy goods to vehicles with high payload capacities. The Otokar Atlas will have one ton in additional capacity when compared to rivals in its class. Otokar aims to increase the market share in the light truck segment.

Otokar is aiming to approach to new markets in 2014, while the company continues to launch new products in the defence industry, especially in export markets. Production of new prototypes for the Altay tank also continued.

2014

New markets

Otokar is aiming to approach to new markets in 2014 in the defence industry.

- Otokar is the most preferred brand with its buses suitable to transportation for the disabled, which became mandatory by regulation.
- Otokar aims to increase the market share in the light truck segment.
- The Company foresees growth in tanker semi-trailer market.
- In the tourism transportation segment, the Vectio T is expected to gain prominence as an alternative solution in Turkish market marked by rising operating costs.

Sustainability

> "Otokar pays great attention to the trends of clean energy and alternative fuels and continues its operations in line with these trends."

Award

The Cleanest Industry Plant

Otokar awarded "The Cleanest Industry Plant of Turkey Award" by Ministry of Environment and Urban Planning.

Corporate Social Responsibility

In addition to its successful operations, Otokar continued to carry out social responsibility projects, especially in the field of education, during 2013.

As part of the "I am donating blood for my country" project, Otokar supported an additional blood donation campaign with the Kızılay foundation. As a result, 164 units blood donation were realized.

In the scope of "I deny all disabilities for my country", the Company has given training to its 1,477 employees about appropriate approach to take when dealing with disabled people.

The "Without Disabilities Sport Fest" was organized at the Sakarya Atatürk Indoor Sports Facility with the main sponsorship of Otokar on 14th May, 2013. Through this activity, a total of 2,000 children and teenagers with disabilities from Sakarya, Bolu, Düzce and Kocaeli participated in the sports fest.

Several books and toys were donated to the pupils of four primary schools in Sakarya through the book and toy money box campaigns.

A ventilator and a monitor were donated to the intensive care unit of the Sakarya Teaching and Research Hospital.

As part of the activities for World Environment Day on 5th June, the Ekokar Environment Club gave talks to a total of 155 pupils from three different schools in Arifiye and Sapanca.

Through the "Vocational High School is a National Issue", 113 final year students from vocational high schools were provided with internship opportunities in 2013-2014, as part of the efforts to contribute to developing an educated workforce.

Within the scope of the "Collaboration between Iskur and the Industry" program, vocational courses - 50% of which have a job guarantee - were organized for positions including inert-gas welder, CNC operator, auto electronics technician, automotive painter and main manufacturing assembling worker. A total of 121 people attended these courses.

The International Turk Telekom Young Men's Basketball Tournament was organized under the leading sponsorship of Otokar in Sakarya between 1st and 9th February.

Environment

It is a generally accepted concept that a producer is not only a seller, but an actor which seeks the wellbeing of the environment. The producer is expected to manufacture environmentally friendly products and also provide information on the systems that are most suitable for the operations of related products.

Turkey's first electric bus

- 1,477 employees are given "Appropriate Approach to Disabled People" training.
- In the environment prizes under the category of "Large Scale Foundation Environment Management and Corporate Social Responsibility Prizes" awarded by the Istanbul Chamber of Industry (ISO) Otokar won third prize.
- The total duration of training provided to employees increased by 18%.

As one of the most active participants in the automotive industry, Otokar pays great attention to the trends of clean energy and alternative fuels and continues its operations in line with these trends.

Otokar has been implementing the relevant projects on alternative fuel running buses since 2005. The Company has proven how far it has come in the field of R&D by producing Turkey's first hybrid bus, CNG medium size bus and electric bus. With the vehicles it produces, Otokar aims to provide a cleaner environment, quieter traffic, lower operational costs and higher efficiency.

Recently, important steps have been taken to reduce exhaust emissions in Turkey, in line with EU criteria. As with other manufacturers, Otokar has expended efforts in this issue. KENT buses, with their environmentally friendly EEV engines with Euro 5.5 emission levels, are used in mass transportation, especially in cities suffering from environmental problems.

More efficient and cleaner energy usage will be an important agenda item in the following years. In the light of these realities, Otokar is determined to continue its production process which is both contributive to economy and deterrent to environmental pollution.

Otokar have gained recognition from a number of foundations. Otokar won third prize in the environment prizes under the category of "Large Scale Foundation Environment Management and Corporate Social Responsibility Prizes" awarded by the Istanbul Chamber of Industry (ISO). The Company also won the "The Cleanest Industrial Plant of Turkey" prize awarded by the Ministry of Environment and Urban Planning.

Human Resources

Otokar undertook a wide range of efforts in its human resources approach and training during 2013, as in previous years. The total duration of training provided increased by 18%, with a total of 2,591 employees receiving 38,351.4 hours of training, amounting to an average of 14.8 hours per person.

187 blue-collar employees and 92 white-collar employees joined Otokar's workforce in 2013. 40 out of the 92 white-collar employees are employed in R&D department as engineers. As a result, the total number of people in R&D Centre reached 488 by the end of 2013.

At Otokar, where a recommendation system has been applying in human resources, a total of 3,060 recommendations were provided by employees during 2013, and 35 employees won different prizes as a result of their recommendations.

As a consequence of the pre-assessment carried out in 81 projects belonging to Koç Group's 20 companies, Otokar became a finalist with five of its total 30 projects. The finalist projects are listed below:

Collaboration Developers – White-Collar Category: Collaboration between Otokar and RMK Marine Defence Industry Project Cooperation (with RMK Marine)
Customer Satisfaction Creators – Blue-Collar Category: Indoor Trim Assembly Improvement
Difference Makers – Blue-Collar Category: Production of Special Vehicles in Assembly Line
Creative Innovators – Blue-Collar Category: Glass Despeckle
Adding value to life – Blue-Collar Category: Prevention of Chemicals to Diffuse into Environment and Recycling

As a result of the final committee assessment, Otokar won the "2013 the Most Successful Koç Group Company" with the project of Creative Innovators – Blue-Collar Category: Glass Despeckle".

In the scope of collaboration between universities and the industry, 22 students from different universities were provided with the opportunity of long-term internships and 192 students conducted their compulsory summer internship at Otokar.

Corporate Governance

“Otokar’s Corporate Governance Rating Note increased from 8.68 in 2012 to 9.10 in 2013.”

Members of the Board of Directors and Committees

Board of Directors	Title	Beginning	Ending
Kudret Önen	Chairman	27.03.2013	28.03.2014
Halil İbrahim Ünver	Vice Chairman	27.03.2013	28.03.2014
Osman Turgay Durak	Member	27.03.2013	28.03.2014
Ali Tarık Uzun	Member	27.03.2013	28.03.2014
Ahmet Serdar Görgüç	Member	27.03.2013	28.03.2014
Tuğrul Kudatgobilik	Member	27.03.2013	28.03.2014
İsmet Böcügöz	Independent Member	27.03.2013	28.03.2014
Abdulkadir Öncül	Independent Member	27.03.2013	28.03.2014

Executive Committee	Title	Beginning	Ending
Kudret Önen	Chairman	25.05.2012	28.03.2014
Ahmet Serdar Görgüç	Member	25.05.2012	28.03.2014

Audit Committee	Title	Beginning	Ending
İsmet Böcügöz	Chairman	26.04.2012	28.03.2014
Abdulkadir Öncül	Member	26.04.2012	28.03.2014

Corporate Governance Committee	Title	Beginning	Ending
İsmet Böcügöz	Chairman	25.05.2012	28.03.2014
Ali Tarık Uzun	Member	25.05.2012	28.03.2014

Risk Management Committee	Title	Beginning	Ending
Abdulkadir Öncül	Chairman	11.07.2012	28.03.2014
Kudret Önen	Member	11.07.2012	28.03.2014

* During 2013, 12 meetings were held by Executive Committee, 8 meetings were held by Audit Committee, 6 meetings were held by Corporate Governance Committee, and 7 meetings were held by Risk Management Committee. All committee members participated to the meetings.
* The Board of Directors met 14 times during 2013, with all members attending majority of these meetings.
* Clauses on the Board of Directors are determined in accordance with Articles of Association article 11, 12, and 13 and Turkish Commercial Code.
* Remunerations of Board of Directors and senior managers were brought into a written form and “Remuneration Policy” included in annual reports and the Company’s corporate website (www.otokar.com.tr).
* Compensations to senior managers for 2013 included in note to financial reports numbered 27 belonging to 2013 financial year.
* Detailed information on committees and the operating principles of the committees are included in Corporate Governance Principles Compliance Report existing in annual report and the Company’s corporate website (www.otokar.com.tr).

CV's of Nominees for the Board of Directors

Kudret Önen
See page 19, CV's for the Board of Directors

Halil İbrahim Ünver
See page 19, CV's for the Board of Directors

Osman Turgay Durak
See page 19, CV's for the Board of Directors

Ali Tarık Uzun
See page 19, CV's for the Board of Directors

Ahmet Serdar Görgüç
See page 19, CV's for the Board of Directors

Tuğrul Kudatgobilik
See page 19, CV's for the Board of Directors

İsmet Böcügöz (Independent Member Nominee)
See page 19, CV's for the Board of Directors

Abdulkadir Öncül (Independent Member Nominee)
See page 19, CV's for the Board of Directors

Ahmet Nezih Olcay (Independent Member Nominee)
Born in 1947 in Beylerbeyi Istanbul, Mr. Olcay graduated from Istanbul Economics and Commercial Sciences Academy at the Business Administration Department. He began his professional career at Tofaş Türk Otomobil Fabrikası A.Ş. in 1971 where he went on to serve as an Accounting Service Manager, Accounting Manager, Financial Manager, Financial General Manager, Foreign Affairs General Manager, Foreign Affairs Group Director, Finance and then as an Audit Group Director with A-Group First Degree signature authorization. He retired from Tofaş Türk Otomobil Fabrikası A.Ş. in 2007 after having served continuously for 36 years.

He served as Member and Vice Chairman of the Board of Directors in various affiliates of Tofaş during his service at Tofaş Türk Otomobil Fabrikası A.Ş.

Between 2008 and 2012, Mr. Olcay served as a General Coordinator, Vice Chairman and Chairman of the Board of Directors at Plastiform Sanayi ve Ticaret A.Ş.

Pursuant to the CMB's Corporate Governance Principles, Mr. Olcay is a non- executive board member, and possesses the required qualifications to serve as an independent board member. He has not executed any transactions with either Koç Holding A.Ş. or its affiliated parties over the past five years.

Declarations of Independence of the Board of Directors Nominees

I was nominated to serve as "independent member" in Otokar Otomotiv ve Savunma San. A.Ş (the Company) in line with the legislation, Articles of Association and Capital Markets Board's Corporate Governance Communiqué. Within this context I declare that:

a) There has been no hiring relationship that includes important duties and responsibilities between the Company, companies that the Company controls or has significant control over, legal entities that these companies control and myself, my spouse, in laws and blood relatives up to second kin in the last 5 years; I also declare that I have not held more than 5% of the capital or voting rights or preferential shares, either together or alone, and that I have not had any significant commercial relation.

b) I have not worked as a partner (holding 5% of the shares in the Company, or more) or as a manager who has important duties and responsibilities, and I have not been a board member in companies which the Company obtains services or products from, or sells service or products to, particularly auditing (including tax auditing, legal auditing, internal auditing), rating and consulting services, during the transaction period within the framework of agreements in the last five years,

c) I have sufficient professional training, knowledge and experience to fulfil the duties on the grounds of my title as an independent board member,

d) I will not work in state institutions or organizations on a full time basis, apart from in the capacity of an academic, pursuant with legislation,

e) I am a resident in Turkey according to the Income Tax Code (G.V.K) dated 31/12/1960 and numbered 193,

f) I have sound ethical standards, a professional reputation and experience that allow me to contribute positively to the Company's operations, to maintain my neutrality in conflicts of interest between shareholders of the Company, to decide freely by taking into account the rights of stakeholders,

g) I am able to devote time to the Company's work to the extent that I may follow the operations of the Company's activities and follow the requirements of my mandate,

h) I have not served as a board member in the Company's board for more than 6 years in the last 10 years,

i) I do not have responsibility in the capacity of an independent board member in more than three companies that are controlled by the Company or its shareholders, or which control the Company, or in more than five listed companies in total,

j) On behalf of the legal entity as a board member, I am not registered or announced.

İsmet Böcügöz	Abdulkadir Öncül	Ahmet Nezih Olcay

Remuneration Policy

Remuneration Policy for Members of the Board of Directors and Senior Management

This policy document identifies the remuneration system and practices concerning our Board Members and senior management who hold administrative responsibility in line with CMB regulations.

A fixed remuneration is determined for all members of the board at the Annual General Meeting of the Company each year.

Additional payment is provided to executive members of the board in accordance with the policy established for the senior management.

A bonus is determined by the Board of Directors to be paid to members of the Board who take part in committees formed by the Board of Directors at the Company, in consultation with the Corporate Governance Committee by taking into account such committee members' contributions, attendance in the meetings, functions, etc.; the bonus is paid at the end of the year.

In respect of the remuneration of independent members of the Board of Directors, a payment plan based on the performance of the Company may not be applied.

Pro rata payment is offered to members of the Board of Directors by taking into account the time they have allocated to their duty between their date of appointment and their date of resignation. Expenses incurred by members of the Board of Directors on account of providing contributions to the Company (such as transportation, telephone expenses, insurance, etc.) may be paid by the Company.

The remuneration of senior management consists of two components; fixed and performance based payments.

The fixed salaries of senior management are determined in accordance with international standards and legal obligations by taking into account the macroeconomic data in the market, the salary policies prevailing in the market, the size and long term targets of the Company and the positions of the persons.

Bonuses for the senior management are calculated according to the bonus base, the performance of the Company and the individual performance. A summary of the criteria is as follows:

- Bonus Base: Bonus bases are updated at the beginning of each year. They vary depending on the work volume of the positions of the senior managers. When updating the bonus bases, the bonus policies for senior management applied in the market are taken into account.
- Performance of the Company: The performance of the Company is determined at the end of the year by measuring the financial and operational targets (market share, exports, international operations, productivity, etc.) assigned to the Company at the beginning of each year. In setting out its targets, the Company ensures that the success is sustainable and incorporates improvements over the previous years.
- Individual Performance: Targets related to employees, customers, processes, technology and long term strategy are taken into account along with the targets of the Company in measuring an individual's performance. In line with the performance of the Company, the principle of achieving a long term sustainable improvement in areas besides financial areas is observed in measuring individual performance.

In the event of any of our senior management's resignation, a resignation premium may be paid by taking into consideration the term of appointment, term of senior manager, provided contribution, last target premium before resignation date, salary in the final year and premium information.

Total amounts as determined based on these principles and paid to members of the Board of Directors during the year are submitted to the approval of the shareholders during the following Annual General Meeting.

Independent Auditor Report on Annual Report

To the Board of Directors of
Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi,

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi ("the Company") prepared as of December 31, 2013 are consistent with the audited financial statements as of the same date.

2. Management is responsible for the preparation of the annual report in accordance with "the Communiqué related to the Determination of the Minimum Content of the Companies' Annual Report".

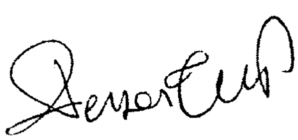
3. Our responsibility as independent auditors is to express an opinion on whether the financial information provided in the annual report is consistent with the audited financial statements on which we have expressed our opinion dated February 14, 2014.

   Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

   We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. In our opinion, the financial information and the assessment and explanations of the Board of Directors in the accompanying annual report of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi are consistent with the audited financial statements as at December 31, 2013.

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



Ferzan Ülgen
Engagement Partner, SMMM

3 March 2014
Istanbul, Turkey

Meeting Agenda

Agenda of Annual General Meeting of Otokar Otomotiv ve Savunma Sanayi A.Ş. dated 28th March 2014

1 Opening and election of the Chairing Board,

2 Reading, discussion and approval of 2013 Annual Report, which was prepared by the Company's Board of Directors,

3 Reading of Summary of the Independent Audit Report for 2013 accounting period,

4 Reading, discussion and approval of the Financial Statements for the 2013 fiscal year,

5 Acquittal of each Board Member from their responsibilities regarding the activities of the Company in 2013,

6 Submitting the "Profit Distribution Policy" pertaining to 2013 and subsequent years pursuant to the regulations of the Capital Market Board for approval,

7 Distribution of 2013 profit and approval, approval after changes, or disapproval of the Board of Directors' proposal regarding the date of profit distribution,

8 Determining the number and office terms of the members of the Board of Directors, electing the members in number so determined, electing the independent members of the Board of Directors,

9 Informing the Shareholders of and approval of The "Remuneration Policy", and the payments made to the Board Members and Senior Managers, pursuant to the Principles of Corporate Governance,

10 Determining the monthly gross salaries of Board Members,

11 Approval of the Independent Audit Firm selected by the Board of Directors, pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Board,

12 Informing Shareholders about the transactions conducted with related parties during 2013, within the scope of Capital Market Board regulations,

13 Informing the Shareholders of donations provided in 2013 and determining the upper limit of donations to be made in 2014,

14 In accordance with Capital Market Board regulations, informing the Shareholders of any collaterals, guarantees, mortgages and indemnifications given to third parties by the Company and the affiliates and income or benefits related to these,

15 Granting permission to Shareholders who hold control over the management, to Board Members who hold shares of the Company, to senior managers, and their spouses, in-laws and blood relatives up to third kin, as pursuant to the Articles 395 and 396 of the Turkish Commercial Code and CMB regulations; and informing the Shareholders about such transactions executed during 2013 within the scope of Capital Market Board Corporate Governance Principles Communiqué,

16 Wishes and opinions.

Board of Directors Report

Board of Directors Report of Otokar Otomotiv ve Savunma Sanayi A.Ş. for the Period 01.01.2013-31.12.2013

Dear Shareholders,

Our Company presents to the Annual General Meeting and the public its non-consolidated financial reports regarding its activities in 2013, and prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards which were put into practice by Public Oversight Accounting and Auditing Standards Authority (KGK) pursuant to Capital Market Board's (CMB) "Communiqué on the Principles of Financial Reporting in Capital Markets", numbered II-14.1. Appendices and comments related to these standards were also considered in preparing financial tables.

The names, office terms and authority limits of the members who undertook duty at the Boards of Directors during the period are as follows (determined at the Annual General Meeting of Shareholders dated 27th March, 2013).

Board of Directors	Title	Beginning	Ending
Kudret Önen	Chairman	27.03.2013	28.03.2014
Halil İbrahim Ünver	Vice Chairman	27.03.2013	28.03.2014
Osman Turgay Durak	Member	27.03.2013	28.03.2014
Ali Tarık Uzun	Member	27.03.2013	28.03.2014
Ahmet Serdar Görgüç	Member	27.03.2013	28.03.2014
Tuğrul Kudatgobilik	Member	27.03.2013	28.03.2014
İsmet Böcügöz	Independent Member	27.03.2013	28.03.2014
Abdulkadir Öncül	Independent Member	27.03.2013	28.03.2014

Authority limits of the Chairman and Board Members have been determined in accordance with Article 12 of the Company's Articles of Association, and the provisions of the Turkish Commercial Code.

Capital and Ownership Structures

As of December 31, 2013, the registered capital ceiling had been increased to TL 100 million. The issued capital stands at TL 24 million.

Shareholders who hold more than 10% of the capital, the number of shares they hold and the percentage of these shares in the capital are as follows:

Shareholders	Amount of Shares (TL)	Stake (%)
Koç Holding A.Ş.	10,722,750	44.68
Ünver Holding A.Ş.	5,954,944	24.81
Diğer Ortaklar	7,322,306	30.51
Toplam	24,000,000	100.00

The remaining shares, at a par value of TL 7,322,306 representing 30.51% of our Company's capital, consist of listed shares and shares held by other shareholders.

Our Company has an affiliated company, "Otokar Europe SAS", which was established in France on 18th August, 2011 to organize export activities and increase exports. The company has 100% of its issued capital which is amounting to €100,000 (TL 293,650).

Amendments to the Articles of Association

Amendments made to the Articles of Association at the Annual General Meeting on 27th March, 2013 were as follows:

In order to comply with the provisions of the Turkish Commercial Code and Capital Market Board regulations, following articles of the Company's Articles of Association were amended: Article 3: Trade Name, Article 4: Objective and Subject, Article 5: Head Office and Branch Offices of the Company, Article 7: Registered Capital, Article 8: Increasing Registered Capital, Article 9:Issue of Bonds and Other Securities, Article 10: Board of Directors, Article 11: Board of Directors Meetings, Article 12: Authority of Board of Directors, Article 13: Binding the Company, Article 14: Other Provisions Related to Board of Directors, Article 15: Auditors, Article 16: Duties and Responsibilities of the Auditors, Article 17: General Meetings, Article 18: Number of Votes, Article 19: Quorum, Article 20: Voting Methods, Article 21: Submitting to the Ministry and Commissioner, Article 22: Accounting Period

The following articles were annulled: The article entitled "Provisional Article", Article 23: Annual Reports, Article 24: Distribution of Profit, Article 25: Reserves, Article 26: Cancellation, article 27: Rescission and Dissolution, Article 28: Announcements, Article 29: Submitting Articles of Association to the Ministry and Capital Market Board, Article 30: Amendments to the Articles of Association, Article 31: Legal Provisions, Article 32: Compliance with the Principles Corporate Governance.

Dividends Distributed in the Last Three Years and Their Percentages

Over the last three years, Otokar distributed cash dividends at the below percentages of the issued capital.

Period	%
2010	62.50
2011	200.00
2012	266.67

The entire dividend pertaining to the 2012 accounting period was paid to our shareholders in cash, starting from 3rd April, 2013.

Our shareholders may access the corporate and financial data of our Company at www.otokar.com.tr under the section "Investor Relations".

The Automotive Sector and Otokar

Otokar operates in the commercial vehicles segment of the automotive industry. Otokar's product range consists of minibuses, medium size buses and buses, which target the commercial market and are used in public transportation and personnel transportation, as well as 4x4 tactical vehicles and wheeled armoured vehicles, which are used in defence industry services. Additionally, the Company manufactures trailers and semi-trailers under the brand name Otokar-Fruehauf, panel trucks under the brand name Otokar Atlas for the transportation and logistics industry.

On 29th July, 2008, Otokar signed an agreement with the Undersecretariat for Defence Industries to carry out Phase I: Design and Prototype Development of Turkey's first Main Battle Tank, as part of the project of "Manufacturing a National Main Battle Tank" (namely, Project Altay). Having finalized the concept design in 2010, Otokar is currently working on the detailed design stage. A full-scale model of the ALTAY tank was exhibited to the public at IDEF 2011 in May. Additionally, Otokar opened Turkey's first and only tank testing centre in March 2012. In November 2012, a prototype of the Altay tank was tested and displayed in a special ceremony.

In 2013, the project's concept design and detailed design stages were completed. The Company then advanced to the third stage - "Prototype manufacturing and Qualification".

The Market - Sales - Production

The developments observed in the sector during 2013 can be summarized as follows, based on the data obtained from the OSD (Automotive Manufacturers Association):

Total production of motor vehicles increased by 5% YoY to 1,126,000 vehicles between January-December 2013. The production of cars also grew by 10% YoY to 633,000, while the total market for motor vehicles grew by 9% YoY in 2013.

Developments in production for each vehicle segment in 2013 were as follows:

- In the light commercial vehicle segment;
  29% increase in minibuses,
  25% increase in midi-buses,
  4% decrease in pickups was recorded.

- In the heavy commercial vehicles segment;
  30% increase in buses,
  3% decrease in large size trucks,
  57% increase in small size trucks were recorded

When compared to 2012, total sales of imported light commercial vehicles dropped by 2%, and sales of locally manufactured light commercial vehicles dropped by 24% in 2013. The market share of imported vehicles stood at 48% in 2013.

Production and Sales

Our Company's production and sales figures by product type are presented below, and in comparison with the figures of the previous year:

	2013		2012		Change (units)		Change (%)	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Minibus	40	49	52	56	(12)	(7)	(23)	(13)
Small size bus	2,659	2,743	1,812	1,877	847	866	47	46
Bus	1,224	1,251	616	637	608	614	99	96
4x4 Tactical Vehicles	127	127	23	31	104	96	452	310
Armoured Tactical Vehicles	428	404	346	347	82	57	24	16
Trailers	769	768	1,191	1,190	(422)	(422)	(35)	(35)
Trucks	362	212	-	-	362	212	-	-
Total	5,609	5,554	4,040	4,138	1,569	1,416	39	34

According to our non-consolidated financial statements that were prepared according to the related regulations, the Company's 2013 revenue grew by 40%.

The distribution of our turnover in terms of domestic and international sales, and in comparison with the previous year, is as follows:

	2013 (TL)	2012 (TL)	Change (%)
Domestic Sales	1,175,900,196	744,330,923	58
International Sales	225,652,738	260,161,309	(13)
Total	1,401,552,934	1,004,492,232	40

Our total international sales totalled USD 117,458,384 in 2013 (2012: USD 145,785,646), with a 16% share (2012: 26%) in total turnover was 16%.

Our total capacity utilization in 2013 was 51% (2012: 37%).

Otokar owes its growth to its proprietary products, of which the design and intellectual rights belong to the Company, and which are developed by the Company's own engineering, research, and development resources. Otokar has adopted a strategy to expand in the Defence Industry, increase the share of its exports in its total turnover and to expand its portfolio with new models. The Company has been successfully attaining these targets.

Investments

In 2013 Otokar continued its investments in the "Otokar R&D Centre", which has been initiated in the previous years, by taking a crucial decision in the area of research and development with a view to achieving its rapid growth target with vehicles of which intellectual rights are owned by Otokar.

Total investments had amounted to approximately USD 8 million at the end of 2013.

Administrative Activities

The names and positions of the senior managers of our Company in 2013 were as follows:

Name-Last Name	Position
Ahmet Serdar GÖRGÜÇ	General Manager
Hüseyin ODABAŞ	Assistant General Manager - Finance
Ali Rıza ALPTEKİN	Assistant General Manager - Production and Supply
Murat ULUTAŞ	Assistant General Manager - Technical
Hasan Basri AKGÜL	Assistant General Manager - Sales and Marketing
Mustafa BAKIRCI	Assistant General Manager - Main Battle Tank and Armoured Tactical Vehicles

As of 31st December, 2013 our Company had a total of 2,264 employees (2012: 2,281). Of these employees, 640 (2012: 595) were administrative and office personnel and 1,624 (2012: 1,686) were factory workers. There were no incidents of disputes or labour movements during the period.

Our Company is subject to the Collective Labour Agreement signed between the Turkish Metal Workers Union and MESS (Turkish Employers' Association of Metal Industries) on 3rd June, 2013, and which was in effect as of 1st September, 2012.

Our Company has agreed to comply with the Principles of Corporate Governance issued by the Capital Markets Board, and to undertake the necessary amendments in line with changing conditions. Otokar has been rated by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in accordance with CMB's (Capital Markets Board) Communiqué on "The Principles Regarding Rating Activity in Capital Markets and Rating Agencies", and as per rating the compliance of corporations listed on the BIST (previously the ISE - Istanbul Stock Exchange), with the Principles of Corporate Governance. The "Corporate Governance Rating Report" is available on www.otokar.com.tr

Our Company's Corporate Governance Rating, increased from 86.80 (8.68) in 2012 to 91.03 (9.1) in 2013. In accordance with decisions taken during the Capital Market Board's meeting dated 1st February, 2013 and numbered 4/105, our rating was revised from 91.03 (9.10) were revised to 86.44 (8.64) on 3rd March, 2014.

Financial Results

Our Company presents its 2013 non-consolidated financial statements to the Annual General Meeting and the public. The financial statements were prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards which were put into practice by Public Oversight Accounting and Auditing Standards Authority (KGK) pursuant to Capital Market Board's (CMB) "Communiqué on the Principles Financial Reporting in Capital Markets", numbered II-14.1. Appendices and comments related to these standards were also considered in preparing financial tables.

The financial statements, footnotes and ratios showing the results of our activities in 2012 are also submitted for your attention.

Our Company recorded TL 1,401,552,934 of revenue in 2012, and a gross profit of TL 315,010,875.

According to the financial statements prepared in accordance with Turkish Financial Reporting Standards, and as pursuant to CMB's regulations, our Company set aside a depreciation provision of TL 40,447,945, and a severance pay and guarantee provision of TL 9,877,742 in 2013, closing the year with a pre-tax profit of TL 108,248,320, and a net profit of TL 96,561,743 after tax.

Our Company will pay TL 43,676,005 in taxes for the year 2013, and its total tax expense, which includes deferred tax expenses and amounts to TL 11,686,577, is shown in the financial statements. Our Company's net profit after tax stood at TL 96,561,743.

In our Annual General Meeting dated 27th March, 2013, the upper limit of donations that will be made in 2013 was set as TL 2,100,000. In 2013 our Company provided tax-deductible donations and aid amounting to TL 2,038,442, to foundations and associations for charitable purposes.

A balanced and consistent policy is followed in distributing profit among shareholders and the Company's benefits in accordance with the Principles of Corporate Governance. In determining profit distribution, our Company takes into account its long term strategy, capital requirements, investments and financing policies, and profitability and cash position.

We submit to your approval;

- the payment of gross=net cash dividend at the rate of 416.667% and in the amount of TL 4.16667 per share at par value of TL 1.00, to shareholders in unlimited taxpayer status and to shareholders in limited taxpayer status, who earn profit share through a business unit or a permanent representative in Turkey;
- the payment of net cash dividend at the rate of 354.167 %, and in the amount of TL 3.54167 per share at par value of TL 1.00, to other shareholders, as per the Profit Distribution Proposal attached herein;
- and that the beginning date of payment of the dividends amounting to TL 100,000,000 to be April 4, 2014, Friday. We have presented to you the summary of the activities and the results obtained in 2013.

Dear Shareholders,

Our Board of Directors completed its office term today. The new members of the Board of Directors will be elected at this meeting. We are grateful for your trust, courtesy, and assistance throughout our office term

Istanbul, March 3, 2014

Kudret Önen
Chairman

Profit Distribution Policy

Otokar Otomotiv ve Savunma San. A.Ş. Profit Distribution Policy

Our Company distributes its profit in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law, the Tax Law and other applicable regulations as well as the relevant articles of our Company's Articles of Association. A balanced and consistent policy is followed in the distribution of profit among shareholders and the Company's beneficiaries in accordance with the Principles of Corporate Governance.

In principle, by considering market expectations, our long term company strategy, investment and finance policies, profitability and cash position, a minimum 50% of the distributable profit for the period which is calculated in accordance with Capital Market Legislation is distributed in cash or as bonus shares, as long as related regulations and financial position allow.

Profit distribution is planned to be carried out within one month, at most, following the Annual General Meeting. The date for the profit distribution is set in the Annual General Meeting. If authorized, the Annual General Meeting or the Board of Directors may decide to distribute profit in instalments in accordance with Capital Market Legislation.

According to the Company's Articles of Association, the Board of Directors may distribute profit advances as long as it is authorized in the Annual General Meeting and complies with Capital Market Regulations.

Profit Distribution Proposal

Profit Distribution Proposal for the Accounting Period 01.01.2013-31.12.2013

According to our non-consolidated financial statements pertaining to the 01.01.2013-31.12.2013 accounting period, which were prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards which were put into practice by Public Oversight Accounting and Auditing Standards Authority (KGK) pursuant to Capital Market Board's (CMB) "Communiqué on the Principles Financial Reporting in Capital Markets", numbered II-14.1 and the appendices and comments related to these standards, and which were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a "Non-Consolidated Net Profit" of TL 96,561,743 was recorded. Our profit distribution proposal, which was prepared by taking into account our long term strategy, the capital requirements of our Company, investments and financing policies, and profitability and cash position, is presented below. In line with the resolution reached at the Annual General Meeting, the dividend payment will start on 4th April, 2014.

Otokar Otomotiv ve Savunma Sanayi A.Ş. Profit Distribution Statement 2013 (TL)			
1. Paid-in/Issued Capital			**24,000,000**
2. Total Statutory Reserves (based on Statutory Records)			**29,078,147**
Information concerning any privileges provided in the articles of association regarding profit distribution			
		According to CMB	According to Statutory Records
3	**Profit for the Period**	108,248,320	244,495,080
4	**Taxes Payable (-)**	11,686,577	43,581,319
5	**Net Profit for the Period (=)**	96,561,743	200,913,761
6	**Losses in Previous Years (-)**		
7	**Primary Statutory Reserve (-)**		
8	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	96,561,743	200,913,761
9	Donations made during the year (+)	2,038,442	
10	**Net distributable profit for the period plus donations, on which the primary dividend is calculated**	98,600,185	
11	Primary Dividend to Shareholders		1,200,000
	- Cash	49,300,093	
	- Bonus Shares		
	- Total		
12	Dividend Paid to Holders of Preferred Shares		
13	Other Dividend Paid		
	- to Board Members		
	- to employees		
	- to parties other than stakeholders		
14	Dividend Paid to Holders of Dividend Right Certificate		
15	Interim Dividend to Shareholders	38,592,401	98,800,000
16	Secondary Statutory Reserve	8,669,249	9,880,000
17	Statutory Reserves		
18	Special Reserves		
19	**EXTRAORDINARY RESERVES**	-	91,033,761
20.	**Other Funds Proposed to be Distributed**	12,107,506	-
21.	**Secondary Statutory Reserve Allocated from Other Funds Proposed to be Distributed**	1,210,751	-

Dividend Ratio Table

	Group	Total Dividend Distributed (TL)		Total Dividend Distributed/Net Distributable Profit for the Period	Dividend Per Share at Par Value of 1 TL	
		Cash (TL)	Bonus (TL)	Ratio (%)	Amount (TL)	Ratio (%)
Gross	A	100,000,000	0	104	4.16667	416.667
	B					
	Total	**100,000,000**	**0**	**104**	**4.16667**	**416.667**
Net	A	85,000,000	0	88	3.54167	354.167
	B					
	Total	**85,000,000**	**0**	**88**	**3.54167**	**354.167**

Legal Disclosures

Report Period: 01.01.2013-31.12.2013

Company Title: Otokar Otomotiv ve Savunma Sanayi. A.Ş.

Trade Registry / Number: İstanbul/83467

Ownership Structure and Capital Distribution:

Registered Capital Ceiling: TL 100,000,000
Paid-in Capital: TL 24,000,000

Shareholders	Share amount (TL)	Percentage (%)
Koç Holding A.Ş.	10,722,750	44.68
Ünver Holding A.Ş.	5,954,944	24.81
Other subsidiaries	7,322,306	30.51
Total	24,000,000	100.00

Contact Address: Aydınevler Mah. Dumlupınar Cad. No: 58 A Blok 34854 Küçükyalı/İstanbul

Factory Address: Atatürk Cad. No: 6 54580 Arifiye/Sakarya

Phone: +90 216 489 29 50

Website: www.otokar.com.tr

Preferential Shares and Voting Rights of Shares:

There are no privileges in the Company's Articles of Association pertaining to the exercise of voting rights.

Organizational Changes within the Year:

There were no significant organizational changes within the year.

Legal Action Taken Against the Company:

There was no important legal action taken against the company.

Legislative Changes that Could Affect the Company's Activities Significantly:

There were no legislation changes that could affect the company's activities significantly.

Conflict of Interests with Corporations which the Company Obtains Services from in Investment Consultancy, Rating and such Subjects, and the Measures Taken to Prevent such Conflicts of Interest:

The Company does not obtain any investment consultancy services. A Corporate Governance Rating service was received, but there was no conflict of interest with the company providing this service.

Private and Public Audits in 2013:

None.

Administrative and Legal Sanctions Applied against the Company or its Board Members due to Non-compliance with Regulations:

None.

Implementations of Resolutions of the Annual General Meeting:

The resolutions reached at the Annual General Meeting, dated 27th March, 2013, have been implemented.

Extraordinary General Meetings Held During the Year:

None.

Information on the permission granted to shareholders who have control over the management, to Board Members who hold shares in the Company, to senior managers, and their spouses, in-laws and blood relatives up to second kin, to conduct transactions or compete with the Company and its affiliates which could lead to conflicts of interest:

None.

Corporate Governance Principles Compliance Report

1. STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

The said principles, which bring about the quality of corporate governance, have been adopted by our Company, and most of them are still implemented. The Company adheres to Corporate Governance Principles in issuing public disclosures, ensuring transparency, and carrying out the necessary work with respect to all decisions and transactions concerning the shareholders, stakeholders and the Board of Directors.

While the Company fully complies with the mandatory principles set out in “Communiqué on the Determination and Implementation of Corporate Governance Principles” Serial: IV, No: 56 in 2013, it also complies with the majority of optional principles. The Company aims to comply with all optional Corporate Governance Principles; however, full compliance has not yet been achieved due to a number of difficulties experienced during the implementation of certain principles, due to ongoing debates concerning compliance with certain principles on the international platform as well as in Turkey, and also as a result of the inapplicability of some principles due to the structure of the Company and the market. The Company is currently working to comply with the principles that have not yet been implemented, and aims for full compliance after completing the necessary administrative, legal, and technical infrastructure in a manner that will contribute to the efficient management of the Company. Details of the extensive work carried out by the Company within the framework of the Principles of Corporate Governance, the principles which have not yet been implemented and any conflicts of interest stemming from such incompliance are set out below.

The Company’s main efforts concerning Corporate Governance in 2013 consisted of compliance with Capital Markets Code which includes the CMB’s new regulations on corporate governance principles and compliance with the new Turkish Commercial Code. In the 2013 Annual General Meeting, all amendments put forward by these regulations were included in the Company’s Articles of Association. Additionally, the process of determining independent board members, announcing them to the public and the election was completed in accordance with the regulations. It is sufficient for our Company, which is among the 3rd group corporations in 2013, to operate with two independent board members. The Committees established within the Board of Directors have effectively continued their duties. The remuneration policy regarding the Board of Directors and senior managers was determined and presented to shareholders at the Annual General Meeting. The Annual General Meeting information document, which consists of preferred shares, voting rights, organizational changes; as well as the CV’s of candidates for the Board of Directors, the remuneration policy regarding the Board of Directors and senior managers and the reports and the information concerning related party transactions, were shared with our investors 3 weeks prior to the Annual General Meeting. Additionally, the Company’s corporate website and annual report were reviewed and the necessary revisions were carried out in order to ensure full compliance with the Principles.

In order to achieve full compliance, the developments in the legislation and relevant implementations will be taken into consideration, and necessary steps will be pursued in the coming period as well.

The COMPLIANCE REPORT is presented below for your attention, and is also accessible on the Company’s website [www.otokar.com.tr].

SECTION I - SHAREHOLDERS

2. Shareholder Relations Unit

At Otokar Otomotiv ve Savunma Sanayi A.Ş., the Shareholder Relations Unit is responsible for conducting relations with the shareholders following the cooperation between related units. The Unit is responsible for providing information to the shareholders and prospective investors, while not disclosing any confidential information or trade secrets, and without causing any inequality of information while ensuring a two-way dialogue between the Company’s management and the shareholders. Its main activities include:

- Promoting the Company to individual and institutional investors in Turkey and abroad, providing information to potential investors and shareholders, and meeting the information needs of analysts and specialists working in these institutions,
- Answering questions and meeting the needs of the shareholders,
- Informing shareholders and potential investors of macro and micro developments through investor meetings,
- Providing the most accurate, swiftest and complete information by regularly updating the website, annual report, investor presentations investor bulletins and such means of communication,
- Carrying out all kinds of public disclosure activities as required by the regulations, such as financial reporting and disclosing of special situations to the public, and also other functions related to public disclosure within the scope of the Company’s disclosure policy,
- Ensuring that the Annual General Meeting is held in accordance with applicable regulations, articles of association, and other internal regulations,
- Recording voting results and informing shareholders of the reports which contain voting results through the minutes of the Annual General Meeting,

- Preparing documents which may be used by shareholders, and publishing such documentation on the Company's website three weeks prior to the Annual General Meeting,
- Ensuring that dividends are paid to the shareholders,
- Providing a two way flow of information by playing the role of a interlocutor between shareholders and the Company's senior management,
- Monitoring any amendments to the legislation and laws, and ensuring that they are implemented by the Company,

Hüseyin Odabaş and İrfan Özcan are authorized to carry out such duties, and information can be obtained via e-mail at arf@otokar.com.tr, or by calling (+90264) 229 22 44 (extension: 6200).

A total of 20 one-to-one meetings were organized with Analysts from Intermediaries by the Relations with Shareholders Unit.

3. Exercise of Shareholders' Rights to be Informed

Shareholders were informed of financial and administrative matters in the last Annual General Meeting.

The Company does not carry out any discrimination among shareholders in terms of accessing and inspecting information; and all information, excluding trade secrets, is shared by the shareholders. The Investor Relations Unit replies to all questions, while not disclosing confidential information and trade secrets, by phone or in writing, after consulting with the most informed persons in the Company about the matter. As stated in section 9 of this report, all kinds of information and explanations, which might affect shareholder rights, are available on the Company's website.

The appointment of a Special Auditor has not as yet been stipulated as an individual right in the Articles of Association; however, pursuant to Article 438 of the Turkish Commercial Code, each shareholder may demand in the Annual General Meeting that certain events be clarified by conducting a special audit, even if it is not on the agenda, whenever it is required to exercise shareholder rights and if the right to be informed and inspect has been exercised previously. No such demand has been received from the shareholders so far. Additionally, the Company's activities are periodically audited by an Independent Auditor and Internal Audit Unit in the Koc Holding Audit Group Unit.

The Company attaches importance to compliance with legislation in satisfying investors' demands. There were no complaints or administrative or legal pursuance on exercising shareholders' rights last year. In this period, no applications or questions were submitted to the unit on this subject.

4. Information Concerning the Annual General Meeting

One Annual General Meeting was held in 2013. The Annual General Meeting was held on 27th March, 2013 with the quorum of 76%. No agenda item was delivered by shareholders for the meeting.

The Annual General Meeting was organized in a manner which enables broad participation and allows shareholders to be well informed within the scope of the principles set out in the procedure of Koc Group Companies' Annual General Meetings, which was prepared by taking the Turkish Commercial Code, the Capital Markets Legislation and Principles of Corporate Governance into account. Electronic participation was also provided as well as physical participation. Moreover, the opportunity to participate in the Annual General Meeting was provided to representatives of written and visual media, officers of several intermediaries and individuals wishing to participate as observers.

The Board of Directors issues invitations to the Annual General Meeting in accordance with the provisions of the Turkish Commercial Code, the Capital Market Law and the Company's Articles of Association. Once the Board of Directors reaches the decision to convene the Annual General Meeting, the public is informed through the necessary announcements via the Public Disclosure Platform (KAP), the MKK's e-management and its e-company portal, the Electronic General Meeting System (EGKS) and the Company's corporate website.

Additionally, the location and the agenda of the Annual General Meeting, any draft amendments to the Articles of Association, and the proxy form are published in Turkey's Trade Registry Gazette at least 21 days prior to the Annual General Meeting. It includes information on where the financial statements for the respective period as audited by the independent auditor, and are available for inspection.

The Company announces any required documents related to the agenda items prior to the Annual General Meeting to the public, and abides by legal processes and legislation in all announcements. Within the scope of the Annual General Meeting Agenda, the Annual

Report, Financial Statements, Corporate Governance Compliance Report, Dividend Distribution Proposal, Independent Auditor's Report, and the new and old versions of the amended Articles of Association are made available for the inspection of shareholders at the Company's Headquarters and on the website, three weeks prior to the Annual General Meeting. In addition, a detailed explanation is included in the information document about each and every agenda item. Investors are also provided with further information regarding the Annual General Meeting, as set out by the Principles.

Shareholders are informed of the voting procedure which will be applied at the Annual General Meeting through the Company's website and announcements in newspapers. In Annual General Meetings, votes on the agenda items are taken by show of hands, and an open voting method is used.

For shareholders who will be represented by proxy at the Annual General Meeting, the required schedule for procedures as well as a sample proxy form is made available on the Company's website and through announcements in newspapers.

Asking questions and expressing their opinions on the issues at the Annual General Meetings held under the supervision of representative of the Ministry of Customs and Trade, are the most natural of shareholders rights. Accordingly, the Chairing Board ensures, in accordance with the procedures, that the Company's shareholders exercise their right to ask questions, to table suggestions regarding agenda items, and to discuss their suggestions in the Annual General Meeting.

All minutes of Annual General Meetings and attendance lists for past years may be obtained from the company's Head Office and the Minutes of Annual General Meetings held in the past 5 years are also available on our corporate website. Additionally, the minutes are made available at the Company's Head Office, whenever demanded by shareholders.

In the Annual General Meeting held in 2013, shareholders were informed of the donations and aid made in 2012 on a separate agenda item. The limit for donations in 2013 was set TL 2,100,000 for 2013.

5. Voting Rights and Minority Rights

There are no privileges regarding the exercise of voting rights set out in the Company's Articles of Association.

Voting rights are exercised at the Annual General Meeting in accordance with the regulations concerning the representation and the voting method. The Company abides by the CMB's regulations on voting by proxy. The opportunity for equal, easy and proper voting is provided to all shareholders.

There are no provisions in our Articles of Association regarding the representation of minority shareholders in the management or cumulative voting process..

6. Dividend Rights

Our Company distributes profit in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law, the Tax Law, and other applicable legislation as well as the relevant articles of our Company's Articles of Association.

In determining profit distribution, the Company takes into account the long term strategies of the group, the capital requirements of our Company, subsidiaries and affiliates, investments and financing policies, profitability and our cash position.

In principle, by taking the net profit for the period as stated in the financial statements, which are published in accordance with Capital Market Legislation and subjected to independent audit, a minimum of 50% of the "distributable profit for the period", which is calculated in accordance with the Capital Market Legislation and other applicable laws and regulations, is distributed either in the form of cash or as bonus shares.

If the minimum distributable profit is calculated to be less than 5% of the issued capital, no profit distribution is carried out.

The profit distribution policy and profit distribution proposal, which includes the details set out in the CMB's Principles of Corporate Governance and which are included in the annual report, are shared with shareholders at the Annual General Meeting and announced to the general public on our Company's website.

The dividend to be distributed, in line with the resolution adopted in the Annual General Meeting, may be wholly in cash or as bonus shares; or partly in cash and partly as bonus shares.

If the profit distribution is carried in a cash form, the distribution is completed by the end of the fifth month following the respective accounting period, at the latest; if distribution is carried out in the form of bonus shares, it is completed by the end of the sixth month following the respective accounting period.

Profit distribution is carried out in accordance with the relevant article of our Company's Articles of Association.

Our Company's dividend distributions in recent years are as follows:

YEARS	CAPITAL (TL)	% OF DIVIDEND BY ISSUED CAPITAL	AMOUNT OF DISTRIBUTED DIVIDEND (TL)
From 2008 Profit	24,000,000	30.00%	7,200,000
From 2009 Profit	24,000,000	85.00%	20,400,000
From 2010 Profit	24,000,000	62.50%	15,000,000
From 2011 Profit	24,000,000	200%	48,000,000
From 2012 Profit	24,000,000	266.67%	64,000,000

7. Transfer of Shares

Our Company's Articles of Association do not include any provisions or practices that restrict the transfer of shares.

Only the records in the share ledger, which are maintained by the Central Registry Agency, are taken into consideration. Individuals whose accounts are found in the share ledger are accepted as holders of the dividend right on the share or as a shareholder.

Capital Market Board's regulations are applied for the transfer of registered shares that are listed in the stock market.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Otokar implements a disclosure policy which aims to provide accurate, complete, timely, and easily understandable information to the public in an efficient, continuous and transparent manner. Otokar aims to create an efficient and an open communication platform by uniformly sharing its vision, goals, past performance and expectations with the public, relevant authorities, present and potential investors and shareholders, and by announcing its financial data, with the exception of trade secrets, in accordance with the generally accepted accounting principles and the provisions of the Capital Market Law.

The Disclosure Policy at Otokar includes procedures setting out what information will be shared with the public, in addition to such information as required by the legislation, how frequently and by which means such information will be announced to the public, how frequently the Board of Directors and/or managers will speak to the media, the frequency of meetings that aim to inform the public, and what method will be used to reply to questions. The Disclosure Policy has been approved by our Board of Directors and presented to the Annual General Meeting. The Company's disclosure policy is also available on the Company's website.

The Board of Directors is in charge of establishing, overseeing, and carrying out the necessary updates to the Disclosure Policy. The Company's Disclosure Policy is presented to the shareholders at the General Meeting and announced to the public on the website, after being approved by the Board of Directors.

In all of its practices related to public disclosure, Otokar complies with Capital Market Legislation and strives to implement the most efficient communication policy within the framework of the CMB's Principles of Corporate Governance.

The Company's media relations are carried out by the Corporate Communications Unit, and information may be obtained from Mrs. Beril Aksoy Gönüllü by e-mail (kyl@otokar. com.tr) and/or by phone (+90 216 489 29 50/extension 268).

The Financial Affairs and Shareholder Relations Unit is responsible for informing the public. All necessary information and documents are made available to the public through this unit. (Mr. Hüseyin Odabaş and Mr. İrfan Özcan may be reached by e-mail (arf@otokar. com.tr) and/ or by phone (+90 264 229 22 44/ extension 6200).

9. The Company's Corporate Website and its Content

Our Company's website address is www.otokar.com.tr, where current and past information can be accessed. The website includes comprehensive information about the Company, both in Turkish and English. The website is updated as developments occur, and features an "Investor Relations" section which contains subjects related to Corporate Governance Principles. The Investor Relations section contains content belonging to the last 5 years. The principles regarding the management of our website are set out in our Information Policy. Our website is written in our Company's letterhead.

The Company's shareholder structure is included in the Company's corporate website. Accordingly, Koc Holding is the largest shareholder with 44.68% of the shares in the Company, amounting to paid-in capacity of TL 10,722,750, followed by Ünver Holding, which holds 24.81% of the shares amounting to TL 5,954,944 in paid-in capital, and there are no other parties among the Company's shareholders which hold more than 5% of the shares.

10. Annual Report

The annual report is prepared under the supervision of the Board of Directors, and covers all information as required by the Principles of Corporate Governance. The annual report is prepared in detail in order to provide complete and accurate information to the public about the Company's activities.

SECTION III - STAKEHOLDERS

11. Informing Stakeholders

If and when necessary, the Company's stakeholders are either invited to meetings on matters concerning them or informed by means of telecommunication devices. Public announcements are published through the media, and employees are informed at various events organized by the Company.

The Company aims to inform not only its shareholders but all stakeholders by allowing their attendance at Annual General Meetings as well as through information on our website, annual reports, press releases, and all other practices carried out within the scope of the Company's disclosure policy. Important announcements, changes in management and press releases are issues in our intranet on which our employees have access in the Company. Moreover, the Corporate Communication Unit publishes a magazine entitled "Otokar Hattı" which is followed by the Company's employees, dealers and customers. The E-bulletin named "Otokar'da Bu Ay" is published within the company, which aims to share all important news concerning Otokar with the Company's employees. Relations with dealers are maintained at the highest level through meetings and visits with general or regional dealers.

Stakeholders may access the Audit Committee through the contact information provided on the Company's website and/or intranet, concerning any practices which violate the law, or are ethically inappropriate.

12. Participation of Stakeholders in the Management

Stakeholders may participate in the management's improvement efforts, actively express their opinions and impart comments in accordance with the procedures implemented within the organization. Such practices include the EFQM model, self-assessment meetings which are attended by all white- and blue- collar employees, and open-door meetings, all of which are developed on the basis of a total quality philosophy and which aim to increase productivity. The Company also organizes regular meetings where employees, suppliers and customers can express what they require from the Company. In addition, a number of training programs and various surveys, such as the "working life evaluation questionnaire", are carried out within the scope of the Company's HR policies.

From dealer network meetings to factory visits of shareholders, the Company strives to reach out to stakeholders and thus have a greater impact on society. Additionally, the Company implements a system through which customer demands received by the sales and the dealer network can be tracked, hence enabling necessary measures to be taken and feedback to be provided.

13. Human Resources Policy

Within the scope of our Company's human resources policy, recruitment and promotion criteria are set out in written form. The Human Resources policy adheres to the principles of;
- The right person for the right job
- Equal pay for equal work; differentiation according to performance
- Recognition and appreciation of success
- Equal opportunities for everyone

Accordingly, the Company aims to continuously improve the competency of its workforce and to maintain its competitive advantage in the global arena. With this purpose, all human resources processes are pre-defined by certain procedures and announced to the employees.

The Company's human resources policy has already been established and is currently is in effect. Issues such as recruitment policies, career planning, improvement and training policies for employees are dealt with under Personnel Regulations. While various committees have been established which are responsible for relations with employees, no employee representative has yet been selected or appointed. The Company acts in harmony with the Koç Group's Human Resources policies, and the rights and working conditions of both white- and blue-collar employees are secured so as to ensure no employee is subjected to any discrimination or ill treatment. No complaints were received in this regard during the period.

Employees' job descriptions are defined and shared with the employees. Practices related to performance and rewards are carried out through an electronic platform, Koç@İnsan, which is open to all employees, and serves to inform employees of the Company's goals as well as measure their performance in realizing these goals. Realizations are shared with the employees through feedback meetings.

14. Ethical Rules and Social Responsibility

Otokar acts appropriately in all of its domestic and international activities and relations with business partners, the wider society, its customers, suppliers, shareholders and employees, and strives to expand such behaviour not only in its sector but also to a larger platform. The Company announces how it plans to achieve this purpose on its website, under the section Otokar's Ethics.

Within the scope of its corporate social responsibility efforts, Otokar carries out activities both in the region where its factory is located while also targeting the general public, in order to contribute to and create value for the society. Detailed information concerning these efforts are included in the Annual Report. The Company did not receive any negative notices during the period on account of damage caused to the environment. There Company keeps records of its activities, principally consisting of environmental impact reports.

SECTION IV - BOARD OF DIRECTORS

15. The Structure and Formation of the Board of Directors

Information relating to the current members of our Board of Directors (BoD) is summarized in the table below;

Name Surname	Executive Member or not	Position Regarding Independence	Date Appointed	Duty Term	Assignments in BoD and Committees	Duties Outside Company
Kudret Önen	Executive Member	Non Independent Member	27.03.2013	1 Year	Chairman of the Board of Directors, Chairman of the Executive Committee, Member of the Risk Management Committee	Koç Holding A.Ş. - Management
Halil İbrahim Ünver		Non Independent Member	27.03.2013	1 Year		Ünver Holding A.Ş. – Chairman of the Board of Directors
Osman Turgay Durak		Non Independent Member	27.03.2013	1 Year		Koç Holding A.Ş. - Management
Ali Tarık Uzun		Non Independent Member	27.03.2013	1 Year	Member of the Corporate Governance Committee	Koç Holding A.Ş. - Management
Ahmet Serdar Görgüç	Executive Member	Non Independent Member	27.03.2013	1 Year	Member of the Executive Committee	Otokar Otomotiv ve Sav. San. A.Ş. - Management
Tuğrul Kudatgobilik		Non Independent Member	27.03.2013	1 Year		Turkish Employers' Association of Metal Industries (MESS) - Management
İsmet Böcügöz		Independent Member	27.03.2013	1 Year	Chairman of the Audit Committee, Chairman of the Corporate Governance Committee	
Abdulkadir Öncül		Independent Member	27.03.2013	1 Year	Chairman of the Risk Management Committee, Member of the Audit Committee	

The detailed CV's of the Members of the Board of Directors are included in the annual report.

The duties of the Chairman of the Board and the General Manager are performed by separate persons. While Board Members are encouraged to spare the required time to fulfil their obligations to the company, there are no rules restricting them from assuming other duties outside the Company. Considering that independent members, in particular, may contribute significantly to the Board with their business experience and specific knowledge, no such restrictions have been deemed necessary. The CV's of each Board Member and their other duties outside the company are shared with the shareholders prior to the Annual General Meeting.

A total of two nominees for independent members were submitted to the Corporate Governance Committee in 2013. Declarations to become a nominee and the CV's of these individuals shall be evaluated in the meetings of the Corporate Governance Committee and the Board of Directors meetings on 5th March, 2013. All of these individuals are determined as nominees to be independent members. All independent board members submitted their declarations of independence to the Corporate Governance Committee. During the 2013 activity period, there were no situations which contravened their independence.

16. Operating Principles of the Board of Directors

Issues or agendas requiring the resolution of the Board of Directors are arranged and prepared periodically or whenever the need arises. Therefore, the number of Board meetings may vary according to such needs. The Board of Directors drew up 14 resolutions in 2013. Independent board members participated in meetings. The Board convenes for meetings whenever the operations of the Company so require. Although there is no dedicated secretariat established to facilitate communication, the Finance Department prepares the meeting agenda, records the resolutions, and monitors the outcome of resolutions.

Should any issues which require the Board's resolution as dictated by the Company's Articles of Association arise, the upper management of the Company notifies the Board Members of the situation, and the meeting agenda is set accordingly. Otherwise, a meeting agenda may also be drawn up when a Board Member notifies the upper management of a specific matter which requires the Board's resolution.

Issues which need to be discussed by the Board of Directors are gathered and compiled by the Finance Department and the meeting agenda is drawn up accordingly.

The Finance Director of Otokar A.Ş. is in charge of establishing the agenda of the Board meetings, preparing the Board's resolutions, and informing and communicating with the Board members.

Different views expressed during the Board meetings as well as the reasons for casting opposing votes are recorded in the minutes of the resolutions. However, since no such opposing or discordant views were recently expressed, no disclosures were made to the public in this regard.

In 2013, there were no related party transactions or significant transactions which would be required to be presented to the Annual General Meeting for approval as a result of disapproval from independent members.

"Manager Responsibility Insurance" is provided for our Company's Board of Directors and senior managers.

17. The Number, Structure and the Independence of the Committees Formed by the Board of Directors

In our Company, the Board of Directors forms several committees in order to effectively fulfil its duties and responsibilities, and these committees carry out their activities in accordance with specified procedures. Our Committees reach certain decisions after independently conducting a number of studies before presenting these in the form of proposals for the Board's consideration, with the Board then reaching the final decision.

Members who have responsibility in more than one committee carry out the communication between committees on related subjects and enhance the opportunities for cooperation. The Board of Directors believes that it has obtained the expected benefit from the committee's work.

Detailed information on the operating principles of these committees as well as the CV's of Board Members are made available on the Company's website.

Audit Committee

The Audit Committee, which was established in accordance with the decision of the Board of Directors on 29th April, 2003 fulfils the duties set out in the Capital Market Legislation.

During the Board of Directors Meeting dated 4th April, 2013, the decision was taken that the Audit Committee would be composed of 2 independent members, with İsmet Böcügöz and Abdulkadir Öncül appointed as the head and member of the committee.

The working principles of the committee are announced on our Company's website. The Audit Committee submitted the following decisions to the Board of Directors in written form; the selection an independent auditor, and opinions concerning the annual and the interim financial statements that will be announced to the public, in compliance with the accounting principles that the companies follows in truth and in practice.

Corporate Governance Committee

The Corporate Governance Committee was established in accordance with the Board of Directors' decision dated 25th May, 2012 to ensure the Company's compliance with the Corporate Governance Principles and to provide recommendations on improving the application of principles which have not yet been applied to the Board of Directors, and examine the reasons in the event of them not being applied. In their meeting dated 4th April, 2013, the Board of Directors reached the decision that the Corporate Governance Committee would be composed of two members and that İsmet Böcügöz, who is an independent member, and Ali Tarık Uzun would be appointed as the head and as a member of the committee, respectively. The board also decided to set up the Nomination Committee and Wage Committee within the scope of the Communiqué. The working principles of the committee were announced on our Company's website, and it evaluates corporate governance applications and Corporate Governance Compliance Report.

Risk Management Committee

In our Company's Board of Directors Meeting dated 11th July, 2012, the decision was taken to establish the Risk Management Committee, which would work on early detection of risks that could pose a threat to the Company's presence, development and continuity, and on applying necessary measures to tackle these risks in order to ensure compliance with article 378 of Law 6102 of the Turkish Commercial Code, which entered force in July 2012. During the Board of Directors Meeting dated 4th April, 2013, it was decided that the committee would be composed of two members, with Abdulkadir Öncül, who is an independent member, and Kudret Önen to be appointed as the head and as a member of the committee, respectively. The working principles of the committee were enounced on our Company's website. The committee convenes at least six times a year.

Executive Committee

The Executive Committee was established in our Company's Board of Directors meeting dated 25th May, 2012 with the purpose of increasing the effectiveness of Board of Directors by ensuring effective coordination between the Board of Directors and the administrative structure, to ensure effectiveness of investment in fields that are relevant to the Company's strategic targets and in business development. In the Board of Directors meeting dated 4th April, 2013, Kudret Önen and Ahmet Serdar Görgüç were appointed as members of the committee.

The working principles of the committee are announced on the website and the committee holds at least one regular meeting per month. The committee is responsible for the following: Informing the Board of Directors of developments in the Company and the sector that the company operates in when necessary, coordinating the Board of Directors and the company's administrative structure in the event that the Board of Directors cannot meet at the desired frequency and time, developing strategies that are appropriate for the Company, and issuing recommendations concerning the effectiveness of operations.

18. Risk Management and the Internal Control Mechanism

A risk management and internal control mechanism was established to deal with the Company's financial and administrative activities. The Financial Affairs and Internal Audit Departments are in charge of ensuring that it operates effectively and in accordance with capital markets legislation and regulations.

Our Company's financial statements are inspected by the Audit Committee, which is formed by the Board.

The Company is audited, in a process which includes financial control and risk analyses, by the Audit Group Presidency, which operates under the Board of Directors of Koç Holding A.Ş., one of the Company's major shareholders.

The main risks which our Company is exposed to come under four main headings - financial risks, strategic risks, operational risks and legal risks. The Risk Management Committee and Board of Directors are periodically informed of these risks. Detailed information concerning risk management is included in the related part of activity report.

19. The Company's Strategic Goals

Otokar preserves the local and national identity characteristics in its products by developing its own technology and aims to ensure the continuous satisfaction of its customers, employees, and shareholders by embracing a philosophy of total excellence.

Strategic Goals

- To grow by an average of 15% over certain periods by achieving a return of at least 15% on shareholders' equity, and by increasing the value of shares,
- To focus on the manufacture of breakthrough products which have international competitive power,
- To invest in technology in order to become the leader or the second player in the industries we operate in,
- To boost the brand's strength by commanding technology in the industries we operate in,
- To increase the share of international sales in total revenue by increasing our exports and international operations.

The strategic goals determined in line with the Company's vision and mission are evaluated by the Board of Directors. The values set out in the Company's mission and vision, which have been established by the Senior Management and approved by the Board of Directors, are included in the Annual Report. The efforts of the related departments in establishing and reaching strategic goals are monitored and presented to the Board of Directors by the Company's senior management. By evaluating the performance recorded in previous years, the Board of Directors reviews the Company's activities during the year and the strategic goals set by the Senior Management and reaches decisions accordingly. Financial performance is followed alongside the budget, and developments in strategic matters are also followed and recommendations are provided.

20. Remuneration of the Board of Directors

Payments and benefits offered to the Board of Directors and senior managers, as well as the criteria for determining such remuneration, are detailed in our Company's "Remuneration Policy regarding Board Members and Senior Managers", which was presented to the shareholders on the Company's website as part of the "Information Document", three weeks prior to our Annual General Meeting held on 27th March, 2013. This was then approved at the Annual General Meeting and entered effect. Total remuneration paid to the Board Members and Senior Managers is evaluated annually by the Corporate Governance Committee and the Board of Directors. Total remuneration paid to the Board Members and Senior Managers is specified in the notes to financial statements, for the attention of the general public. The Company does not undertake any transactions which may lead to conflicts of interest, such as lending money, issuing loans or offering guarantees in favour of our Board Members or managers.

Risk Management

a. Risk Management

The risk management policy at Otokar is led by the General Manager under the supervision of the Board of Directors. Risk management is carried out in coordination with all managers, spread across all levels of the organization and is implemented in line with the Company's strategies, with the aim of foreseeing and monitoring potential any risks which may prevent the Company from reaching its goals, and of drawing up action plans to tackle such risks.

The Risk Management Committee was established to determine and assess any strategic, operational, financial, legal and other risks which may undermine the Company's presence or growth; to calculate the impact and probability of such risks, to report and manage these risks according to the Company's risk profile; and also to table suggestions to the Board of Directors concerning the implementation of the necessary measures against such risks, taking them into consideration in decision making processes and establishing and integrating effective internal control mechanisms.

In addition to its own risk policy, Otokar also acts in line with the risk policy implemented by the Koç Group.

Otokar follows its risks as financial risks, strategic risks, operational risks and legal risks.

Financial Risks

Includes exchange rate risk, liquidity risk, credit risk, interest risk and receivable risk

Currency Risk: is managed using derivative transactions within the limits determined by the Group by following updated currency positions to avoid exchange rate risk.

Liquidity Risk: managed by maintaining the ratio of cash and cash equivalents to total short term liabilities at the targeted levels.

Credit Risk: is kept under control with cash management and liquidity risk follow-up. As part of the Company's policy, no mortgage, pledge or such additional collateral is provided in credit usage.

Interest Risk: Short term and long term borrowing is carried out in line with the Company's policies. A policy of using credits with flexible maturities has been implemented.

Receivable Risk: Receivables are followed within the limits of collaterals. The coherence of debt-receivable days to expected days in budget is followed closely.

Strategic Risks

Strategic risks are structural risks that may prevent the company from reaching its short, medium or long term strategic targets and which are among the most important elements of preparing for the future. These risks are related to products, customers, competitors, brands, the market, industry, management and any changes in the management.

Potential risks and opportunities are followed in strategic risk management, in view of budget and strategic plans which serve as indicators of future plans, macroeconomic developments, the market and sector dynamics.

Operational Risks

Operational risks are composed of losses such as those from business processes which may affect basic activities, personnel and systems that are affected by internal systems and processes and external factors. Risk areas such as sales, product development, capacity, information management, technology, brand management, earthquake and fire are risks that are included in this category.

Insurance to manage operational risks is purchased through a central purchase system.

Legal Risks

Legal risks and opportunities are followed by the management and legal advisors with respect to compliance with the current laws, regulations and standards. The legal conformity (HUY) test and contract supervision system (LERIMAN) are applied in parallel with the Group's implementations.

b. Work of the Risk Management Committee

During the Board meeting of Otokar Otomotiv ve Savunma San. A.Ş., dated 11th July, 2012, the decision was taken to establish a Risk Management Committee in order to predetermine any risks which may undermine the Company's presence or growth, to take the necessary measures to tackle such risks, and to carry out risk management. The reason for establishing the Risk Management Committee was to enable the committees established by the Board to function effectively, and also to comply with Article 378 of the Turkish Commercial Code, Law No. 6102, which entered effect on 1st July, 2012. During the Board of Directors meeting dated 4th April, 2013, it was decided that the committee would be composed of two persons, and the committee would be headed by Abdulkadir Öncül, who is an independent Board member. The operating principles of the committee are announced on our Company's website. The committee holds at least 6 meetings per year.

The committee held 7 meetings in 2013. The committee evaluates the Company's principles for the Risk Management System and Risk Reporting, examines Risk Reports which were prepared periodically and expresses its views on measures that are deemed necessary to tackle areas where there is non-compliance with the limits determined in the Risk Management System. Reporting work and committee evaluations are submitted to the attention of the Board of Directors.

Internal Control System and Internal Audit

The establishment of the Internal Control System aims to achieve the following; to remain neutral and independent in all transactions, to add value to the Company, to ensure that activities comply with the strategies, targets and legislation, to provide a contribution to the realization of the Company's main targets, principles and strategies, and to increase effectiveness and efficiency.

The Internal Control system consists of standard definitions of the business processes, job descriptions, authorization system, policies and written procedures.

The Internal Audit unit regularly evaluates the Internal Control system for effectiveness. The Internal Audit unit directly reports to the General Manager in order to function independently.

Accounts and financial tables are examined by the Committee responsible for Audit and Internal Audit Unit. In addition, they are audited by an independent audit company, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited).

Otokar Otomotiv ve Savunma Sanayi A.Ş. had not been subject to any special or public inspections.

Report on Related Parties

2013 Report on Related Parties

In its meeting dated 28 February, 2014, the Company's Board of Directors approved the report detailing common and ongoing transactions conducted with related parties, in accordance with CMB's Communiqué, Serial: II, No:17.1. The conclusion of this report is as follows:

"Pursuant to Capital Markets Board's Communiqué, article 10 of Serial: II, No: 17.1; due to the fact that the amount of the Company's common and ongoing product sales transactions with Ram Dış Ticaret A.Ş. within 2013 accounting period have exceeded 10% of cost of sales and revenue which will be disclosed to the public, and due to the expectation that related party transactions will remain above this limit in 2014, the terms of transactions made with Ram Dış Ticaret A.Ş., pricing policy, and reasons for choosing this policy are explained in this report, and information regarding the compliance of the transactions with market conditions is provided.

Report on Affiliated Companies

2013 Report on Affiliated Companies

The report, which explains our relations with major shareholders within the scope of Turkish Commercial Code (TTK) article 199 was approved in Board of Directors meeting, held on 28th February, 2014. The result of the report is below:

“Pursuant to Article 199 of the Turkish Commercial Code No. 6102, which entered effect on 1st July, 2012, the Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.Ş. is required to prepare a report on the Company’s transactions of the previous year with its majority shareholder and its subsidiaries, within the first three months of the calendar year; and to include the conclusions of this report in the annual report. The details of the transactions between Otokar Otomotiv ve Savunma Sanayi A.Ş. and the related parties are included in footnote No. 27 of the financial statements.

The following was expressed in the report which was prepared by Otokar Otomotiv ve Savunma Sanayi A.Ş.’s Board of Directors on 28th February, 2014: The Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.Ş. reached the conclusion that, in all transactions conducted in 2013 between Otokar Otomotiv ve Savunma Sanayi A.Ş. and its majority shareholder, as well as its subsidiaries, the transactions were either completed or the required measures were taken, and, in cases where the Company refrained from taking the required measures, due consideration was provided based on all facts and conditions known to the Company’s Board at the time, and, in this context, that there were no measures taken, or which were refrained from, that could harm the Company, and, accordingly, there were no transactions or measures that require balancing.”

Reports and Financial Statements

(Convenience translation of financial statements originally issued in Turkish)

Report by the Committee Responsible from Audit

We have convened to examine and provide opinions concerning the unconsolidated financial tables pertaining to the period between 1 January - 31 December, 2013 which was prepared by Otokar Otomotiv ve Savunma Sanayi A.Ş. management and which comply with the Turkish Accounting Standards/Turkish Financial Reporting Standards (“TMS/TFRS) and formats determined by the CMB in accordance with the Capital Market Board’s communiqué entitled “Financial Reporting in Capital Market Communiqué” numbered II.14.1, and the independent auditor’s report, which was prepared by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited).

Evaluations were conducted in our examination related to the compliance of the financial tables with accounting principles which the company follows, correctly and in practice. The views of the independent auditor and the engagement director of the audit company were sought when necessary.

Within the scope of information submitted to us and as a result of our evaluations, we reached the view that the non-consolidated financial statements pertaining to the 1 January-31 December, 2013 period complied with the accounting principles that the company follows, correctly and in practice. We submit these financial statements for the approval of the Board of Directors.

Sincerely,

İstanbul, February 14, 2014

The Committee Responsible for the Audit

İsmet Böcügöz
Board Member

Abdulkadir Öncül
Board Member

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Independent Auditor's Report

Ernst & Young

Güney Bağımsız Denetim ve
Serbest Muhasebeci Mali
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To the Board of Directors of

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi:

We have audited the accompanying financial statements of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi (the Company), which comprise the balance sheet as at December 31, 2013, and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Market Board in Turkey. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to establish a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, the financial position of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi as of December 31, 2013 and its financial performance and cash flow for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Independent Auditor's Report

Reports on independent auditor responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code no. 6102, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2013 are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code, Board of Directors of publicly listed companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the date of balance sheet, POA has not announced the principles of this report yet, accordingly, no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on July 11, 2012 and it comprised of two members. The committee met three times in 2012 and seven times in 2013, ten times in all since establishment for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

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

Ferzan Ülgen, SMMM
Partner

February 14, 2014
İstanbul, Turkey

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Balance sheet as of December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)
(Currency - Turkish Lira (TL) unless otherwise indicated)

	Notes	Current period (Audited) December 31, 2013	Prior period (Audited) December 31, 2012
Assets			
Current assets			
Cash and cash equivalents	4	8.884.174	47.906.245
Trade receivables		399.220.867	224.693.650
- Due from related parties	27	71.374.049	24.550.065
- Trade receivables, third parties	8	327.846.818	200.143.585
Other receivables	9	2.524	1.715
Inventories	10	297.797.165	252.632.987
Prepaid expenses	17	74.985.116	133.453.785
Other current assets	17	17.053.925	21.480.578
Total current assets		**797.943.771**	**680.168.960**
Non-current assets			
Trade receivables	8	192.938.324	59.397.503
Other receivables	9	58.112	47.971
Estimated earnings in excess of billings on uncompleted contracts	11	93.597.289	61.325.046
Financial investments	5	239.280	239.280
Property, plant and equipment	12	120.842.623	125.112.154
Intangibles	13	126.292.737	100.041.870
Deferred tax asset	25	43.338.020	11.092.336
Total non-current assets		**577.306.385**	**357.256.160**
Total assets		**1.375.250.156**	**1.037.425.120**

The accompanying policies and explanatory notes on pages 73 through 123 form an integral part of these financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Balance sheet as of December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)
(Currency - Turkish Lira (TL) unless otherwise indicated)

	Notes	Current period (Audited) December 31, 2013	Prior period (Audited) December 31, 2012
Liabilities			
Current liabilities			
Short term financial liabilities	6	138.276.975	48.064.941
Short term portion of long term financial liabilities	6	2.686.797	2.028.308
Derivative financial liabilities	7	1.231.950	2.193.011
Trade payables	8	102.434.509	85.026.598
- Due to related parties	27	13.154.537	8.988.915
- Trade payables, third parties	8	89.279.972	76.037.683
Employee benefit obligations	17	19.143.540	17.165.965
Other payables	9	10.819.100	1.441.022
Deferred income	17	306.326.515	146.855.524
Government incentives and grants	14	1.467.624	670.521
Current income tax liabilities	25	7.043.047	-
Short term provisions	15	95.999.670	225.619.049
Other current liabilities	17	1.615.447	1.076.908
Total current liabilities		**687.045.174**	**530.141.847**
Non-current liabilities			
Financial liabilities	6	332.047.500	236.099.752
Government incentives and grants	14	7.055.794	2.332.562
Long term provisions		26.957.401	21.474.019
- Provision for employee benefits	16	20.616.223	17.030.080
- Other provisions	15	6.341.178	4.443.939
Deferred income	17	48.874.707	5.644.080
Total non-current liabilities		**414.935.402**	**265.550.413**
Shareholders' equity			
Parent Company's equity			
Paid-in share capital	18	24.000.000	24.000.000
Inflation adjustment on equity items	18	52.743.030	52.743.030
Restricted reserves	18	29.078.147	22.798.147
Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss	18	(3.551.453)	(2.526.430)
Retained earnings	18	74.438.113	66.441.516
Net income for the year	18	96.561.743	78.276.597
Total shareholders' equity		**273.269.580**	**241.732.860**
Total liabilities		**1.375.250.156**	**1.037.425.120**

The accompanying policies and explanatory notes on pages 73 through 123 form an integral part of these financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Comprehensive income statement for the year ended December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)
(Currency - Turkish Lira (TL) unless otherwise indicated)

		Current Period	Prior Period
		Audited	Audited
	Notes	January 1 - December 31, 2013	January 1 - December 31, 2012
Net sales	19	1.401.552.934	1.004.492.232
Cost of sales (-)	19	(1.086.542.059)	(780.994.330)
Gross profit		**315.010.875**	**223.497.902**
Marketing, sales and distribution expenses (-)	20	(118.705.403)	(78.377.147)
General administrative expense (-)	20	(38.480.120)	(33.445.652)
Research and development expenses (-)	20	(25.796.799)	(17.645.232)
Other operating income	22	101.332.808	124.952.519
Other operating expense (-)	22	(75.374.133)	(106.502.522)
Operating profit		**157.987.228**	**112.479.868**
Income from investment activities		306.498	15.169
Expenses from investment activities		-	-
Operating income before financial income/(expense)		**158.293.726**	**112.495.037**
Financial income	23	3.007.922	5.102.020
Financial expense (-)	24	(53.053.328)	(33.414.592)
Income before tax		**108.248.320**	**84.182.465**
Tax income/expense			
- Tax expense for the year (-)	25	(43.676.005)	(3.876.947)
- Deferred tax income/(expense)	25	31.989.428	(2.028.921)
Net income		**96.561.743**	**78.276.597**
Actuarial loss arising from employee benefits		(1.281.279)	(2.364.524)
Tax effect		256.256	472.905
Other comprehensive income/(expense) after tax		**(1.025.023)**	**(1.891.619)**
Total comprehensive income		**95.536.720**	**76.384.978**
Earnings per share (kr)	**26**	**0,402**	**0,326**

The accompanying policies and explanatory notes on pages 73 through 123 form an integral part of these financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Statement of changes in equity for the year ended December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)
(Currency - Turkish Lira (TL) unless otherwise indicated)

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves
Balance at January 1, 2012 previously reported	24.000.000	52.743.030	18.118.147
Change in accounting policy (Note 2.3)	-	-	-
Balance at January 1, 2012 (restated)	24.000.000	52.743.030	18.118.147
Transfer to retained earnings	-	-	-
Transfer to restricted reserves	-	-	4.680.000
Dividend paid	-	-	-
Net profit for the period	-	-	-
Other comprehensive income/(expense)	-	-	-
Total comprehensive income	**-**	**-**	**-**
Balance at December 31,2012	24.000.000	52.743.030	22.798.147
Balance at January 1, 2013	**24.000.000**	**52.743.030**	**22.798.147**
Change in accounting policy (Note 2.3)	-	-	-
Balance at January 1, 2013 (restated)	24.000.000	52.743.030	22.798.147
Transfer to retained earnings	-	-	-
Transfer to restricted reserves	-	-	6.280.000
Dividend paid	-	-	-
Net profit for the period	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**-**	**-**
Balance at December 31,2013	**24.000.000**	**52.743.030**	**29.078.147**

The accompanying policies and explanatory notes on pages 73 through 123 form an integral part of these financial statements.

Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss			
Actuarial gains and losses related to employee benefits	**Retained earnings**	**Net income for the year**	**Total shareholders' equity**
-	63.640.101	54.846.604	213.347.882
(634.811)	-	634.811	-
(634.811)	63.640.101	55.481.415	213.347.882
-	55.481.415	(55.481.415)	-
-	(4.680.000)	-	-
-	(48.000.000)	-	(48.000.000)
-	-	78.276.597	78.276.597
(1.891.619)	-	-	(1.891.619)
(1.891.619)	**-**	**78.276.597**	**76.384.978**
(2.526.430)	66.441.516	78.276.597	241.732.860
-	**65.806.705**	**76.384.978**	**241.732.860**
(2.526.430)	634.811	1.891.619	-
(2.526.430)	66.441.516	78.276.597	241.732.860
-	78.276.597	(78.276.597)	-
-	(6.280.000)	-	-
-	(64.000.000)	-	(64.000.000)
-	-	96.561.743	96.561.743
(1.025.023)	-	-	(1.025.023)
(1.025.023)	**-**	**96.561.743**	**95.536.720**
(3.551.453)	**74.438.113**	**96.561.743**	**273.269.580**

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Cash flow statement for the year ended December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)

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

	Notes	(Audited) Current period January 1 - December 31, 2013	(Audited) Prior period January 1 - December 31, 2012
Cash flows from operating activities			
Income before taxes		108.248.320	84.182.465
Adjustments to reconcile income before taxes to net cash flows from operating activities:			
Depreciation and amortization	12, 13	40.447.945	30.258.066
Provision for retirement pay liability	21	3.340.044	3.930.224
Provision for impairment for inventories	10, 21	(311.216)	40.236
Warranty provision expenses	15, 21	28.233.403	17.345.018
Gain on sale of property, plant and equipment		(306.498)	(15.169)
Loan interest expense	24	33.686.402	26.195.253
Unrealised foreign exchange (income)/loss incurred from borrowings		13.353.300	-
Demand deposit interest income	23	(322.326)	(1.031.089)
Provision for doubtful receivables	8, 22	2.309.088	2.736.485
Forward transactions, net		19.225.508	992.842
Operating profit before changes in operating asset and liabilities		**247.903.970**	**164.634.331**
Trade and other receivables		(310.388.076)	10.388.085
Estimated earnings in excess of billings on uncompleted contracts		(32.272.243)	(17.357.712)
Inventories		(44.852.962)	(84.121.388)
Other current assets		62.895.322	(22.126.249)
Trade payables		17.407.911	6.530.916
Other liabilities, provisions and other current liabilities		86.102.407	42.281.232
Realized gain from forward transactions, net		(20.186.570)	10.223.077
Income taxes paid		(36.632.958)	(10.116.111)
Warranties paid	15	(20.812.684)	(18.278.508)
Employee termination benefits paid	16	(2.164.301)	(1.689.112)
Net cash (used in)/provided by operating activities		**(53.000.184)**	**80.368.561**
Cash flows from investing activities			
Cash paid for acquisition of property, plant and equipment	12	(14.008.492)	(25.298.282)
Cash paid for acquisition of intangible assets	13	(50.329.976)	(46.415.541)
Proceeds from sale of property, plant and equipment		2.215.686	1.092.115
Net cash used in investing activities		**(62.122.782)**	**(70.621.708)**
Cash flows from financing activities			
Proceeds from bank borrowings		352.349.508	422.112.861
Repayments of bank borrowings		(186.193.000)	(324.424.422)
Interest payments		(26.377.939)	(17.030.560)
Interest received		322.326	1.031.089
Dividends paid		(64.000.000)	(48.000.000)
Net cash provided by financing activities		**76.100.895**	**33.688.968**
Net (decrease)/increase in cash and cash equivalents		**(39.022.071)**	**43.435.821**
Cash and cash equivalents at the beginning of the year	4	**47.906.245**	**4.470.424**
Cash and cash equivalents at the end of the year	4	**8.884.174**	**47.906.245**

The accompanying policies and explanatory notes on pages 73 through 123 form an integral part of these financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the financial statements as of December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)

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

1. Organization and nature of operations

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

The Company operates in the automotive industry and off road vehicles, armoured vehicles, minibuses, midibuses and autobuses, trailers, semi-trailers, light truck and cross-country comprises the majority of its production. The number of the personnel in the Company is 2.264 (December 31, 2012 - 2.281).

The registered addresses of the Company are as follows:

Headquarters:

Aydınevler Mahallesi, Dumlupınar Cad. No: 58 A Bl.

34854 Küçükyalı/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. (Note 5)

Financial statements have been authorized for issue by the Board of Directors of the Company on February 14, 2014 and signed by Ahmet Serdar Görgüç, General Manager and Hüseyin Odabaş, Financial Vice General Manager on behalf of Board of Directors of the Company. Although there is no such intention, the Company Management and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The Company conducts part of its business transactions with the Koç Holding A.Ş. and related parties. There are certain related parties which are both customers and vendors of the Company. The Company is registered to the Capital Market Board ("CMB") and its shares are listed on the Borsa Istanbul ("BIST"), previously Istanbul Stock Exchange ("ISE") since 1996.

As of December 31, 2013, the shares listed on the BIST are 29,91% of the total shares. As of December 31, 2013, 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 Koç Family.

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

2. Basis of presentation of financial statements

2.1 Basis of presentation

The financial statements of the company have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line 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 of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676.

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.

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The financial statements have been prepared from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards as prescribed by POA. The adjustments are mainly related with deferred taxation, retirement pay liability, prorate 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 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 December 31, 2013 and December 31, 2012 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

2.2 Comparative information and restatement of prior period financial statements

Based on the decision taken on June 7, 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after March 31, 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes were made at the Company's financial statement and comprehensive income table.

The reclassifications made at the Company's financial statement of financial position as at December 31, 2012 are as follows:

- Prepaid expenses amounting to TL 1.834.083 is reclassified from other current assets to prepaid expenses as a separate line in balance sheet,
- Deferred revenues amounting to TL 1.595.339 and TL 5.644.080 is reclassified to deferred revenues-current and deferred revenues-non-current as separate lines in balance sheet from other short-term liabilities and other long-term liabilities respectively,
- Due to personnel amounting to TL 8.828.874 is reclassified from other short-term liabilities to employee benefit obligations,
- Social security premiums payable amounting to TL 3.152.862 and taxes and funds payable amounting to 5.184.229 is reclassified from other short-term liabilities to employee benefit obligations,
- Short-term portion of long-term financial liabilities amounting to TL 2.028.308 is reclassified from short-term financial liabilities to short-term portion of long-term financial liabilities as a separate line in balance sheet,
- Advances given amounting to TL 131.619.702 is reclassified from other current assets to prepaid expenses,
- Advances taken amounting to TL 145.260.185 is reclassified from other payables to deferred revenues as a separate line in balance sheet.
- The reclassifications made at the Company's income statement for the period ended December 31, 2012 are as follows:
- Income from sales of fixed assets amounting to TL 15.169 is reclassified from other operating income to income from investing activities,
- Foreign exchange losses and foreign exchange gains amounting to TL 91.354.146 and TL 86.405.935 respectively related to trade receivables and payables, are reclassified from financial expense and financial income accounts to other operating expenses and operating income, respectively.
- Maturity difference income amounting to TL 13.466.940 is reclassified from financial income to other operating income.
- Foreign exchange losses and gains amounting to TL 12.260.295 and TL 20.290.361 arising from forward transactions the Company entered against exchange risk of receivables is reclassified from financial expense and financial income accounts to other operating expenses and operating income inline with the reclassification of foreign exchanges losses and gains arising from trade receivables.

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

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

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

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

2.3 Accounting errors and changes in accounting estimates

The Company recognizes, evaluates and presents similar events and transactions consistently. Accounting errors identified are restated retrospectively. The Company has applied the accounting policies in consistence with the prior year.

Changes in estimations are applied in the current period if related to one period. They are applied forward, in the period the change occurred and in the future when they are related with the future periods.

2.4 Changes in accounting policies

The Company changes accounting policies when it is believed that the change will lead to better presentation of transactions and events in the financial statements. When the intentional change can affect the prior period results, the change is applied retrospectively as though it was already applied before. Accounting policy changes arising from the application of a new standard are applied considering the transition principles of the related standard, if any, retrospectively or forward. If no transition principle for the standard exists, the changes are applied retrospectively.

New standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2013. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

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

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

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements).

New disclosures would provide users of financial statements with information that is useful in;

i) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and,

ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

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

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

The amendments to TAS 1 change only the 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 amendment affects presentation only and did not have an impact on the financial position or performance of the Company.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. Since the Company recognizes the actuarial gain and loss in the income statement, the amendment of the standard with regards to the accounting of actuarial gain/loss impact on the financial position or performance of the Company has been explained in Note 2.2. retrospectively. Also, based on the amendment in the presentation of short term and long term employee benefits, vacation pay liability formerly presented in the short term provisions has been retrospectively reclassified to long term provisions.

TAS 27 Separate Financial Statements (Amended)

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

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed as TAS 28 Investments in Associates and Joint Ventures. With these amendments; accounting of associates and joint ventures have been made by using equity method. This amendment did not have an impact on the financial position or performance of the Company.

TFRS 10 Consolidated Financial Statements

TFRS10, TAS 27 Consolidated and Separate Financial Statements address the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment did not have an impact on the financial position or performance of the Company.

TFRS 11 Joint Arrangements

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

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 requires disclosures about an entity's interests in associates, joint ventures, subsidiaries and structured entities. This standard is about the presentation and did not have an impact on the Company's disclosures.

TFRS 13 Fair Value Measurement

The new standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures has to be made, when TFRS 13 has started to disclosed. These disclosures have been presented in Note 29.

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

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

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

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

Improvements to TFRSs

Annual Improvements to TFRSs - 2009 - 2011 cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Company.

TAS 1 Financial Statement Presentation:

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

TAS 16 Property, Plant and Equipment:

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

TAS 32 Financial Instruments: Presentation:

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

TAS 34 Interim Financial Reporting:

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

Standards issued but not yet effective and not early adopted

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

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

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

TFRS 9 Financial Instruments - Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by 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 to TFRS by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

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

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments required additional disclosures about the measurement of impaired assets (or a Company of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Implementation of the IFRS13, enable to use earlier. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

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

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

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 transactions. The standard does not have a mandatory effective date, but it is still available for application; 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 Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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 as of 1 July 2014. Earlier application is permitted.

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 Decision Requirements

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 carrying amount equals to 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.

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Annual Improvements to IFRSs - 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.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to the contracts not just financial assets and financial liabilities. 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.

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

FRS 14 - interim standard on regulatory deferral accounts.

In January 2014, the IASB issued this standard. IFRS 14 permits first-time adopter rate regulated entities to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. Existing IFRS preparers are prohibited from adopting this Standard. The Standard will be applied on a full retrospective basis and is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Resolutions promulgated by the Public Oversight Authority

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

2013-1 Financial Statement Examples and User Guide

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

2013-2 Accounting of Combinations under Common Control

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

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances when the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the financial statements of the Company.

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2013-4 Accounting of Cross Shareholding Investments

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

i) the subsidiary holding the equity based financial instruments of the parent,

ii) the associates or joint ventures holding the equity based financial instruments of the parent

iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

This resolution did not have any impact on the financial statements of the Company.

2.5 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 deductable temporary differences. For the year ended December 31, 2013, 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).

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

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2.6 Summary of significant accounting policies

Revenue recognition

Accruals basis accounting is applied for the recognition of revenue and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period.

Revenue includes invoiced or accrued values of sale of goods and rendering services. Revenue from the sale of goods is recognised on an accrual basis over fair value when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Significant risk and rewards related to sales passes to the buyer on delivery of the goods or transfer of ownership to buyer. Net sales are invoiced amounts of delivered goods excluding sales returns.

Service revenue is recognized in the period services given. Service revenue in the context of repair maintenance agreements for more than one year are recognized in equal installments (straight line method) during the agreement periods and amounts belonging to the following periods are booked as deferred revenue.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income.

Interest income is recognised using the effective interest rate until maturity and considering the effective interest rate.

Construction contract activities

Contract revenue and costs are recognized as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliably. The projects are “fixed cost” and the project revenues are reflected according to the percentage of completion method. The percentage of completion method is used to recognize revenue on a contract as work progresses by matching contract revenue with contract costs incurred based on the proportion of work completed which is determined by the ratio of actual costs incurred through to the end of each reporting period divided by the total estimated contract costs of the project.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the income statement as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognized (Note 11).

Related parties

Parties are considered related to the Company if;

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(i) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(ii) Both entities are joint ventures of the same third party.

(iii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(iv) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(v) The entity is controlled or jointly controlled by a person identified in (a).

(vi) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost incurred in bringing each product to its present location and conditions are included in the cost of inventory:

Raw materials and merchandises - cost is determined on a weighted average basis over the costs net of imputed interest.

Finished goods and work-in progress -cost of direct materials and labor and a proportion of manufacturing overheads is included based on normal operating capacity using average cost method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale (Note 10).

Property, plant and equipment

All property and equipment is initially recorded at cost and then are carried at restated cost until December 31, 2004 with the index of the related purchase date. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Depreciation is provided on cost or revalued amount of property, plant and equipment on a straight line basis. Estimated useful lives are as follows:

Land improvements	25-30 years
Building	30 years
Machinery and equipment	3-15 years
Vehicles	9 years
Furniture and fixtures	5-15 years
Leasehold improvements	5 years

Land is not amortized since it has an unlimited economic life.

Gains and losses on sale of property, plant and equipment are included in investment activity income and expense.

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Intangible assets

Intangible assets mainly comprise software rights, information systems, project costs related to new product development and computer software. Intangible assets are initially stated at cost and are restated until December 31, 2004 with the index of the related purchase date. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss.

Intangible assets are amortized on a straight-line basis over the estimate of their useful lives, which is up to 5 years. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Research and development expenses

Research expenditures are recognized as an expense when they are incurred.

Intangible assets arising from in-house development activities (or the improvement phase of an intergroup project) are recognized when all of the following conditions are met:

(a) existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) existence of the intention to complete the intangible asset and use or sell it

(c) existence of the ability to use or sell the intangible asset.

(d) reliability of how the intangible asset will generate probable future economic benefits

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period. Capitalized development expenses are amortized in expected useful life which is 5 years by straight-line method effective from the start of the production.

Investment, research and development incentives

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systemic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recorded as deferred income.

Investment and research and development incentives are recognized when the Company's incentive requests (applications) are approved by fiscal authorities.

Income taxes

Income tax is the aggregate amount included in the determination of net profit or loss for the year in respect of current and deferred tax.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in Turkey. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

A provisional tax accrual is recognized in the financial statements for current taxation. Current tax charge is calculated over operational results considering the effects of disallowable and exemptions.

Furthermore, provisional corporate taxes are paid at 20% over profits declared for interim periods in order to be deducted from the final corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed by the Company at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets are presented net of deferred tax liabilities in the balance sheet.

Long-term employee benefits

(a) Defined benefit plans:

Retirement pay liability

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the financial statements, the Company has recognized a liability using the “Projected Unit Credit Method” based upon factors derived using the Company’s experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized in the comprehensive income statement.

(b) Defined contribution plans:

The Company pays contributions to the Social Security Institution on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Foreign currency transactions

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of such transactions. Monetary balance sheet items denominated in foreign currencies have been translated at the Central Bank of Turkey (TCB) exchange rates prevailing at the balance sheet date.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are revised at each balance sheet date and amended in order to reflect management’s recent estimations.

Contingent liabilities and assets

Assets and liabilities that originate from past incidents and whose presence is not fully under the entity’s control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are considered as contingent liabilities and assets.

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Contingent liabilities and assets are defined to be arising from past events to be caused from inflows or outflows of resources including economic benefits on amortization.

Contingent liabilities are not recognized in the financial statements. They are disclosed only, if the probability of outflow of resources embodying economic benefits is not highly probable. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is mostly probable.

Share capital and dividend

Ordinary shares are classified under share capital. Dividend distribution on ordinary shares is recognized as an appropriation of profit in the period in which they are declared.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorized services' labor and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the year.

Financial instruments

The Company's financial assets comprise cash and cash equivalents, receivables from related parties, financial investments and other receivables. Financial liabilities comprise financial loans, trade payables, due to related parties and other payables.

Financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold to maturity. Financial assets which are ready for sale when considered the liquidity needs or the possible changes in interest rates, are classified as held for trading. Others except these are classified as ready for sale financial assets.

Available for sale investments

Investments intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the expressed intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management reviews the classification of these financial assets on a regular basis.

The fair value of financial assets must be carried at cost less impairment, when the fair value of financial assets cannot be measured reliably.

Available for sale assets are carried at fair value after initial recognition. The fair value of available for sale financial assets is determined by the market price at the balance sheet date when available. If no market price is available, fair value is estimated based on valuation process by using discounted cash flow, similar purchases and observable market parameters.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid and the risk of value change is not material investments including time deposits generally having original maturities of three months or less.

Bank accounts consist of time and demand deposit accounts and the related interest accrued. The Turkish Lira balances are stated at face values and the foreign currency balances are translated into Turkish Lira at the foreign currency rate issued by the Central Bank as at the report date. Time deposit accounts are stated as calculated by adding accrued interest as of balance sheet date on the principle amount.

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Trade receivables

Trade receivables and notes and post-dated checks classified within trade receivables which are recognized at original invoice amount are measured at amortized cost using the effective interest rate method. Short term trade receivables without specified interest rate, are measured at invoice amount when the interest accrual effect is immaterial.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate.

Post dated cheques received with maturity dates exceeding the balance sheet date are classified in trade receivables and are rediscounted using the interest rates determined for government debt securities by considering the interest levels arising in the stock exchanges or other organized markets.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all such receivables. The allowance for doubtful receivables is established through a provision charged to expenses. Provision is made when there is objective evidence that the Company will not be able to collect the debts. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. Bad debts are written off when identified. Provision for doubtful receivables is recognized as an expense when identified.

If a portion or the entire amount of a receivable is collected after provided for a provision, the collected amount is deducted from total provision and is recognized as an income in the comprehensive income statement.

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method.

Borrowings

Short and long term bank loans are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the balance sheet date.

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the comprehensive income statement over the period of the borrowings. Borrowing costs arising from bank loans are charged to the comprehensive income statement when they are incurred unless they are incurred for acquisition of a qualifying asset.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Company mainly consist of foreign exchange forward contracts and related transactions. These derivative transactions, even though providing effective economic hedges under the Company risk management position, do not generally qualify for hedge accounting, therefore treated as ‘derivative financial instruments held for trading. Any gains or losses arising from changes in the fair value of such kind of financial instruments are recognized under comprehensive income statement.

Impairments in financial assets

Financial asset are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. For loans and receivables impairment loss has been incurred the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows.

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Except for trade receivables, which is reduced through the use of an allowance account, impairment on all other financial assets are directly written off in the related account. In case trade receivables cannot be collected, the related amount is written off from allowance account. The change in allowance account is accounted in the comprehensive income statement.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized as income in the financial statements.

Recognition and derecognition of financial assets and liabilities

The Company recognizes a financial asset or financial liability in its balance sheet when only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of it only when the control on rights under the contract is discharged. The Company derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

All regular way financial asset purchase and sales are recognized at the date of the transaction, the date the Company committed to purchase or sell. The mentioned purchases or sales are ones which require the delivery of the financial assets within the time interval identified with the established practices and regulations in the market.

Foreign currency transactions

Monetary balance sheet items denominated in foreign currencies have been translated at the Central Bank of Turkey exchange rates prevailing at the balance sheet date. Exchange gains or losses arising on translation of foreign currency denominated assets and liabilities are included in the comprehensive income statement.

Earnings per share

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year.

The 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 and share capital inflation adjustments. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

Subsequent events

Subsequent events comprise all events occurred between the date of authorization of the financial statements for issuance and the balance sheet date.

The Company updates its financial statements and respective disclosures that relate to conditions that existed at the end of the reporting period to regarding any new information that they receive after the reporting period which require amendment. Non-adjusting events are solely disclosed if they are of such importance.

Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that carrying value of assets except financial assets and deferred tax assets is impaired or not. When an indicator of impairment exists, the Company estimates the recoverable values of such assets. When individual recoverable value of assets cannot be measured, recoverable value of cash generating unit of that asset is measured.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. Net selling price is determined by deducting any expenses to be incurred for the sale of an asset from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset.

When recoverable amount of an asset (or a cash generating unit) is lower than its carrying value, the asset's carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in the comprehensive income statement.

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An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized as income in the financial statements.

Borrowing costs

Borrowing costs comprise interest expense, foreign exchange losses arising from financing activities and other costs related with financing.

Borrowing costs directly attributable to the acquisition of qualifying assets are capitalised as part of the cost of the respective assets. Capitalization is ceased when the -operations to bring the qualifying asset ready for sale or use- are completed. Qualifying assets are those assets whose construction or production takes a substantial period of time to get ready for its intended use or sale.

All other borrowing costs are expensed in the period they occur. The Company did not capitalize any borrowing cost in the current year.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

3. Segment reporting

Financial statements of the Otokar Europe SAS have not been consolidated to financial statements of the Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi since the operations of the Otokar Europe SAS company have not had significant effect on the financial statements of the Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi as specified in Note 5 and has been presented at historical cost. As a consequence of this, the Company follows its operations in one segment, does not have different geographical and operational segments and the Company does not prepare segment reporting.

4. Cash and cash equivalents

	December 31, 2013	December 31, 2012
Cash at banks		
- Demand deposits	1.921.397	4.217.628
- Time deposits	4.071.425	39.615.000
Cheques and notes received	2.862.136	4.026.574
Other	29.216	47.043
	8.884.174	47.906.245

As of December 31, 2013, effective interest rate of time deposits which are total amounting to TL 4.071.425 is annually 4,21% and the maturity is 2 days. TL 1.321.425 of this amount is foreign currency.(As of December 31, 2012, effective interest rate of time deposits which are originally amounting to TL 39.615.000 is annually 8% and the maturity is 1 day.)

Checks and notes received consist of checks and notes which are due as of balance sheet date and are given to banks for collections.

As of December 31, 2013, the Company has restricted bank deposit amounting to TL 862 (December 31, 2012 - TL 1.362).

5. Financial investments

The Company has a subsidiary named "Otokar Europe SAS" with paid in capital of Euro 100.000(TL 239.280), established on August 18, 2011, in France 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.

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6. Financial liabilities

	December 31, 2013		
	Maturities	Interest rate (%)	TL
Short-term bank borrowings (*)			
Denominated in TL	January 2, 2014 - July 25, 2014	11,36	32.048.744
Denominated in Euro	January 2, 2014	2,59-2,64	106.228.231
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 Euro	February 9, 2015	2,04	360.760
Total			**140.963.772**

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

(*) Bearing fixed interest rate

(**) Weighted average maturity days of long-term borrowings are 696.

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

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

(*) Weighted average maturity days of long-term borrowings are 828.
(**) Bearing fixed interest rate
(***) Interest free credit for the SSI payment.

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

7. 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.

	Fair values		
	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)**
Total derivative financial instruments	**170.169.265**		**(1.231.950)**
December 31, 2012:			
Forward transactions	213.421.206	January 31, 2013 - February 28, 2013	(2.193.011)
Short-term derivative financial instruments	**213.421.206**		**(2.193.011)**
Total derivative financial instruments	**213.421.206**		**(2.193.011)**

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8. Trade receivables and payables

Trade receivables

	December 31, 2013	December 31, 2012
Trade receivables, net	247.876.807	100.905.085
Notes receivables, net	101.931.133	118.985.948
	349.807.940	**219.891.033**
Less: provision for doubtful receivables	(21.961.122)	(19.747.448)
Other short-term trade receivables	**327.846.818**	**200.143.585**
Trade receivables from related parties (Note 27)	71.374.049	24.550.065
Short-term trade receivables	**399.220.867**	**224.693.650**
Long-term trade receivables, net	178.669.298	13.255.966
Long-term notes receivable, net	14.269.026	46.141.537
Long-term trade receivables	**192.938.324**	**59.397.503**

As of December 31, 2013, average collection term for trade receivables (except notes receivables) is 60-90 days (December 31, 2012 - 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 December 31, 2013, the total trade receivable from dealers amounting to TL 47.451.597 (December 31, 2012 - TL 32.065.161), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 115.753.500 (December 31, 2012 - TL 32.065.161). The Company manages its credit risk for the remaining receivables through policies and procedures as explained in the Credit Risk section of Note 28.

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

December 31, 2013	Trade receivables
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	-
Total	**275.818**
Amount secured with guarantee [1]	**275.818**

[*] Legal follow up has been started for the trade receivable balances which are overdue for 1-5 years.

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

[1] Pledges on trailers.

The movement of the provision for doubtful receivables for the year ended December 31, 2013 and December 31, 2012 are as follows:

	December, 31 2013	December, 31 2012
January 1	19.747.448	18.337.536
Collections (Note 22)	(95.414)	(1.326.573)
	2.309.088	2.736.485
As of December 31	**21.961.122**	**19.747.448**

Trade payables

	December, 31 2013	December, 31 2012
Trade payables, net	89.077.102	75.851.383
Notes payables, net	202.870	186.300
Short-term trade payables	**89.279.972**	**76.037.683**
Trade payables to related parties (Note 27)	13.154.537	8.988.915
Short-term trade payables	**102.434.509**	**85.026.598**

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

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9. Other receivables and payables

Other short-term receivables

	December 31, 2013	December,31 2012
Due from personnel	2.524	1.715
Total	**2.524**	**1.715**

Other long-term receivables

	December 31, 2013	December,31 2012
Deposits and guarantees given	58.112	47.971
Total	**58.112**	**47.971**

Other short-term payables

	December 31, 2013	December,31 2012
Other miscellaneous payables	10.819.100	1.441.022
Total	**10.819.100**	**1.441.022**

10. Inventories

	December 31, 2013	December 31, 2012
Raw material	126.204.804	103.285.960
Work-in-process	3.974.688	22.257.093
Finished goods	42.478.530	49.091.664
Merchandise	43.191.637	30.152.329
Goods in transit	83.251.978	49.461.629
(*) Impairment for inventories (-)	(1.304.472)	(1.615.688)
Total	**297.797.165**	**252.632.987**

(*) TL 1.049.500 of impairment is related to finished goods (December 31, 2012 - 1.394.900) and TL 254.972 is related to merchandises (December 31, 2012 - 220.788). The impairment has been accounted under cost of sales account.

The movements of impairment for inventories in 2013 are as follows:

	December 31, 2013	December 31, 2012
January 1, 2013	(1.615.688)	(1.575.452)
Provision no longer required (Note 21)	311.216	(40.236)
December 31, 2013	**(1.304.472)**	**(1.615.688)**

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11. 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 93.597.289 as of December 31, 2013 (December 31, 2012 - TL 61.325.046) after netting with short term advance taken.

As of December 31, 2013, the short term advances taken by the Company related with ongoing projects which amounts to TL 232.113.373 was included in deferred revenues in the financial statements (December 31, 2012 - TL 93.823.684). Rest of the amount TL 36.402.368 which is included in deferred income is composed of other advance taken from customer (December 31, 2012 - TL 51.436.501) and other payables as amounting to TL 37.810.773 (December 31, 2012 - TL 1.595.339).

12. Property, plant and equipment

For the year ended December 31, 2013, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2013
Cost:					
Land	37.456.746	-	-	-	37.456.746
Land improvements	10.068.228	12.806	-	1.228.317	11.309.351
Buildings	59.598.896	-	-	571.772	60.170.668
Machinery, equipment and installations	108.789.029	2.626.070	(434.628)	963.084	111.943.555
Motor vehicles	8.703.831	1.506.517	(2.253.154)	-	7.957.194
Furniture and fixtures	27.791.048	3.408.838	(308.248)	869.986	31.761.624
Leasehold improvements	1.737.346	180.642	-	816.597	2.734.585
Construction in progress	867.007	6.273.619	-	(5.362.305)	1.778.321
	255.012.131	**14.008.492**	**(2.996.030)**	**(912.549)**	**265.112.044**
Accumulated depreciation:					
Land improvements	3.169.967	1.484.822	-	-	4.654.789
Buildings	26.329.510	2.743.712	-	-	29.073.222
Machinery, equipment and installations	78.767.835	7.888.637	(416.195)	-	86.240.277
Motor vehicles	3.798.622	676.214	(403.800)	-	4.071.036
Furniture and fixtures	16.542.448	2.484.744	(266.848)	-	18.760.344
Leasehold improvements	1.291.595	178.158	-	-	1.469.753
	129.899.977	**15.456.287**	**(1.086.843)**	**-**	**144.269.421**
Net book value	**125.112.154**				**120.842.623**

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For the year ended December 31, 2012, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2012	Additions	Disposals	Transfers	December 31, 2012
Cost:					
Land	36.970.746	486.000	-	-	37.456.746
Land improvements	6.315.934	27.687	-	3.724.607	10.068.228
Buildings	57.228.511	15.000	-	2.355.385	59.598.896
Machinery, equipment and installations	88.778.684	3.028.562	(230.227)	17.212.010	108.789.029
Motor vehicles	6.936.226	3.085.172	(1.351.065)	33.498	8.703.831
Furniture and fixtures	23.123.058	3.615.445	(110.893)	1.163.438	27.791.048
Leasehold improvements	1.448.602	-	-	288.744	1.737.346
Construction in progress	10.604.273	15.040.416	-	(24.777.682)	867.007
	231.406.034	**25.298.282**	**(1.692.185)**	**-**	**255.012.131**
Accumulated depreciation:					
Land improvements	2.527.139	642.828	-	-	3.169.967
Buildings	23.662.910	2.666.600	-	-	26.329.510
Machinery, equipment and installations	72.176.019	6.820.784	(228.968)	-	78.767.835
Motor vehicles	3.601.725	500.478	(303.581)	-	3.798.622
Furniture and fixtures	14.891.289	1.733.849	(82.690)	-	16.542.448
Leasehold improvements	1.246.061	45.534	-	-	1.291.595
	118.105.143	**12.410.073**	**(615.239)**	**-**	**129.899.977**
Net book value	**113.300.891**				**125.112.154**

For the years ended December 31, 2013 and 2012, the allocation of depreciation and amortization expenses of property, plant and equipment and intangibles has been as follows:

	December 31, 2013	December 31, 2012
Research and development expenses	23.503.078	16.406.313
Cost of goods sold	5.681.297	5.505.228
Costs related to uncompleted contracts	7.002.752	4.793.921
General administrative expenses	1.333.315	1.168.816
Development projects in process	1.742.078	1.165.354
Depreciation on outstanding inventories	449.198	616.467
Selling and marketing expenses	736.227	601.967
	40.447.945	**30.258.066**

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

	December 31, 2013	December 31, 2012
Machinery, equipment and installations	65.632.260	61.596.818
Motor vehicles	2.588.360	2.556.760
Furniture and fixtures	12.135.350	11.966.130
Leasehold improvements	1.120.006	1.120.006
	81.475.976	**77.239.714**

13. Intangible assets

For the year ended December 31, 2013, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2013	Additions	Transfers	December 31, 2013
Cost:				
Other intangible assets	10.181.064	1.195.768	912.549	12.289.381
Development costs	114.200.265	-	33.169.073	147.369.338
Development projects in process	19.674.691	49.134.208	(33.169.073)	35.639.826
	144.056.020	**50.329.976**	**912.549**	**195.298.545**
Accumulated amortization:				
Other intangible assets	6.882.799	1.488.581	-	8.371.380
Development costs	37.131.351	23.503.077	-	60.634.428
	44.014.150	**24.991.658**		**69.005.808**
Net book value	**100.041.870**			**126.292.737**

For the year ended December 31, 2012, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2012	Additions	Transfers	December 31, 2012
Cost:				
Other intangible assets	7.958.897	2.222.167	-	10.181.064
Development costs	80.600.486	-	33.599.779	114.200.265
Development projects in process	9.081.096	44.193.374	(33.599.779)	19.674.691
	97.640.479	**46.415.541**	**-**	**144.056.020**
Accumulated amortization:				
Other intangible assets	5.423.475	1.459.324	-	6.882.799
Development costs	20.742.682	16.388.669	-	37.131.351
	26.166.157	**17.847.993**	**-**	**44.014.150**
Net book value:	**71.474.322**			**100.041.870**

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

	December 31, 2013	December, 31 2012
Other intangible assets	6.131.494	3.839.842
R&D expenses (amortized)	5.848.347	2.550.970
	11.979.841	**6.390.812**

14. Government grants and incentives

	December 31, 2013	December, 31 2012
Short term	1.467.624	670.521
Long term	7.055.794	2.332.562
Total	**8.523.418**	**3.003.083**

Government incentives have been originated from deferral of research and development incentive premiums provided to support research and development expenditures of the Company's various projects by the Scientific & Technological Research Council of Turkey (TÜBİTAK). The related balance will be recognized as revenue in line with the amortization of the respective development investments.

15. Provisions, contingent assets and liabilities

Provisions - short term

	December 31, 2013	December, 31 2012
Provision for other costs	76.011.181	208.617.007
Warranty provision	18.914.980	13.391.500
Blue-collar worker salary difference provision	-	1.504.996
Cost provision of imported goods	135.774	1.039.950
Provision for sales commissions	735.433	894.634
Provision for legal cases	127.838	127.838
Provision for guarantee letter commissions	74.464	43.124
	95.999.670	**225.619.049**

Provisions - long term

	December 31, 2013	December, 31 2012
Warranty provision	6.341.178	4.443.939
	6.341.178	**4.443.939**

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Provision for other costs

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.

The movements of provision for other cost are as follows:

	December 31, 2013	December,31 2012
January 1	208.617.007	183.334.944
Additional provision/payment, net	(124.345.166)	37.591.617
Foreign exchange valuation	(8.260.660)	(12.309.554)
As of December 31	**76.011.181**	**208.617.007**

Warranty provision

The Company provides one year warranty for minibus and Land Rover vehicles and 2 years warranty for certain armoured vehicle models and commercial vehicles sold. Therefore, warranty expense provision has been recorded only for the vehicles under guarantee as of the balance sheet date. The movement of the warranty expense provision is as follows:

	December 31, 2013	December,31 2012
January 1	17.835.439	18.768.929
Additional provision (Note 21)	28.233.403	17.345.018
Realized payments	(20.812.684)	(18.278.508)
As of December 31	**25.256.158**	**17.835.439**

Provision for sales commissions

The movements of provision for sales commissions are as follows:

	December 31, 2013	December,31 2012
January 1	894.634	1.920.005
Increase	717.851	1.374.984
Realized	(877.052)	(2.400.355)
As of December 31	**735.433**	**894.634**

Commitments and contingencies

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

Guarantees given by the Company	December 31, 2013	December 31, 2012
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	796.640.829	637.586.146
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation.	-	-
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations.	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
Total	**796.640.829**	**637.586.146**

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

	December 31, 2013		December 31, 2012	
	Original currency	TL	Original currency	TL
USD	274.909.369	586.739.066	301.585.793	537.606.836
EUR	40.592.173	119.198.916	15.175.004	35.687.056
GBP	-	-	9.192	26.387
SAR	22.000.000	12.519.320	-	-
TL	78.183.527	78.183.527	64.265.867	64.265.867
		796.640.829		**637.586.146**

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

	December 31, 2013	December 31, 2012
Guarantee letters given		
Under secretariat of Ministry of Defence	421.597.311	405.591.826
Other	375.043.518	231.994.320
	796.640.829	**637.586.146**

Letters of guarantees

a) Guarantees given as of December 31, 2013 and December 31, 2012 are as follows:

	December 31, 2013	December 31, 2012
Bank letters of guarantee (*)	796.640.829	637.586.146
	796.640.829	**637.586.146**

(*) Bank letter of guarantee amounting to TL 421.597.311 are given to Under Secretariat of Ministry of Defence within the scope of Altay Project. (December 31, 2012 - TL 405.591.826)

b) Guarantee received as of December 31, 2013 and 2012 as follows;

	December 31, 2013	December 31, 2012
Bank letters of guarantee (**)	331.750.195	285.704.758
Guarantee notes	37.121.748	56.509.498
Mortgages received	842.000	3.842.000
Guarantee cheques	280.000	-
	369.993.943	**346.056.256**

(**) Bank letters of guarantee amounting to TL 146.570.489 are obtained from the sub-contractors for Altay Project (December 31, 2012 - TL 157.770.977).

Contingent assets

The case of tax deduction related to R&D discount for the R&D activities in 2010 has ended on behalf of the Company and TL 2.923.627 has been returned to the Company. For the same case of 2011, it is subject to legal case and not concluded yet. The expected return amount of 2011 is TL 3.963.320. There is a legal case in 2012 but it has been win, it is on the appeal status. The expected effective amount as of December 31, 2013 is TL 12.517.001.

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16. Employee benefits

	December 31, 2013	December 31, 2012
Provision for retirement pay liability	16.173.142	13.716.119
Provision for vacation pay liability	4.443.081	3.313.961
Total	**20.616.223**	**17.030.080**

Reserve for retirement pay

There are no agreements for pension commitments other than the legal requirements as explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age.

The amount payable consists of one month's salary limited to a maximum of TL 3.254 for each year of service as of December 31, 2013 (December 31, 2012 - TL 3.034).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

Turkish Accounting Standards promulgated by POA require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2013	December 31, 2012
Net discount rate (%)	4,78	3,86
Turnover rate to estimate the probability of retirement (%)	2,66	3,71

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The movements of reserve for retirement pay are as follows:

	December 31, 2013	December 31, 2012
January 1	13.716.119	9.110.483
Interest expense	1.241.308	911.048
Current year provision (including actuarial gains/losses)	2.098.736	3.019.176
Actuarial loss	1.281.279	2.364.524
Payments	(2.164.300)	(1.689.112)
As of December 31	**16.173.142**	**13.716.119**

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Provision for vacation pay liability

The movements of reserve for vacation pay are as follows:

	December 31, 2013	December 31, 2012
January 1	3.313.961	2.235.464
Net increase (Note 21)	1.129.120	1.078.497
As of December 31	**4.443.081**	**3.313.961**

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

a) Prepaid expenses:

	December 31, 2013	December 31, 2012
Advances given	70.119.606	131.619.702
Prepaid expenses	4.865.509	1.834.083
Total	**74.985.115**	**133.453.785**

b) Other current assets:

	December 31, 2013	December 31, 2012
Value added tax receivables	16.242.267	17.241.400
Prepaid taxes and funds	-	2.072.249
Other	811.658	2.166.929
Total	**17.053.925**	**21.480.578**

c) Deferred income:

	December 31, 2013	December 31, 2012
Deferred maintenance revenues (*)	37.810.773	1.595.339
Advances taken	268.515.741	145.260.185
Deferred income-short term	**306.326.514**	**146.855.524**
Deferred maintenance revenues (*)	48.874.707	5.644.080
Deferred income-long term	**48.874.707**	**5.644.080**

(*) Composed of deferred repair maintenance income for sold vehicles via agreements signed.

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d) Employee benefit obligations

	December 31, 2013	December 31, 2012
Payable to personnel	10.450.853	8.828.874
Social security premium payables	3.393.459	3.152.862
Taxes and funds payable	5.299.228	5.184.229
Total	**19.143.540**	**17.165.965**

e) Other short term liabilities

	December 31, 2013	December 31, 2012
Taxes and funds payables	827.468	718.391
Deferred special consumption tax	447.325	249.277
Other	340.654	109.240
Total	**1.615.447**	**1.076.908**

18. Shareholders' equity

Share Capital

As of December 31, 2013 and 2012, the principal shareholders and their respective shareholding percentages are as follows:

	December 31, 2013		December 31, 2012	
Shareholders	**TL**	**%**	**TL**	**%**
Koç Holding A.Ş.	10.722.750	44,68	10.722.750	44,68
Ünver Holding A.Ş.	5.954.944	24,81	5.954.944	24,81
Other	7.322.306	30,51	7.322.306	30,51
Total	**24.000.000**	**100,00**	**24.000.000**	**100,00**
Inflation adjustment on equity items	52.743.030		52.743.030	
Total	**76.743.030**		**76.743.030**	

Retained earnings, as per the statutory financial statements, other than legal reserve, are available for distribution, subject to the legal reserve requirement referred to below.

The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The first and the second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

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Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

As of December 31, 2013, in the financial statements of the Company prepared in accordance with financial reporting standards published by Capital Markets Board net income of the year and prior year profits including other reserves to be distributed as dividend is TL 96.561.743 (December 31, 2012 - TL 78.276.597) and TL 74.438.113 (December 31, 2012 - TL 66.441.516), respectively. Current year net income of the Company in statutory books is TL 201.282.157 (December 31, 2012 - TL 64.221.758), other reserves to be distributed as dividend (without being subject to additional taxation) is TL 79.228.287 (December 31, 2012 - TL 85.032.212). In addition, in statutory books there is TL 16.224.790 inflation adjustment and TL 17.400.229 other capital reserves that are subject to taxation if they are distributed. After deduction of first legal reserves, current year net profit in statutory books is TL 201.282.157 (December 31, 2012 - TL 64.221.758). As of our report date, there is no decision of dividend distribution related to 2013.

In accordance with the Communiqué, as of December 31, 2013 and December 31, 2012, the details of equity, based on which the dividend will be distributed is as follows:

	December 31, 2013	December 31, 2012
Paid-in share capital	24.000.000	24.000.000
Inflation adjustment on equity items	52.743.030	52.743.030
Restricted reserves	29.078.147	22.798.147
Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss	(3.551.453)	(2.526.430)
Retained earnings		
- Extraordinary reserves	63.488.030	55.491.433
- Inflation adjustments on legal reserves	10.950.083	10.950.083
Net income for the year	96.561.743	78.276.597
Total shareholders' equity	**273.269.580**	**241.732.860**

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As of December 31, 2013 and 2012, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

	December 31, 2013		
	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24.000.000	52.743.030	76.743.030
Legal reserves	29.078.147	10.950.083	40.028.230
Total	**53.078.147**	**63.693.113**	**116.771.260**

	December 31, 2012		
	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24.000.000	52.743.030	76.743.030
Legal reserves	22.798.147	10.950.083	33.748.230
Total	**46.798.147**	**63.693.113**	**110.491.260**

Historical value of legal and extraordinary reserves in the statutory financial statements are as follows:

	December 31, 2013	December 31, 2012
Legal reserves	29.078.147	22.798.147
Extraordinary reserves	79.228.287	85.032.212
Total	**108.306.434**	**107.830.359**
Dividends distributed during the year based on previous year's net income per statutory financial statements	64.000.000	48.000.000
Dividend paid per share (kuruş)	0,267	0,200

The Company's share capital is fully paid, and consists of 24.000.000.000 shares with kuruş 0,1 par value each.

19. Sales and cost of sales

Net sales

	January 1 - December 31, 2013	January 1 - December 31, 2012
Domestic sales	1.176.612.836	744.807.655
Export sales	225.504.622	260.164.645
Gross sales	**1.402.117.458**	**1.004.972.300**
Less: sales discounts and sales returns	(564.524)	(480.068)
Net sales	**1.401.552.934**	**1.004.492.232**

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Sales of the Company in terms of the number of vehicles sold are as follows:

	January 1 - December 31, 2013	January 1 - December 31, 2012
Commercial vehicle	789.456.300	481.503.639
Armoured vehicles	349.489.205	307.079.062
Other sales (*)	262.607.429	215.909.531
	1.401.552.934	**1.004.492.232**

(*) TL 151.849.248 of this amount is related to revenues of uncompleted contracts (2012 - 130.428.038 TL).

Cost of sales

	January 1 - December 31, 2013	January 1 - December 31, 2012
Cost of finished goods sold	1.031.647.409	739.511.805
Cost of merchandise sold	54.894.650	41.482.525
Cost of sales	**1.086.542.059**	**780.994.330**

20. Research and development expenses, marketing, sales and distribution expenses, general administrative expenses

	January 1 - December 31, 2013	January 1 - December 31, 2012
Marketing, sales and distribution expenses	118.705.403	78.377.147
General administrative expenses	38.480.120	33.445.652
Research and development expenses	25.796.799	17.645.232
Total operating expenses	**182.982.322**	**129.468.031**

21. Expenses by nature

	December 31, 2013	December 31, 2012
Cost of raw material and consumption goods	868.105.029	626.783.709
Change in finished goods and work-in-process	24.895.539	(288.737)
Cost of merchandises sold	54.894.650	41.688.944
Depreciation and amortization expense	38.245.632	29.092.605
Personnel expenses	142.885.391	111.926.656
Operational expenses	25.407.956	23.390.540
Administrative expenses	26.171.566	22.943.859
Warranty reserve expense (Note 15)	28.233.403	17.345.018
Exhibition and fair expenses	7.822.089	5.314.642
Transportation, distribution and storage expenses	10.465.057	9.356.360
Advertisement and promotion expenses	2.118.237	7.394.172
Provisions of impairment for inventories (Note 10)	(311.216)	40.236
Other expenses	40.591.048	17.838.881
Total	**1.269.524.381**	**912.826.885**

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

The breakdown of personnel expenses is as follows:

	January 1 - December 31, 2013	January 1 - December 31, 2012
With respect to the account:		
Cost of sales and inventories on hand	79.297.998	60.937.600
Costs related to uncompleted contracts	19.791.207	17.950.406
Capitalized development expenditures	20.035.036	16.118.033
General administrative expenses	19.295.905	16.016.642
Marketing, sales and distribution expenses	22.305.499	13.867.601
Research and development expenses	2.194.781	789.883
	162.920.426	**125.680.165**

	January 1 - December 31, 2013	January 1 - December 31, 2012
By nature:		
Wages and salaries	122.502.421	95.508.920
Social security premiums	20.613.487	14.526.177
Other social benefits	15.335.354	10.636.347
Employee termination benefits (Note 16)	3.340.044	3.930.224
Provision for vacation pay liability (Note 15)	1.129.120	1.078.497
	162.920.426	**125.680.165**

22. Other operating income/expenses

	January 1 - December 31, 2013	January 1 - December 31, 2012
Other income		
Foreign exchange gain from trade receivable/payables	73.320.858	86.405.935
Forward transaction income	11.860.256	20.290.361
Maturity difference income	11.250.490	13.466.940
Incentive income	839.682	622.673
Other	4.061.522	4.166.610
Total	**101.332.808**	**124.952.519**

	January 1 - December 31, 2013	January 1 - December 31, 2012
Other expense		
Foreign exchange loss from trade receivable/payables	(41.765.324)	(91.354.146)
Forward transaction expenses	(31.085.765)	(12.260.295)
Provision for doubtful receivables (Note 8)	(2.309.088)	(2.736.485)
Other	(213.956)	(151.596)
Total	**(75.374.133)**	**(106.502.522)**

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23. Financial income

	January 1 - December 31, 2013	January 1 - December 31, 2012
Interest income from time deposits	322.326	1.031.089
Foreign exchange gains on deposits	2.443.596	4.070.931
Foreign exchange gains on bank borrowings	242.000	-
Total	**3.007.922**	**5.102.020**

24. Financial expense

	January 1 - December 31, 2013	January 1 - December 31, 2012
Interest expense on bank borrowings	(33.686.402)	(26.195.252)
Foreign exchange losses on deposits	(5.771.626)	(7.219.340)
Foreign exchange losses on bank borrowings	(13.595.300)	-
Total	**(53.053.328)**	**(33.414.592)**

25. Tax assets and liabilities

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

In Turkey, the corporation tax rate is 20% (2012 - 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% 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.

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 10^{th} article of the Tax Law numbered 5520 as a result of the amendment in the 35^{th} 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. Research and development incentives shall be calculated over the total expenditures made in 2013 and 2012.

As a result of its research and development expenditures made in 2013 amounting to TL 40.528.378 (2012 - TL 39.666.087), the Company has utilized research and development incentives at 100% deduction without any withholding tax. The Company has an R&D center certificate.

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As of December 31, 2013 and 2012, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	December 31, 2013	December 31, 2012
Income tax payable	43.641.898	6.799.697
(-) Prepaid tax	(36.598.851)	(8.871.946)
Income tax payable, net	**7.043.047**	**(2.072.249)**

The breakdown of total tax expense for the year ended December 31, 2013 and 2012:

	January 1 - December 31, 2013	January 1 - December 31, 2012
Current tax charge	(43.676.005)	(3.876.947)
Deferred tax income		
Tax charged to profit for the period	31.989.428	(2.028.921)
Tax charged to other comprehensive income/expense	256.256	472.905
Total tax expense	**(11.430.321)**	**(5.432.963)**

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

	January 1 - December 31, 2013	January 1 - December 31, 2012
Profit before tax	**108.248.320**	84.182.465
Income tax charge at effective tax rate 20%	(21.649.664)	(16.836.493)
Effect of exemptions and incentives	9.377.679	10.856.844
Other differences	585.408	73.781
Total tax expense	**(11.686.577)**	**(5.905.868)**

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As of December 31, 2013 and 2012, 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)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Property, plant and equipment	(12.975.519)	12.960.293	886.191	889.236
Intangibles	(20.553.326)	(16.526.630)	(4.110.665)	(3.305.326)
Deferred financial expense	(501.791)	(305.425)	(100.358)	(61.085)
Inventories	1.373.503	1.779.547	274.701	355.909
Warranty provision	25.256.158	17.835.439	5.051.232	3.567.088
Reserve for retirement pay	16.173.142	13.716.119	3.234.628	2.743.224
Deferred financial income	18.051.122	4.175.331	3.610.224	835.066
Other provisions	6.948.144	8.986.866	1.389.629	1.797.373
Deferred maintenance income	86.685.480	6.937.515	17.337.095	1.387.503
Adjustment for percentage of completion method on construction projects	71.706.219	13.651.109	14.341.244	2.730.222
Other	7.120.490	765.627	1.424.099	153.126
Deferred tax asset			**43.338.020**	**11.092.336**

The movement of deferred tax asset for the years ended December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
January 1	11.092.336	12.648.352
Deferred tax income		
Tax charged to profit for the period	31.989.428	(2.028.921)
Tax charged to other comprehensive income/expense	256.256	472.905
	43.338.020	**11.092.336**

26. 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 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.

	December 31, 2013	December 31, 2012
Net income attributable to shareholders (TL)	96.561.743	78.276.597
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (kuruş)	0,402	0,326

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27. 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 December 31, 2013 and December 31, 2012:

Due from related parties	December 31, 2013	December 31, 2012
Ram Dış Ticaret A.Ş. (1) (*)	63.946.381	23.141.922
Otokar Europe SAS (3)	6.566.672	608.470
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	740.510	492.700
Aygaz A.Ş. (1)	73.609	-
Ford Otosan A.Ş. (2)	32.773	23.950
Koç Üniversitesi (1)	12.850	-
Other (1)	1.254	283.023
Total	**71.374.049**	**24.550.065**

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

Due to related parties	December 31, 2013	December 31, 2012
Ram Dış Ticaret A.Ş. (1)	6.691.466	2.471.861
Zer Merkezi Hizmetler A.Ş. (1)	2.273.182	1.583.589
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	1.573.987	1.588.261
Setur Servis Turistik A.Ş. (1)	732.046	904.628
Eltek Elek.Enerji İth.İhr.Top.Tic.A.Ş. (1)	372.365	-
Koçtaş Yapı Marketleri A.Ş. (1)	353.820	221.594
Opet Fuchs Madeni Yağ A.Ş. (1)	280.439	154.030
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	271.553	494.223
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	235.919	195.013
Ram Sigorta Aracılık Hz. A.Ş. (1)	202.176	483.269
Opet Petrolcülük A.Ş. (1)	91.401	54.823
Koç Holding A.Ş. (2)	74.846	49.343
Divan Turizm İşletmeleri A.Ş. (1)	1.124	66.805
Arçelik A.Ş. (1)	213	243.629
Ark İnşaat A.Ş. (1)	-	442.799
Bilkom A.Ş. (1)	-	1.463
Ford Otosan A.Ş. (2)	-	179
Promena Elektronik Ticaret A.Ş. (1)	-	33.406
Total	**13.154.537**	**8.988.915**

(1) Related parties of parent company
(2) Shareholder
(3) The Company's subsidiary not in scope of consolidation

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ii) Major sales and purchase transactions with related parties:

Product sales and service revenue	January 1 - December 31, 2013	January 1 - December 31, 2012
Ram Dış Ticaret A.Ş. [1] [*]	186.982.566	233.281.162
Otokar Europe SAS [3]	10.381.427	607.601
Türk Traktör ve Ziraat Makineleri A.Ş. [1]	7.705.890	6.808.068
Yapı veKredi Bankası A.Ş. [1]	1.050.000	-
Aygaz A.Ş. [1]	563.274	301.178
Otokoç Otomotiv Tic. ve San. A.Ş. [1]	128.000	235.000
Arçelik A.Ş.	122.850	-
Ford Otosan A.Ş.[2]	785	2.116
RMK Marine [1]	257	-
Zer Merkezi Hizmetler A.Ş. [1]	-	1.610.352
Total	**206.935.049**	**242.845.477**

[*] The export registered sales to Ram Dış Ticaret A.Ş., comprise export sales made to third party customers.

Purchase of property, plant and equipment	January 1 - December 31, 2013	January 1 - December 31, 2012
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. [1]	3.114.231	3.005.744
Ark İnşaat A.Ş.[1]	695.039	4.399.718
Otokoç Otomotiv Tic. ve San. A.Ş. [1]	237.371	61.885
Koçtaş Yapı Marketleri A.Ş. [1]	123.955	40.802
Zer Merkezi Hizmetler A.Ş. [1]	42.534	68.494
Arçelik A.Ş. [1]	14.508	36.924
Total	**4.227.638**	**7.613.567**

Inventory purchased	January 1 - December 31, 2013	January 1 - December 31, 2012
Zer Merkezi Hizmetler A.Ş. [1]	15.965.345	10.968.070
Ram Dış Ticaret A.Ş. [1]	12.169.043	6.124.679
Akpa Dayanıklı Tük.Paz. A.Ş. [1]	3.866.486	3.374.953
Opet Fuchs Madeni Yağ A.Ş. [1]	1.684.629	677.611
Opet Petrolcülük A.Ş. [1]	1.645.668	941.070
Koçtaş Yapı Marketleri A.Ş. [1]	1.613.674	1.005.270
Türk Traktör ve Ziraat Makineleri A.Ş. [1]	551.629	829.041
Arçelik A.Ş. [1]	8.908	205.837
Ford Otosan A.Ş.[2]	-	392
Total	**37.505.382**	**24.126.923**

[1] Related parties of parent company

[2] Shareholder

[3] The Company's subsidiary not in scope of consolidation

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Services purchased	January 1 - December 31, 2013	January 1 - December 31, 2012
Ram Dış Ticaret A.Ş. [(1)]	8.311.633	7.505.596
Setur Servis Turistik A.Ş. [(1)]	5.695.965	4.335.385
Eltek Elek.Enerji İth.İhr.Top.Tic.A.Ş. [(1)]	3.310.214	-
Otokar Europe SAS [(3)]	2.559.423	2.378.439
Koç Holding A.Ş. [(2)]	2.026.246	1.353.018
Otokoç Otomotiv Tic. ve San. A.Ş. [(1)]	1.277.242	1.325.130
KoçSistem Bilgi ve İletişim Hizm. A.Ş. [(1)]	966.033	1.051.726
Yapı Kredi Kültür ve Sanat Yay.Tic.ve San.A.Ş. [(1)]	215.000	-
Koç Üniversitesi [(1)]	182.248	56.896
Setair Hava Taşımacılığı ve Hizm. A.Ş. [(1)]	88.760	111.702
Divan Turizm İşletmeleri A.Ş. [(1)]	84.994	69.905
Promena Elektronik Ticaret A.Ş. [(1)]	52.660	170.752
Ram Sigorta Aracılık Hz. A.Ş. [(1)] [(*)]	51.773	34.513
Vehbi Koç Vakfı Amerikan Hastanesi [(1)]	37.621	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. [(1)]	27.687	16.676
Rahmi Koç Vakfı Müzesi [(1)]	11.063	28.240
Other [(1)]	5.240	23.889
Total	**24.903.802**	**18.461.867**

[(*)] It includes paid and accrued premium as of December 31, 2013 in accordance with insurance policies signed between unrelated insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Bank deposits	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş. [(1)]		
- Demand deposits	1.680.822	903.749
- Time deposits	2.750.000	-
	4.430.822	**903.749**

Checks and notes in collection	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş. [(1)]	33.393.531	37.314.908
	33.393.531	**37.314.908**

[(1)] Related parties of parent company

[(2)] Shareholder

[(3)] The Company's subsidiary not in scope of consolidation

Borrowings	January 1 - December 31, 2013	January 1 - December 31, 2012
Yapı ve Kredi Bankası A.Ş. [(1)]	47.093.434	2.025.916
Total	**47.093.434**	**2.025.916**

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For the year ended December 31 financial income and expense with related parties:

Interest income	January 1 - December 31, 2013	January 1 - December 31, 2012
Yapı ve Kredi Bankası A.Ş. (1)	253.108	243.407
Total	**253.108**	**243.407**

Foreign exchange gains	January 1 - December 31, 2013	January 1 - December 31, 2012
Yapı ve Kredi Bankası A.Ş. (1)	743.129	338.928
Total	**743.129**	**338.928**

Interest expense	January 1 - December 31, 2013	January 1 - December 31, 2012
Yapı ve Kredi Bankası A.Ş. (1)	867.470	132.332
Total	**867.470**	**132.332**

Foreign exchange loss	January 1 - December 31, 2013	January 1 - December 31, 2012
Yapı ve Kredi Bankası A.Ş. (1)	6.846.590	1.479.877
Total	**6.846.590**	**1.479.877**

Forward gains/(losses)	January 1 - December 31, 2013	January 1 - December 31, 2012
Yapı ve Kredi Bankası A.Ş. (1)		
Forward gains	-	-
Forward loss	-	21.000
Total	**-**	**21.000**

(1) Related parties of the parent company

For the year ended December 31, other income and expense with related parties:

Exchange gain from trade receivables and payables	January 1 - December 31, 2013	January 1 - December 31, 2012
Ram Dış Ticaret A.Ş. (1)	3.889.529	7.493.280
Otokar Europe SAS (3)	257.949	-
Other (1)	2.331	2.308
Total	**4.149.809**	**7.495.588**

Exchange loss from trade receivables and payables	January 1 - December 31, 2013	January 1 - December 31, 2012
Ram Dış Ticaret A.Ş. (1)	1.602.397	8.680.101
Other (1)	16.857	13.791
Total	**1.619.254**	**8.693.892**

(1) Related parties of the parent Company

(3) The Company's subsidiary not in scope of consolidation

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Benefits provided to executives

Salaries and similar benefits provided to the executive management by the Company for the year ended December 31, 2013 amounted to TL 11.649.528 (2012 - TL 9.218.838). Executives are composed of board of directors members, general manager and assistants of general manager.

28. 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.

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Company mainly arises from trade receivables. The Company manages this risk that may arise from its dealers or from other customers by restricting the credit limits determined for the dealers according the amount of guarantees received, by receiving advance payments or by receiving the pledge of ownership of the vehicles sold. Credit limits are regularly monitored by the Company and the customers' credit quality are regularly evaluated by considering the customer's financial position, past experiences and other factors. All foreign sales are made after receiving confirmed letters of credit. Military vehicle sales are made to domestic or foreign governmental institutions or to companies acting as agents to these institutions; accordingly, the Company does not anticipate any collection risk related to military vehicle sales. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 8).

	Receivables			
December 31, 2013	**Trade receivables**	**Other receivables [3]**	**Bank deposits**	**Derivative instruments**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) [1]	**592.159.191**	**70.180.242**	**5.992.822**	**-**
- Maximum risk secured by guarantee [2]	(133.604.494)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	589.412.307	70.180.242	5.992.822	-
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-
C. Net book value of assets overdue but not impaired	275.818	-	-	-
D. Net book value of impaired assets	2.471.066	-	-	-
- Overdue (gross book value)	24.432.188	-	-	-
- Impairment (-) (Note 8)	(21.961.122)	-	-	-
- Net value under guarantee	2.471.066	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-

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	Receivables			
December 31, 2012	Trade receivables	Other receivables [3]	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D+E) [1]	**284.091.153**	**131.669.388**	**43.832.628**	**-**
- Maximum risk secured by guarantee [2]	(137.969.024)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	280.915.344	131.669.388	43.832.628	-
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-
C. Net book value of assets overdue but not impaired	1.293.433	-	-	-
D. Net book value of impaired assets	1.882.376	-	-	-
- Overdue (gross book value)	21.629.824	-	-	-
- Impairment (-) (Note 8)	(19.747.448)	-	-	-
- Net value under guarantee	1.882.376	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-

[1] Guarantees received and factors increasing the loan reliability are not considered when determining this amount.

[2] Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

[3] The major amount of other receivables consists of advances given.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

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As of December 31, 2013 and December 31, 2012, maturities of gross trade payables and financial liabilities are as follows:

December 31, 2013

Maturities per agreements	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	473.011.272	529.670.314	110.194.540	58.582.085	360.893.689	
Trade payables	102.434.509	102.936.822	102.733.952	202.870	-	-

Expected maturities	Book value	Total expected cash outflow (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Other payables	30.790.110	30.790.110	30.790.110	-	-	-
Other current liabilities	787.977	787.977	787.977	-	-	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow expected/per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Derivative financial liabilities (net)	**(1.231.950)**	**(1.231.950)**	**(1.231.950)**	**-**	**-**	**-**
Derivative cash inflows	168.937.315	168.937.315	168.937.315	-	-	-
Derivative cash outflows	(170.169.265)	(170.169.265)	(170.169.265)	-	-	-

Notes to the financial statements as of December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)

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

December 31, 2012

Maturities per agreements	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	286.193.001	333.494.844	51.751.994	16.242.844	265.500.006	
Trade payables	85.026.598	85.332.993	85.146.693	186.300	-	-

Expected maturities	Book value	Total expected cash outflow (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Other payables	18.606.987	18.606.987	18.606.987	-	-	-
Other current liabilities	1.076.908	1.076.908	1.076.908	-	-	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow expected/per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Derivative financial liabilities (net)	**(2.193.011)**	**(2.193.011)**	**(2.193.011)**	**-**	**-**	**-**
Derivative cash inflows	211.228.195	211.228.195	211.228.195	-	-	-
Derivative cash outflows	(213.421.206)	(213.421.206)	(213.421.206)	-	-	-

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.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the financial statements as of December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)

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

The accompanying table represents the foreign currency risk of the assets and liabilities of the Company in the original currencies.;

		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.	**Current assets (1+2+3)**	**318.900.509**	**47.568.850**	**73.782.960**	**202.385**
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.	**Non-current assets (5+6+7)**	**286.535.613**	**43.853.858**	**65.703.499**	**-**
9.	**Total assets (4+8)**	**605.436.122**	**91.422.708**	**139.486.459**	**202.385**
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	(341.994.936)	(159.450.691)	(571.880)	-
12b.	Non-monetary other liabilities	(36.517.338)	-	(12.435.668)	-
13.	**Current liabilities (10+11+12)**	**(512.198.113)**	**(168.112.951)**	**(51.765.056)**	**(394.873)**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(44.408.262)	-	(15.122.854)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	(48.874.707)	-	(16.643.864)	-
17.	**Non-current liabilities (14+15+16)**	**(93.282.969)**	**-**	**(31.766.718)**	**-**
18.	**Total liabilities (13+17)**	**(605.481.082)**	**(168.112.951)**	**(83.531.774)**	**(394.873)**
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.	**Net foreign currency asset/(liability) position (9+18+19)**	**(1.276.910)**	**2.532.476**	**(2.045.315)**	**(192.488)**
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**85.347.086**	**(76.690.243)**	**85.034.217**	**(192.488)**
22.	Total fair value of financial instruments used for foreign currency hedging	(1.231.950)	79.222.719	(58.000.000)	-
23.	Export	225.652.738	64.453.906	39.423.455	1.618.704
24.	Import	440.309.632	104.713.654	87.221.937	7.297.100

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the financial statements as of December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)

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

		Table of foreign currency position			
		December 31, 2012			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	158.793.258	3.871.728	64.121.523	382.100
2a.	Monetary financial assets (including cash, bank accounts)	139.389.423	71.086.883	5.339.886	39.060
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**298.182.681**	**74.958.611**	**69.461.409**	**421.160**
5.	Trade receivables	59.397.503	-	25.257.262	-
6a.	Monetary financial assets	61.325.046	34.402.023	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**120.722.549**	**34.402.023**	**25.257.262**	**-**
9.	Total assets (4+8)	418.905.230	109.360.634	94.718.671	421.160
10.	Trade payables	(23.416.262)	(2.241.797)	(7.608.276)	(532.134)
11.	Financial liabilities	-	-	-	-
12a.	Monetary other liabilities	(331.799.032)	(185.715.363)	(138.031)	(145.680)
12b.	Non-monetary other liabilities	(1.293.435)	-	(550.000)	-
13.	**Current liabilities (10+11+12)**	**(356.508.729)**	**(187.957.160)**	**(8.296.307)**	**(677.814)**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	(5.644.080)	-	(2.400.000)	-
17.	**Non-current liabilities (14+15+16)**	**(5.644.080)**	**-**	**(2.400.000)**	**-**
18.	**Total liabilities (13+17)**	**(362.152.809)**	**(187.957.160)**	**(10.696.307)**	**(677.814)**
19.	Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(62.253.705)	74.575.000	(83.000.000)	-
19a.	Hedged total assets amount	150.763.395	84.575.000	-	-
19b.	Hedged total liabilities amount	(213.017.100)	(10.000.000)	(83.000.000)	-
20.	Net foreign currency asset/(liability) position (9+18+19)	(5.501.284)	(4.021.526)	1.022.364	(256.654)
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**63.689.936**	**(78.596.526)**	**86.972.364**	**(256.654)**
22.	**Total fair value of financial instruments used for foreign currency hedging**	**(62.253.705)**	**74.575.000**	**(83.000.000)**	
23.	Export	260.308.667	105.282.487	31.061.056	1.313.705
24.	Import	347.213.892	81.805.444	80.777.523	5.096.809

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the financial statements as of December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)

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

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 December 31, 2013 and 2012:

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

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the financial statements as of December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)

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

b) Interest position table and related sensitivity analysis

Interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are not substantially subject to changes in market interest rates.

The Company's interest rate risk arises from short-term borrowings and time deposits. The Company has obtained fixed rate bearing borrowings and time deposits however the borrowings and time deposits that the Company will obtain in future will be affected from future interest rates.

As of December 31, 2013 and 2012, the financial liabilities of the Company are consisted of fixed rate bank borrowings.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other companies in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net financial debt divided by total capital. Net financial debt is calculated as total borrowings (including borrowings as shown in balance sheet) less cash and cash equivalents.

	December 31, 2013	December 31, 2012
Total financial debt	**473.011.272**	**286.193.001**
Less: Cash and cash equivalents (Note 4)	(8.884.174)	(47.906.245)
Net financial debt	**464.127.098**	**238.286.756**
Total equity	**273.269.580**	**241.732.860**
Financial debt/shareholders' equity rate	**170%**	**99%**

29. 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 December 31, 2013 and 2012:

Liabilities	Level 1	Level 2	Level 3	Total
December 31, 2013				
Derivative financial instruments	-	1.231.950	-	1.231.950
Total	**-**	**1.231.950**	**-**	**1.231.950**

Notes to the financial statements as of December 31, 2013

(Convenience translation of financial statements originally issued in Turkish)

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

Liabilities	Level 1	Level 2	Level 3	Total
December 31, 2012				
Derivative financial instruments	-	2.193.011	-	2.193.011
Total	**-**	**2.193.011**	**-**	**2.193.011**

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

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

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

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

30. Subsequent events

None.

31. 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.

The Information Document pertaining to 2013 concerning the Annual General Meeting which held on 28th March, 2014

1. Invitation to the Annual General Meeting dated 28th March, 2014

The Annual General Meeting will be held to examine 2013 activities and to discuss the agenda detailed below on Friday, 28th March, 2014, at the Divan İstanbul Elmadağ, Asker Ocağı Cad. No: 1 Şişli - İstanbul (Tel: 0212 315 55 00) at 3:00 pm.

The financial statements, the Independent Auditor's Report which was prepared by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited), the Corporate Governance Compliance Report, the Board of Director's Decision on Profit Distribution pertaining to the 2013 activity year, the below agenda items and Information Notes on work required to ensure compliance with the Capital Market Board's regulations will be available to shareholders at the Company's Headquarters, on the corporate website at www.otokar.com.tr, the Public Disclosure Platform and Electronic General Meeting system three weeks prior to the Annual General Meeting within the legal duration.

Providing that the rights and obligations of those shareholders who cannot attend the meeting

personally but who will attend the meeting through the electronic system are reserved, the shareholders are required to execute their proxies in compliance with the form posted on our Internet site or obtain the form of proxy from Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Plaza, Levent, İstanbul), from the offices of the Company or from the Company's Internet site at www.otokar.com.tr and, by fulfilling the requirements set forth in "Voting by Proxy and Collection of Proxies via Invitation Communiqué" numbered II-30.1, present their proxies, the signature on which having been certified by a public notary, to the Company. Proxies who have been appointed electronically via the Electronic General Meeting System are not required to present a form of proxy. **Proxies that do not comply with the one which is mandatory in the Communiqué and the sample which is attached will not be accepted under any circumstances, due to our legal responsibility.**

Those shareholders who wish to cast a vote via the Electronic General Meeting System are kindly requested to obtain information from the Central Registry Agency, the Company's Internet site at www.otokar.com.tr or from the Company's Head Office (phone number: 0264 229 22 44) to be able to fulfil their obligations in complying with Regulation on Electronic General Meetings at Incorporated Companies.

Pursuant to the 4th paragraph of article 415 of the new Turkish Commercial Code No. 6102 and the 1st paragraph of the article 30 of the Capital Markets Law, the right to attend and cast votes at the Annual General Meeting is not dependent on the condition of depositing the share certificates. Therefore, the shareholders who wish to attend the Annual General Meeting do not need to block their shares.

Providing that the provisions concerning the casting of votes via an electronic medium in the voting on the Issues listed on the Agenda in Annual General Meetings are reserved, the method of open voting by a show of hands will be applied.

All beneficiaries as well as representatives of the press and the media are invited to our Annual General Meeting.

In accordance with the provisions of the Capital Market Law, there will be no notice by registered letter to shareholders for registered shares that are listed in stock market.

Respectfully submitted for the attention of Shareholders.

Otokar Otomotiv ve Savunma Sanayi A.Ş. Board of Directors

Address of the Company's Centre: Aydınevler Mahallesi, Dumlupınar Caddesi No: 58 A Blok, Küçükyalı - İstanbul

Trade Registry and Number: İstanbul - 83467

Our Additional Disclosures in accordance with the Regulations of the CMB

The additional disclosures that must be applied pursuant with the Capital Market Board's "Corporate Governance Communiqué" numbered II-17.1 and which entered force on 3rd January, 2014 and which are related to issues on the agenda, are provided under the relevant issue of the agenda below, and other mandatory general disclosures are submitted for your attention in this section.

1.1. Shareholder Structure and Voting Rights

There are no privileges in our Company's Articles of Association pertaining to the exercise of voting rights.

The voting rights of our shareholders are presented in the table below:

Shareholders	Amount of Shares (TL)	Stake (%)	Voting Right	Voting Right (%)
Koç Holding A.Ş.	10,722,699.81	44.68	10,722,699,810	44.68
Ünver Holding A.Ş.	5,954,943.83	24.81	5,954,943,830	24.81
Temel Ticaret A.Ş.	647,274.75	2.70	647,274,750	2.70
Ford Otosan Sanayi A.Ş.	140,599.17	0.59	140,599,174	0.59
Rahmi M. Koç	1,171.66	0.00	1,171,660	0.00
Free Float	6,533,310.78	27.22	6,533,310,776	27.22
Total	24,000,000	100.00	24,000,000,000	100.00

1.2. Information concerning any changes in the management or activity of the Company which may materially affect the corporate activities of the Company or those of any material subsidiary or affiliate of the Company:

Information on changes in the management or activities which occurred in past accounting periods or which are planned in the coming accounting periods, and the reasons for such changes, are provided below:

Within the framework of our strategic targets as Otokar Otomotiv ve Savunma Sanayi A.Ş., there were no changes in the management or activities which could materially affect the activities of the Company during 2013.

1.3. Information concerning the Requests of Shareholders for Inclusion of an Issue into the Agenda:

Information on shareholders' written requests submitted to the Investor Relations Unit for inclusion of an issue to the agenda, rejected requests and reasons for rejections in the event that the board of directors did not accept such requests are provided below:

No such requests were received for the Annual General Meeting, in which the 2013 activities will be discussed.

2. Our remarks on the issues listed in the Agenda of the Annual General Meeting dated 28th March, 2014

1. Opening and election of the Chairing Board

The election of the Chairman who will manage the Annual General Meeting will be carried out in accordance with the provisions of the "Turkish Commercial Code No. 6102" (TCC) and the "Regulation on the Procedures and Principles Applicable to Annual General Meetings of Joint Stock Companies and the Representatives of the Ministry of Customs and Commerce to Attend Annual General Meetings" (the "Regulation" or the "General Meeting Regulation").

2. Reading, discussion and adoption of the 2013 Annual Report which was prepared by the Board of Directors of the Company

Information will be provided concerning the Annual Report 2013, which also contains the report on compliance with the principles of corporate governance, which was made available to shareholders for review at the Company's Head Office, on the Electronic General Meeting portal of the Central Registry Agency and on our Company's Internet site at www.otokar.com.tr for three weeks preceding the Annual General Meeting, in accordance with the TCC, the Regulation and the regulations concerning the Capital Markets Law. The 2013 Annual Report will be submitted for the opinion and approval of the shareholders.

3. Reading of the Independent Auditor's Summary Report concerning the 2013 accounting period

Information concerning the Independent Auditor's Report prepared pursuant to the regulations of the Capital Markets Board and the TCC, which were made available to the shareholders for their review at the Company's Head Office, on the Electronic General Meeting portal of the Central Registry Agency and on our Company's Internet site at www.otokar.com.tr will be provided to the Annual General Meeting.

The Information Document pertaining to 2013 concerning the Annual General Meeting which held on 28th March, 2014

4. Reading, discussion and adoption of the Financial Statements pertaining to the 2013 accounting period

Information concerning our financial reports and statutory financial statements which were made available to shareholders for their review at the Company's Head Office, on the Electronic General Meeting portal of the Central Registry Agency and on our Company's Internet site at www.otokar.com.tr for three weeks preceding the Annual General Meeting pursuant to the TCC, the Regulation and the regulations concerning the Capital Markets Law will be provided, and the same will be submitted to the opinion and approval of the shareholders.

5. Acquittal of the members of the Board of Directors in respect of the activities in 2013

Release of the members of the Board of Directors in respect of the activities, transactions and accounts in 2013 as per the provisions of the TCC and the Regulation will be submitted to the approval of the Annual General Meeting.

6. Submission to approval of the Company's "Profit Distribution Policy" regarding 2013 and subsequent years, pursuant to the regulations of the Capital Markets Board

The Company's profit distribution policy as attached herewith in ATTACHMENT 1 will be submitted for the attention of the General Meeting. In addition, the profit distribution policy was made available at the Company's Head Office, on the Electronic General Meeting portal of the Central Registry Agency and under the investor relations section of the Internet site of the Company at www.otokar.com.tr for three weeks preceding the Annual General Meeting.

7. Adoption, adoption as revised or rejection of the proposal of the Board of Directors for distribution of the 2013 profit and the date of the profit distribution

According to the financial statements for the account period of 01.01.2013-31.12.2013, which were prepared in compliance with the International Financial Reporting Standards in accordance with the Turkish Commercial Code and Capital Market Regulations, and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited), the Company earned a "Non-Consolidated Net Profit in the Period" amounting to TL 96,561,743. The table regarding our profit distribution proposal which was prepared by taking into account our long term group strategies, and the Company's capital requirements, investment and financing policies, profitability and the liquidity position in line with the Communiqué on Profit Distribution and the Profit Distribution Guide, which was announced in accordance with this communiqué is provided in ATTACHMENT 2. The recommendations of the Board of Directors will be submitted for the attention and approval of our shareholders.

8. Determination of the number and office terms of the Members of the Board of Directors, election of the members according to the number of members as determined and the election of the Independent Members of the Board of Directors

New members will be elected to take the place of the existing members of the Board of Directors whose office term has ended in accordance with the principles applicable to the election of the members of the Board of Directors as set forth in the Company's articles of association pursuant to CMB regulations, the TCC and the relevant regulations. In addition, independent member(s) will be elected to the Board in order to ensure compliance with the Communiqué numbered II-17.1 of the CMB.

Pursuant to the article 11 of the articles of association, the Company is administered by a Board of Directors formed by minimum 5 (five) members who are elected for maximum 3 years at the Annual General Meeting as per the provisions of the Turkish Commercial Code. The renewal of the terms of the Board of Directors may be approved in the Annual General Meeting even if the office term of it has not yet ended.

Three of the persons nominated as members of the Board of Directors must meet the criteria of independency as defined in the mandatory Corporate Governance Principles of the CMB.

Upon the proposal of the Corporate Governance Committee, which evaluated the candidates presented to it, İsmet Böcügöz, Abdulkadir Öncül and Ahmet Nezih Olcay were nominated by the Board of Directors as the Independent Members of the Board of Directors.

The Curriculum vitae of the nominees for the Board of Directors and independence declaration of nominees for independent members are provided in ATTACHMENT 3.

9. Provision of information concerning the "Compensation Policy" for Members of the Board of Directors and the top level Executives, and concerning the payments made in accordance with the Principles of Corporate Governance to the Shareholders and their approval by the Shareholders

Pursuant to the mandatory Corporate Governance Principle no. 4.6.2 of the CMB, the principles applicable to the compensation of the members of the Board of Directors and the senior management must be in writing and submitted to the attention of the shareholders as a separate item of the agenda, and the shareholders must be given the opportunity to express their views on this issue during the Annual General Meeting. The compensation policy prepared to this end is provided in ATTACHMENT 4. As stated in footnote 27 to the financial reports regarding the 2013 activity year, benefits amounting to a total of TL 11,649,528 were provided by Otokar Otomotiv ve Savunma San. A.Ş. to the senior management during 2013.

10. Determination of the monthly remuneration to the members of the Board of Directors

The amount of the monthly gross remuneration to be paid to the members of the board of directors during 2014 in accordance with the Compensation Policy as submitted to the approval of the shareholders in line with agenda item no. 9, which will be determined by the shareholders.

11. Approval of the selection of the Independent Audit Firm by the Board of Directors pursuant to the Turkish Commercial Code and the regulations of the Capital Markets Board

In its meeting held on 27th February, 2014, the Board of Directors resolved to select, in consultation with the Committee in charge of Audits, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member firm of Ernst & Young Global Limited) to audit the financial statements of the Company pertaining to the 2014 accounting period and to carry out the other tasks under the relevant regulations in accordance with the Turkish Commercial Code and the regulations of the Capital Markets Board. This selection will be presented to the approval of the Annual General Meeting.

12. Provision of information to Shareholders concerning transactions executed with the related parties during 2013 in line with the regulations of the Capital Markets Board

In accordance with article 10 of the Capital Market Board's (CMB) Communiqué numbered Serial II.17.1., the principles applicable to any common and continuous transactions of corporations whose shares are traded on the BIST are reported by the board of directors. If the amount of buy-side transactions in the cost of sales reaches or exceeds 10% of the amount in sales in any accounting period, as stated in its latest annual financial statements disclosed to the public, the board of directors of the corporation must prepare a report on the conditions of such transactions with a comparison of the market conditions. Disclosing this report in KAP is mandatory.

Our shareholders are informed, within this context, of our qualified related party transactions in 2013. Prepared reports are provided in Attachment 5.

13. Provision of information to Shareholders concerning the Company's donations in 2013 and the establishment of an upper limit for donations to be made in 2014

According to the Capital Market Board's Dividend Communiqué numbered II-19.1, the limit of donation should be determined by the General Meeting in the event that it is not mentioned in the articles of association. Donations and payments provided are required to be submitted for the attention of shareholders in the Annual General Meeting. The donations provided to foundations and associations amounted to TL 2,038,442 in 2013. In addition, the limit of donation to be made in 2014 will be determined in the Annual General Meeting.

14. In accordance with the regulations of the Capital Market Board, provision of information to Shareholders concerning collateral, mortgages and guarantees that are given on behalf of third parties and income or benefits received

In accordance with article 12 of Capital Market Board's Corporate Governance Communiqué numbered II-17.1, information must be provided on collaterals, mortgages and guarantees that are given on behalf of 3rd parties and income or benefits received. Our company has no collateral, pledges, mortgages or guarantees given to assure 3rd party debts to execute our Company's ordinary commercial activities.

The Information Document pertaining to 2013 concerning the Annual General Meeting which held on 28th March, 2014

15. The granting of consent to shareholders who control the management, to the members of the Board of Directors and the senior management who own shares in the capital of the Company and to spouses and up to a third level of blood relative and the in-laws of these persons, as per articles 395 and 396 of the Turkish Commercial Code, and the provision of information to shareholders concerning any transactions of this nature executed during 2013, pursuant to the CMB's Corporate Governance Communiqué

Execution of transactions by the members of the Board of Directors within the framework of the first paragraph of article 395, entitled "Prohibition of Execution Transactions with the Company and on Borrowing from the Company", and article 396, entitled "Prohibition on Competition", of the TCC is possible only with the consent of the shareholders at the Annual General Meeting.

Pursuant to the mandatory Corporate Governance Principle no. 1.3.6 of the CMB, in order that the shareholders who control the management, the members of the Board of Directors, the followings are taken into consideration as a separate item in the Annual General Meeting and recorded in minutes of the Annual General Meeting: the senior managers' and the spouses' and up to second degree blood and in-law relatives of these persons' transactions which may cause a conflict of interest and compete with the company or any affiliates of the company, and/or conducting the commercial transaction in the company's or any affiliates' field on conducting this transaction on behalf of other people or entering as a partner to the corporation that has same commercial business

Required permission will be submitted to the approval of our shareholders in the Annual General Meeting. Also, our shareholders will be informed of such transactions made within the year.

16. Requests and views

ATTACHMENTS:

Attachment 1 Profit Distribution Policy (Please refer to page....)

Attachment 2 Profit Distribution Table pertaining to Distribution of the Profit in 2013 (Please refer to page....)

Attachment 3 Curriculum Vitae of the Nominees to the Board of Directors and Independence Declarations of Independent Member Nominees (Please refer to page....)

Attachment 4 Compensation Policy for Members of the Board of Directors and Senior Management (Please refer to page....)

Attachment 5 Report on Related-Party Transactions (Please refer to page....)

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