
OTOKAR
ANNUAL REPORT
2012
We have been constantly moving forward for 50 years.
Because...
50
Otokar
Koç
www.otokar.com

Contents


keep on
Moving? What if we had not done so? If we had simply stopped and said, "This is it, no need to go further." For instance, if we hadn't produced the country's first intercity bus, would millions of people still have had a reliable road companion? What if we had been content with being our country's leader automotive establishment and not aimed at carrying the whole world? Surely, the world would have continued turning without us. If we hadn't designed the colorful, modern buses used in public transport and won international design awards? Or brought Turkey's first electric bus to the road? And what if we had not established an R&D center with a simulator for testing road and weather conditions for any region in the world? Couldn't we have done without research and development? No, we could not. The comfort of the student dozing in one of Istanbul's yellow municipal buses, the peace mind of Artisan Arif riding to his work in M-2010, the pride of Sergeant Mehmet serving his country in an armoured vehicle, or the freedom of a disabled citizen travelling on our buses. These would have disappeared had we called it a day. Captain Hamdi's faithful partner Sultan still running smoothly, despite being buried under a snowdrift for four days, and the countless road stories in Turkey, and all over the world, would have never been written. There would have been no Otokar with its achievements and awards, the leader of Turkish automotive industry and the pride of all,if we had not kept on
moving
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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 defense industry products developed in line with customer expectations that have global competitive power.

Otokar in brief...

Otokar, a Koç Group company, operates with over 2,000 employees at its 552 thousand square meter plant in Arifiye, Sakarya. The Company has a total manufacturing capacity of 11 thousand vehicles. Thousands of public transportation, logistics, and defense vehicles manufactured by the Company have been serving on Turkey's roads, as well as in nearly 60 countries across five continents.

Being one of the pioneers of the automotive and defense industries in Turkey, Otokar, is currently the country's most preferred bus brand, and is also the largest privately owned company of the Turkish defense industry.

Celebrating its 50th anniversary, Otokar Otomotiv ve Savunma Sanayi A.Ş., continues to offer special solutions thanks to its proprietary technology, design, and applications, meeting the needs of its customers both for commercial vehicles and in the defense industries.

In the military vehicle segment, Otokar manufactures tactical wheeled armored vehicles such as the APV, Cobra, Kaya, Arma, and ISV, to which it holds the intellectual property rights. The Company also manufactures Land Rover Defender vehicles under license, and takes part as a prime contractor in the Altay Project involving, Turkey's first national main battle tank. The products of Otokar, the largest privately owned company in the defense industry, and the leading land vehicles supplier in Turkey, are actively used in nearly 30 countries.

In the public transportation segment, Otokar's product range extends from 5.8-meter minibuses to 12-meter buses. The M-2010, Sultan, Doruk and Kent branded buses are used in various areas, from in-city to tourism transportation. Meanwhile, the Company's exported bus brands Centro, Navigo, Vectio, Kent and Territo, are used in nearly 40 countries.

Otokar has been manufacturing trailers and semi-trailers since 2002, and these vehicles have a wide application ranging from the transportation of hazardous materials to perishable foods, and dry cargo.

a road story of 50 Years

a road story of 50 Years

Otokar manufactured Turkey's first intercity bus, and celebrating its 50th anniversary, the Company continues to develop various vehicle types, including buses, trailers, tactical armoured vehicles, and a main battle tank, using its proprietary technology and designs to meet the needs of its customers.

1960s

1963
Establishment of Otokar under the name Otobüs Karoseri Sanayi A.Ş. in Bahçelievler, Istanbul.

1964
Manufacturing of Turkey's first intercity bus under the Magirus license.

1967
Manufacturing and exporting small-size buses for the first time.

1968
Manufacturing Apollo buses, which became hugely popular at the time.

1970s

1970
Developing and manufacturing minibuses suitable for public transportation.

1976
Partnering with Koç Holding

Bahçelievler plant

Initial mass production of minibuses.

Otokar'ın 39 kişilik otobüsleri

1980s

1980
Developing and manufacturing Turkey's first armoured money transport vehicle.

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

1987
Manufacturing tactical wheeled vehicles under the Land Rover Defender license, and winning the first major order for these vehicles.

1990'lar

1990
Manufacturing Turkey's first tactical wheeled armoured vehicle, and exporting Turkey's first tactical armoured vehicle.

1995
Initial public offering

1997
Relocating to the 86 thousand square meter plant in Sakarya.

1999
The acquisition of Otokar Pazarlama A.Ş.

Armoured money transport vehicle.

The armoured tactical vehicle manufactured in the 1990s.

Doruk orta boy otobüsler

2000s

2002
Merger with Istanbul Fruehauf A.Ş.; developing and manufacturing the Sultan, the first small bus, and capturing the number two market share during the first year of production.

2003
Manufacturing Turkey's first ADR certificated semi-trailer tanker.

2004
Establishing the Otokar R&D Center.

2005
Adding the armoured Internal Security Vehicle to the product range; developing and manufacturing semi-trailers under the Otokar brand.

2007
Developing and manufacturing the Doruk, which became the best-selling medium-size bus in Turkey during the 4 years following its launch; launching Turkey's first hybrid bus.

2008
Being 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.

Purchasing the land and plant of the former Otoyol factory, thus increasing total production area to 552 thousand square meters.

2009
Addition of the Kaya, a mine resistant armoured vehicle, as well as the Kent municipal bus, and M-2010 minibus to the product range.

The Doruk model wins the "Design Turkey Award", and the "Bus world Kortrijk Grand Award" in Europe.

The Cobra armoured tactical vehicle

The ADR certificated tanker semi-trailer

The M-2010 minibus

2010s

2010
Addition of the Arma 6x6, the multi-wheeled armoured vehicle to the product range, and receiving two export orders in the first year.

Becoming the best-selling bus brand in Turkey, consecutively in 2010, 2011, and 2012.

The Arma armoured combat vehicle

2011
The Kent municipal bus wins 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.

Publically displaying the full-scale model of the Altay national tank for the first time.

Establishment of Otokar Europe.

The Altay main battle tank

2012
Opening of the Otokar Tank Test Center.

The launching of Turkey's first electric bus.

Introduction of Altay's preliminary prototypes.

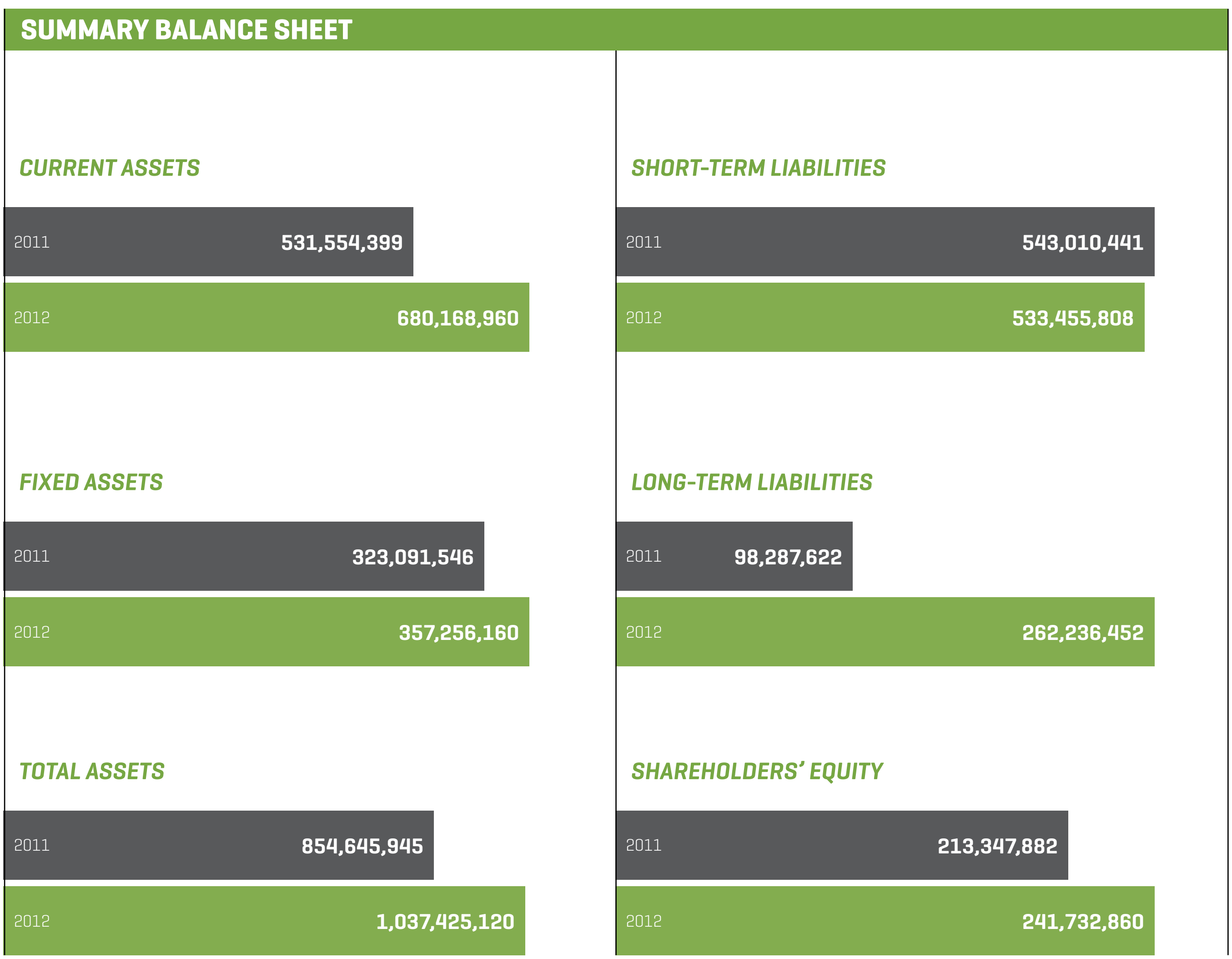
Receiving an order for 750 buses from İETT (Istanbul Electricity, Tramway and Tunnel General Management), to be used in Istanbul.

Achieving market leadership in the Turkish bus market for the third time.


ARMA 8x8 TZA

financial indicators

In 2012 Otokar increased its turnover by 13% over the previous year, reaching TL 1 billion. With sales to nearly 60 countries, the Company's exports amounted to US$ 146 million in 2012. Thanks to efficiency efforts realized during the year, profit before tax stood at TL 81,817,941.



%13

NET SALES

Otokar's net sales increased by 13% over the previous year, reaching TL 1,004,492,232.

%32

OPERATING PROFIT

In 2012 Otokar's operating profit increased by 32% over the previous year, amounting to TL 93,581,718.

%39

PROFIT FOR THE PERIOD

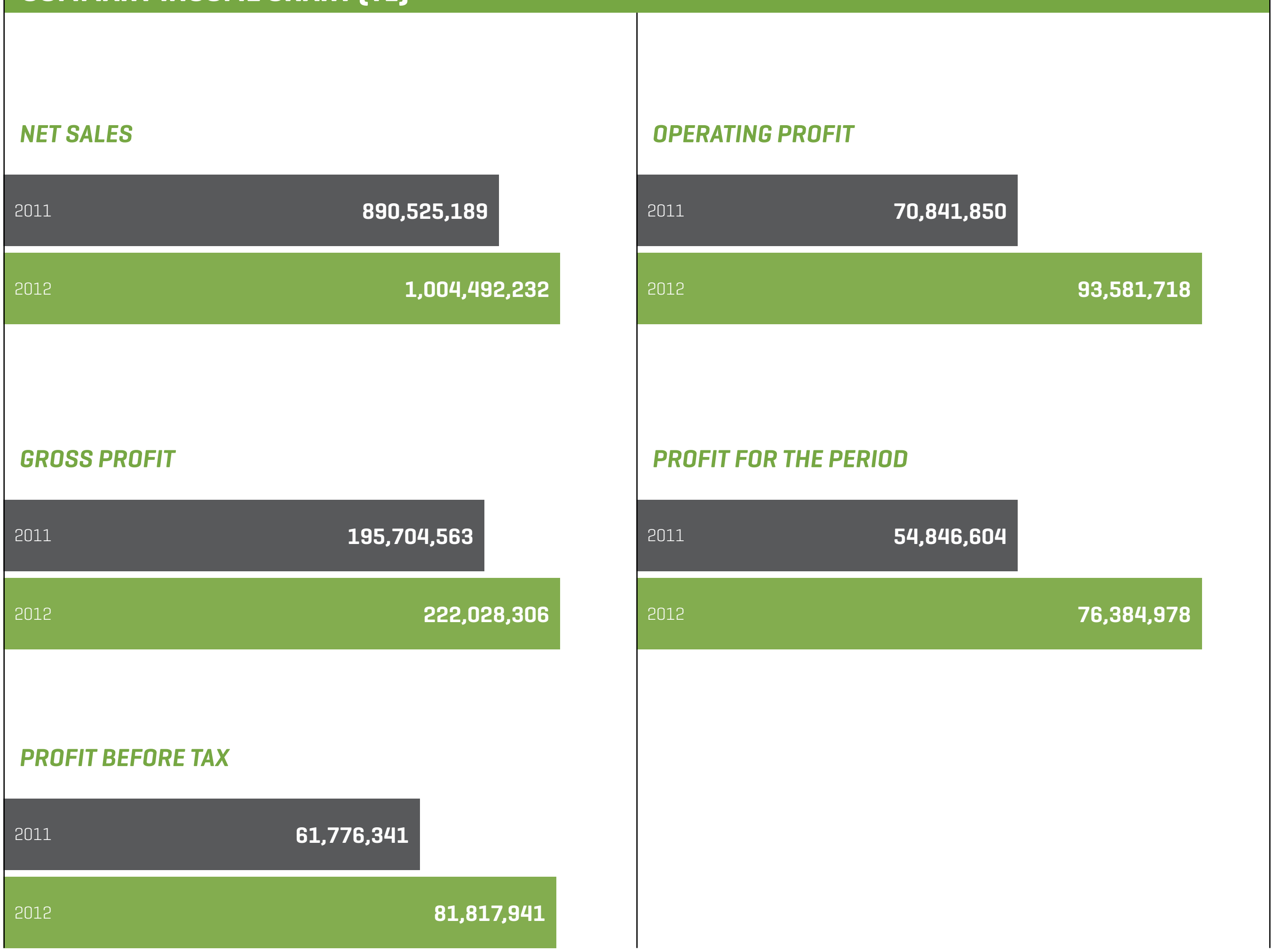
In 2012 Otokar increased its profit for the period by 39% over the previous year, to TL 76,384,978.

%13

SHAREHOLDERS' EQUITY

In 2012 Otokar increased total shareholders' equity by 13% over the previous year, to TL 241,732,860.

SUMMARY INCOME CHART (TL)



chairman’s message

Over the past 50 years Otokar has witnessed mixed times, worked hard to maintain its growth under diverse economic conditions, and taken advantage of its experiences while growing.

Esteemed Shareholders,

50 years ago, when our country began to take important steps toward greater industrialization, Otokar set out in a small workshop in Bahçelievler with the idea of manufacturing “Turkish-made vehicles”, and manufactured Turkey’s first bus. And having manufactured Turkey’s first intercity bus, public transport minibus, and Europe’s first small bus, Otokar eventually achieved a significant position in the automotive industry, not simply witnessing the new era of industrialization, but pioneering it. Otokar walked a path to rapid growth, begun when joining Koç Group in the 1970s, and continued with further progress in the defense industry. This featured the manufacture of Turkey’s first armoured tactical vehicle, and the exporting of military vehicles. In the 2000’s, our Company started to concentrate its efforts on commercial vehicles. By 2010, Otokar had already achieved numerous firsts in the areas of operation, having made the impossible possible.

We have touched the lives of millions of people over the course of 50 years, becoming a regular part of their day. Throughout these years, millions of passengers have travelled in our vehicles, while tons of cargo have been carried on our trailers, all helping to turn the wheels of the nation. We have manufactured thousands of vehicles that protect the soldiers who risk their lives for their country; we have added value and created employment for Turkey, and realized goals that many considered impossible. And so today, we are both happy and proud to witness the 50th anniversary of our Company, as well as its many achievements.

Esteemed Shareholders,

Over the past 50 years Otokar has witnessed mixed times, worked hard to maintain its growth under diverse economic conditions, and taken advantage of its experiences while growing. After starting its journey in 1963 with licensed production, Otokar, foreseeing the future, developed its own designs. Thus, in the 1970s, when its license agreement expired, it rebuilt its success on the strength of proprietary products. As an independent enterprise developing its own products and technology, our Company has always focused on the satisfaction of its customers, partners, and employees.

We confidently continue on the path we have laid out by embracing these values. Keenly aware of our responsibilities toward you, our customers, and employees, we always seek the best. And we are all the more happy to see our Company’s efforts reflected positively in our business results.

I am delighted to share with you the good news of our closing of yet another successful year. In 2012 we registered growth in turnover of 13%, exceeding our TL 1 billion target. Maintaining our growth, we achieved US$ 146 million in exports, marking the highest figure of the past 10 years. And as a result of our efficiency efforts, we registered TL 76.4 million in profit.

In 2012, while growth in the heavy commercial vehicles segment decelerated, the bus market grew by 1%, and Otokar grew four times faster than the overall market, to become the best-selling brand in Turkey for the third year. Thanks to the accomplishments of our branch in Europe, our main bus market, our Company’s export volume in the total bus segment increased by 66%.

Our sales income increased significantly after delivering the orders we had received from the defense industry, and we received new orders. We are proud to have reached an important stage in the Altay Main Battle Tank Project, Turkey’s major land systems project. This project is closely followed by export markets. We commenced the testing of the two preliminary prototypes. Due to the importance placed on national projects, R&D efforts began to hold significance for the Turkish defense industry.

In 2012, we allocated 5% of our total turnover to R&D investments, greatly exceeding the average figures observed in our country. These investments have amounted to TL 188 million over the past 10 years, thus we were able to utilize the resources of our country and manufacture

Turkish-made vehicles much faster. In 2012 we opened Turkey's first Tank Testing Center, the most modern center of its kind in the world, and servicing the needs of the industry. We also added Turkey's first electric bus to our product portfolio, and this vehicle began its trial run with the Istanbul Municipality.

Esteemed Shareholders,

Otokar has the scope for further achievements, thanks to the growth potential of the segments it operates in, as well as its own strengths. Exciting new projects await us in our 50th year. We cannot wait to see our 750 Otokar buses carry Istanbul passengers in 2013. We aim to sign important contracts in the commercial vehicle segment, which we again expect to emerge amid fresh opportunities and developments. And while our armoured vehicles actively serve, we will continue to evaluate new opportunities

US$ 146 million

Maintaining our growth, we achieved exports of US$ 146 million, marking the highest figure in the past 10 years. And as a result of our efficiency efforts, we registered TL 76.4 million in profit.

that benefit Otokar. With your support, we will work to build Otokar's next 50 years, and to create a global brand in the global arena that our grandchildren will be proud of.

In reaching these goals, I hope that our 50th year brings prosperity to all our shareholders, customers, business partners, and employees. I also hope to close the year 2013 with successful results.

Respectfully Yours,

Kudret Önen
Chairman of the Board of Directors

In 2012 we registered growth in turnover of 13%, exceeding our TL 1 billion target and we allocated 5% of our total turnover to R&D investments, greatly exceeding the average figures observed in our country.

members of the board of directors and the audit board

BOARD OF DIRECTORS*

Kudret Önen
Chairman of the Board of Directors

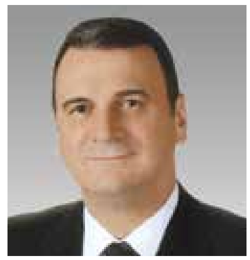
Born in Istanbul in 1953, Mr. Önen graduated from Gazi University, Department of Mechanical Engineering. He joined Koç Group in 1975, working at Ford Otosan. In 1980 he was appointed R&D Manager at Koç Holding, and Deputy General Manager at Otokar in 1984. Between 1994 and 2005 he served as General Manager 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 Defense 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 Defense Industry, Other Automotive and Information Technology Group within Koç Holding .

Pursuant to the CMB's Corporate Governance Principles, 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 Corporate Governance Principles, 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 Deputy General Manager, Chief Deputy General Manager, and General Manager at Ford Otosan, in 1986, 2000, and 2002, respectively. Between 2007 and 2009, Mr. Durak was President of the Automotive Group at Koç Holding. Starting 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 Vice 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 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 Ankara University, in the Faculty of Political Science, at the Department of Economics; he later received his masters 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 Assistant Coordinator of Financial Affairs within the Audit and Finance Group. Mr. Uzun served as Coordinator between 1996 and 2003, and since 2004 has been the President of the Audit Group within the organization of Koç Holding.

Pursuant to the CMB's Corporate Governance Principles, Mr. Uzun is a non-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. Önen currently serves on the Boards of several Koç Holding companies.

A. Serdar Görgüç
Board Member & General Manager

Born in Izmir in 1959, Mr. Görgüç, graduated from Boğaziçi University, at the Department of Mechanical Engineering; he later received his master's degree in Business Administration from Istanbul University. Mr. Görgüç joined Koç Group in 1982, working at the Group's R&D Center. He served as Automotive Unit Manager at the R&D Center 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 Deputy General Manager of Engineering between 1995 and 2005. He has been serving as General Manager of Otokar since 2006.

Pursuant to the CMB's Corporate Governance Principles, 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.

DENETİM KURULU**

Tuğrul Kudatgobilik
Board Member

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

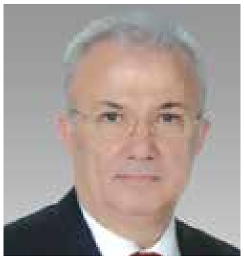
Pursuant to the CMB's Corporate Governance Principles, Mr. Kudatgobilik is a non- executive board member, and is not qualified to serve as independent board member. While the positions he held over the past ten years are detailed above, Mr. Kudatgobilik currently serves on the Board of Otokar.

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 Deputy 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 Sanayii A.Ş.

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



Abdulkadir Öncül
Independent Board Member

Born in Merzifon/Samsun in 1946, Mr. Öncül, graduated from Istanbul University, in the Faculty of Economics, at the Department of Business Administration. He began his professional career in 1970 at Otosan Otomotiv, and later served as 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 Corporate Governance Principles, Mr. Öncül 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.

Mehmet Apak
Auditor

Born in 1970, Mr. Apak graduated from Rowan University (USA), at Department of Business Engineering. He currently serves as Coordinator in Audit Group Presidency of Koç Holding A.Ş.

Metin Utkan
Auditor

Born in 1940, Mr. Utkan graduated from Ankara University, in the Faculty of Political Science, at the Department of Economics and Finance. He is the Founding Member and Chairman of the Board of YMM (Certified Public Accountants), and works as a CPA.

Footnote:
* The authority limits of the Chairman and Board Members have been established in accordance with Article 12 of the Company's Articles of Association, and the provisions of the Turkish Commercial Code.
** The authority limits of the Auditors have been established in accordance with Article 16 of the Company's Articles of Association, and the provisions of the Turkish Commercial Code.

Otokar in 2012

Geared at maintaining sustainable growth, Otokar made new R&D investments in 2012, and also expanded its product portfolio. Additionally, the Company won the Istanbul bus tender for 750 vehicles, maintaining its leadership position in the bus market, and is also the leading company in the defense industry

A turnover of TL 1,004 million on a 13% increase

In 2012, Otokar maintained its sustainable growth by achieving a 13% increase in its turnover to TL 1,004 million. The Company closed the year successfully in both the defense industry and the commercial segment, increasing its net profit by 39% over the previous year to TL 76.4 million.

US$ 146 million in exports on a 51% increase

Exporting to more than 60 countries across five continents, Otokar is a global Turkish brand. In 2012 the Company increased its export volume by 51% over the previous year, on revenues of US$ 146 million. The export agreements signed with the defense industry by Otokar Europe, established in 2011 with the purpose of maintaining close proximity to export markets, contributed to this significant increase.

An order of 750 Kent buses for Istanbul

Otokar also remained the preferred supplier of major municipalities in Turkey in 2012. The Company won three tenders for solo type diesel buses held by IETT (Istanbul Electricity, Tramway and Tunnel General Management) in 2012. These tenders presented Otokar with an order worth TL 214 million, including the supply of buses, spare parts, and a five year maintenance agreement for the vehicles. The Company plans to deliver 750 Kent buses by the end of 2013.

Five percent of the turnover of TL 51 million was invested in R&D

In 2012, Otokar allocated five percent of its total turnover, amounting to TL 51 million, in R&D. Otokar also expanded its product portfolio with new vehicles in line with customer expectations and needs. Accordingly, in 2012 the Company added new vehicles such as the Sultan Mega and Doruk Electra buses to its bus line, the Huck-a-pack trailer to its trailer line, and the Kaya II and ISV Water Cannon to its defense industry line.

In 2012 Otokar opened Turkey's first and only Tank Test Center, which comprises an EMC Chamber (Electromagnetic Compatibility Test Chamber), a Tank Firing Range, and a Climatized Test Chamber with Dynamometer. The Center is among the few modern Tank Test Centers around the world. The Center allows for diverse testing required for safe driving and proper systems functioning enabling the product to be readied for mass production. These include the testing of electromagnetic compatibility of military vehicles under both peacetime and combat conditions, as well as tests geared at increasing the vehicle capability in different climates. The Center aims to serve mainly the defense industry, but also all military and civilian industries.

Leadership in the bus market for the third year

In 2012 Otokar was once again the market leader with its buses, which carry a minimum of 25 passengers. The Company grew four times faster than the overall market to become the best-selling bus brand in Turkey for the third year.

Turkey's first electric bus

As the most preferred bus brand in Turkey, Otokar has achieved yet another first by manufacturing Turkey's first electric bus. The Company has been working on alternative fuel buses since 2005. The Doruk Electra, Otokar's electric bus, claims to offer environmentally cleaner performance, lower noise emission, reduced operating costs, and greater efficiency. This bus started its trial run within the Istanbul Municipality.

The preliminary prototypes of the Altay main battle tank

The two preliminary prototypes of Turkey's national main battle tank, the Altay, were designed and developed by Otokar, Turkey's largest private company in the defense industry. These prototypes were introduced to the public at Otokar's Sakarya plant. The first prototype tested the Altay's mobile capability in order to perfect it. The second prototype serves to test Altay's firing capability. Based on the data obtained from these two tests, Otokar will develop two additional improved prototypes, at which point the Altay will be readied for mass production.

we wouldn’t have been able to acquire new customers or become a global player

Otokar is aware of the fact that environmental issues and urbanization will be the chief concerns of the automotive industry over the next 15 years. Thus, the Company continued to work on alternative fuel buses in 2012. Subsequently, the Doruk Electra, Turkey’s first electric bus, was introduced to the public in April.

We have always taken the advantage of being an independent manufacturer, and of holding the intellectual property rights of our products. We have always focused on customers’ demands and expectations. Each customer has served as a reference for new prospects, and Otokar’s customer family has continued to expand with new members. Otokar branded vehicles are used in nearly 60 countries across five continents, safely carrying millions of passengers. If we didn’t have our brand and our technology, or if we lacked the courage required, we wouldn’t have been able compete with global giants on tenders in the defense industry, and we wouldn’t be increasing our ranking in customer satisfaction, or be the bus market leader for the third time. In short, we wouldn’t have been Otokar, in other words Turkey’s largest private company in the defense industry...

PASSENGER TRANSPORTATION

In-city Passenger Transportation
Offering the most extensive bus portfolio in Turkey, from 5.8-meter to 12-meter buses, Otokar was once again the best-selling bus brand in Turkey for the third time. The Company won the bus tenders for 750 vehicles in Istanbul, and 100 vehicles in Izmir, and continued to grow with new products. Otokar is aware of the fact that environmental issues and urbanization will be the chief concerns of the automotive industry over the next 15 years. Thus, the Company continued to work on alternative fuel buses in 2012. Otokar is aware of the fact that environmental issues and urbanization will be the most important concerns in the automotive industry in the next 15 years. Thus, the Company continued to work on alternative fuel buses in 2012. The Doruk Electra, Turkey’s first electric bus, was introduced to the public in April. Offering environmentally cleaner performance, lower noise emission, reduced operating costs, and greater efficiency, this bus started its trial run within the Istanbul Municipality at the beginning of 2013.

With zero emissions, and very low levels of noise and vibration, the Doruk Electra can be fully charged in 6 to 8 hours; indeed, thanks to the on-board charger it can also be charged while waiting at bus stops. The bus has a range of 280 kms when fully charged, and it is possible to increase this by 30 to 40% with intermittent charging throughout the day. And being equipped with an on-board charger, the Doruk Electra doesn't require an extra charging system, and can be charged anywhere with industrial type three phase electric power.

Environmental issues and urbanization are expected to be the key concerns for the automotive industry over the next 15 years. According to UN data, it is predicted that 70 percent of the world population will live in cities or urban areas by 2050. Thus, the need for alternative solutions to in-city and public transportation will significantly increase. Of all land transport in Istanbul 32.7% is performed by buses, a percentage that is expected to increase over the coming years.

Tourism and Personnel Transportation

Otokar extended the success of its 10-meter Doruk T bus, which created a niche market in the tourism industry, and has maintained its leader position since its launch, to a new model developed in line with customer demands and expectations. For customers, who cannot afford to purchase a medium length bus, and yet require a high passenger capacity, Otokar developed Sultan Mega, which was launched at the end of 2012, and can carry 31 passengers.

As part of its export operations, Otokar mainly targets European markets, and therefore it has already manufactured the first vehicles which comply with Euro 6 emission standards that will take effect soon. The Company introduced these vehicles in Hannover at IAA 2012, the largest commercial vehicle trade show in Europe.

Otokar extended the success of its 10-meter Doruk T bus, which created a niche market in the tourism industry and maintained its leader position since its launch, to a new model, namely Sultan Mega, developed in line with customer demands and expectations

LOGISTICS

Always distinguishing itself with special products in the trailer segment, Otokar developed the Huck-a-pack semi-trailer, which is suitable for intermodal transport, has XL safety certificate, and can be loaded on trains.

Due to the contraction in the trailer market, Otokar decreased its production rate; however continued to make significant deliveries in frigorific semi-trailer and semi-trailer tanker segments, where it is especially strong. The leading logistics companies preferred Otokar as a supplier.

We wouldn’t be able to acquire new customers or become a global player

Tactical wheeled armoured vehicles manufactured by Otokar, Turkey’s largest private company in the defense industry, are actively used by nearly 40 customers in over 20 countries. Being one of the main suppliers of Turkish Armed Forces, the Company expands its product portfolio with new models every year.

DEFENCE INDUSTRY

TACTICAL WHEELED ARMOURED VEHICLES

Otokar began to deliver the export orders for its Arma 6x6 armoured combat vehicle, which had caused a stir in the global defense industry after receiving two orders in the first year of its launch. In 2012, Otokar also began to deliver the export orders for its Armoured Internal Security Vehicle (ISV).

In 2012, Otokar continued to receive domestic and international orders for its Cobra vehicle, which is among the world’s most preferred armoured tactical vehicles in its class. The vehicles ordered at the beginning of 2012 by export markets and to be used by UN peacekeeping forces, are already delivered. These orders amounted to US$ 12.5 million. Additionally, the orders for Cobra and ZPT, amounting to TL 60 million, were also delivered in 2012. The Cobra order placed by internal security forces, and totaling TL 53.6 million, will be delivered within 2013.

In line with its growth strategies Otokar, Turkey’s largest private company in the defense industry, signed a memorandum of understanding (MOU) with Kazakhstan Engineering company in 2012 to manufacture Cobra armoured vehicles in Kazakhstan. These vehicles will be put to the service of Kazakhstan Armed Forces.

Always introducing new products to the defense industry, Otokar added Kaya II, a mine-resistant armoured vehicle, to its product portfolio in 2012. Kaya II offers superior protection against mines and kinetic energy ammunition, and also has unrivalled maneuverability in all kinds of terrain and climate. Kaya II successfully passed all users tests in 2012, and was introduced at IDEX 2013, one of the most important defense industry exhibitions in the Gulf and Middle East.

Otokar also added the Water Cannon version of its Armoured Internal Security vehicle to its product portfolio. Otokar’s armoured internal security vehicle is used for internal security purposes and received its first order in 2011.

Otokar uses its technical know-how and resources in the production of armoured vehicles, and the Company’s resources and ability in the integration and testing of complicated systems as well as in areas such as software and electronics, further improve with each passing day. Consequently, ARMATRONICS, the electronic system which was specially developed for Arma vehicles and passed the required tests, was registered as a trademark of Otokar. Additionally, Mızrak project for the development of a remote controlled turret is still being improved.

Otokar uses its technical know-how and resources in the production of armoured vehicles, and the Company's resources and ability in the integration and testing of complicated systems as well as in areas such as software and electronics, further improve with each passing day.

we wouldn't be as proud

Altay, which is designed to be used in all kinds of military operations and meets all technical and tactical requirements of Turkish Armed Forces, is equipped with the latest technologies used in modern tanks. With its superior firepower and hit ratio, high maneuverability and survivability, Altay is expected to become one of the indispensable and deterrent forces of the Turkish Army.

DEFENCE INDUSTRY

ALTAY PROJECT

Otokar's armoured tactical vehicles serve more than 40 users in Turkey and across the world. Over its 25 thousand actively used vehicles, Otokar represents the power of Turkey's defense industry. Until today, the Company has fulfilled its obligations in every project it was assigned to, and has completed all the tasks it has undertaken in a meticulous manner. As a result of its past accomplishments, Otokar was assigned as the prime contractor for the development of Turkey's main battle tank, Altay, in 2008.

As the leading and the largest private company of Turkey's defense industry, we gain inspiration from each task we undertake, each project we have accomplished over the past 50 years, and from all our vehicles which are actively used on the field. If we hadn't used our power for those who act heroically for our country, or to realize the dreams of 70 million people, we wouldn't get the chance to develop our national tank Altay, and be as proud.

In 2012 the Company almost finalized the design of Altay as part of the Detailed Design Phase, and simultaneously commenced the 'Prototype Development and Qualification' phase. Accordingly, two preliminary prototypes were developed in 2012. The first prototype, which serves to test Altay's mobility capability and endurance, and the second prototype, which serves to test its firing capability, were introduced to the public at a special ceremony. The first prototype reflects the outcome of the concept design phase of the project, which was launched in 2009, and it serves to test Altay's mobility capability before perfecting it. The second prototype will be used to test Altay's firing capability. Based on the data obtained from the testing of these prototypes, Otokar plans to develop two additional improved prototypes, and then Altay will be made ready for mass production.

Altay, which is designed to be used in all kinds of military operations and meets all technical and tactical requirements of Turkish Armed Forces, is equipped with the latest technologies used in modern tanks. With its superior firepower and hit ratio, high maneuverability and survivability, Altay is expected to become one of the indispensable and deterrent forces of the Turkish Army.

With Altay, which is developed by Otokar as the primary contractor, Turkey is expected to wean itself off foreign dependence in the supply of main battle tanks. Turkey will hold all design and intellectual property rights of Altay. The Technical Data Package, which comprises all documents and information related to Altay's design, development, integration, testing, and production; and which will serve as the basis for mass production, will be the property of the Republic of Turkey, including all rights and without any restrictions.

The development of a modern tank using national resources, namely the Altay project, comprises two phases such as "design and prototype development" and "mass production". Otokar won the tender for the first phase and was selected as the prime contractor. The project officially started in January 2009. The first phase of the project, "design and prototype development", is expected to be completed within 78,5 months.

The first phase also comprises three stages. In the first stage, Otokar completed the 'Conceptual Design' by taking into consideration the current threats, combat conditions as well as the expectations and the needs of Turkish Armed Forces. The Company then formed the general concept of Altay tank. Currently, the Company is about to complete the 'Detailed Design' stage while 'Prototype Development and Qualification' stage is still in progress.

Otokar is expected to develop a total of four prototypes during the course of the project. The first prototype will serve to test Altay's mobility capability, and the second prototype will be used to test its firing capability. Based on the data obtained from the testing of these prototypes, Otokar plans to develop two additional improved prototypes in order to perfect Altay.

The first phase of the Altay project, carried out by Otokar as the primary contractor, will be completed in 2015, and then Altay will be ready for mass production. Mass production will be the subject of a separate agreement.

we couldn't refrain from research and development

In 2012 Otokar established Turkey's first Tank Test Center, which is also one of the most modern center in the world, by investing more than US$ 10 million. The Center, established as part of Turkey's Main Battle Tank Project Altay, comprises an EMC (Electromagnetic Compatibility Test Chamber), and a Tank Testing Range.

R&D ACTIVITIES

Relentlessly pursuing its R&D investments, Otokar established Turkey's first Tank Test Center, which is also one of the most modern center in the world, by investing more than US$ 10 million in 2012. The Center, established as part of Turkey's Main Battle Tank Project Altay, comprises an EMC (Electromagnetic Compatibility Test Chamber), a Tank Testing Range, and Climatized Test Chamber with Dynamometer. Tank Test Center allows different types of testing required for safe driving, proper functioning of systems, and to make the product ready for mass production. These include the testing of electromagnetic compatibility of military vehicles under both peace and war conditions, and the tests that aim to increase the mobility capabilities of vehicles in different climates. Otokar puts the test center to the service of not only its own vehicles, but of the defense industry, as well as all military and civilian industries in Turkey.

EMC (Electromagnetic Compatibility Test Chamber)

At the EMC (Electromagnetic Compatibility Test Chamber), Altay's electronic devices are tested for electromagnetic compatibility and sensitivity under both peace and war conditions. Sub-system and system tests can also be carried out in compliance with military standards.

Tank Testing Range

The total length of the Tank Testing Range is nearly 1,5 km's, and it is designed to test a tank's mobility capability. 30% of the field, which is slanted and curved, allows a main battle tank to make turns in high speed. The field also features an APG stabilization track to test the performance of fire-control systems. Additionally, there is a Profile IV track to test the performance of suspension systems.

Climatized Test Chamber with Dynamometer

The Climatized Test Chamber with Dynamometer, which is located at Otokar's plant, is also used as part of the Tank Test Center. At the Test Center, vehicles' power and cooling levels are tested within a range of -45 degrees to +60 degrees; and their moisture levels are tested within a range of 5%–95 RH.

Over the past 50 years, we have always introduced breakthrough products, from buses and minibuses to trailers and armoured vehicles, to the Turkish automotive industry. We always sought the ways to achieve the best. Even in the 1980s, when we introduced the first computer-aided design to the Turkish automotive industry, we were aiming to own the most modern and advanced R&D center in the world. If we hadn't focused on growth, or striven to achieve the best, or wanted to contribute to our country's economy, we wouldn't be able to make innovations, or allocate 5% of our 2012 turnover to R&D efforts, or make an R&D investment of TL 188 million over the last 10 years.


ALTAY

we wouldn't be productive

Valuing productivity as an important part of sustainable growth, Otokar carried out 142 projects in 2012, in the areas of production and supply, such as team work, leadership, cost cutting by interdisciplinary collaboration, increasing efficiency, quality improvement, improving workplace safety and health, raising environmental awareness, energy saving, system development and process improvement; and thus the Company made significant gains.

PRODUCTIVITY EFFORTS

Valuing productivity as an important part of sustainable growth, Otokar carried out 142 projects in 2012, in the areas of production and supply, such as team work, leadership, cost cutting by interdisciplinary collaboration and synergy, increasing efficiency, quality improvement, improving workplace safety and health, raising environmental awareness, energy saving, system development and process improvement; and thus the Company made significant gains.

Within the scope of the employee suggestion system launched in 2007, Otokar received 3,514 suggestions from its employees in 2012, and awarded 33 employees whose suggestions were put into action. Additionally, Otokar employees received "The Most Successful Koç Employees" awards for their projects in the categories of "Customer Satisfaction", "Collaboration", and "Making a Difference". These awards are granted by Koç Group.

Some of the successful productivity projects

The Company started to use aluminum bases in Ice liner vehicles, and accordingly began to implement CMT (cold metal transfer) technology in welding processes. As a result, the interior height of the vehicles were increased and higher customer satisfaction was achieved.

Increasing Productivity by Balancing Shifts: Thanks to this project, it was possible to switch to single shift (day) from double shift (day and night) during the production made on the same location. This project brought cost saving and motivation.

Power Steering Fluid Reservoir Tank: By changing the place of the reservoir tank in the vehicles equipped with Deutz engines, the noise level of the hydraulic steering system was decreased, leading to higher customer satisfaction.

In the Sultan product line, the leader of the small bus market, oil and maintenance parts change intervals were extended. As a result, 'whole-of-life' costs of the vehicles were decreased, leading to higher customer satisfaction.

As a result of increased competition, advanced technology is no more enough to distinguish products. In order to achieve sustainable growth, we must increase efficiency, cut costs, and use resources productively. If we hadn't listened to our employees, or always sought the best, or continuously learned, we wouldn't be productive.

we couldn't be insensitive

Otokar is among the first automotive companies to receive ISO 14000, environmental management certificate, and the Company pursued its environmental protection efforts in 2012 as well. As a result of last year's efforts, the cost of hazardous waste was decreased by 80% per unit, compared to 2011.

SUSTAINABILITY

Corporate Social Responsibility

The aim of "For My Country" project, which was launched by Koç Group for the years 2012 and 2013, is to raise public awareness and sensitivity and to act as a role model by initiating projects that will help improve the life quality of disabled citizens. Six Otokar employees voluntarily received "Disability Etiquette Training", and trained 654 Otokar employees as well as all dealers. In order to raise the awareness of users and customers about these efforts, training booklets were distributed with each sold bus and trailer. Additionally, Otokar employees donated wheelchairs and hearing aids to disabled people in collaboration with Sakarya Disabled People's Association. And the Company donated white walking sticks to Altı Nokta Foundation for the Blind, on behalf of its customers. The Company also undertook the transportation sponsorship to help eight disabled athletes participate in the Table Tennis Tournament organized by the Federation of Disability Sports. Additionally, Otokar supported the Disability Sports Festival, which was organized in May 2012 at Atatürk Stadium in Sakarya. 850 disabled children and young people competed in various sports categories during the Festival.

Environment

Otokar is among the first automotive companies to receive ISO 14000, environmental management certificate, and the Company pursued its environmental protection efforts in 2012 as well. As a result of last year's efforts, the cost of hazardous waste was decreased by 80% per unit, compared to 2011.

As a result of the efforts in energy saving and efficiency, $CO2$ emissions saving increased threefold, compared to 2011. As part of the forestation efforts carried out within and outside the Company, the number of saplings planted increased by 50%, compared to 2011. Thinking that all stakeholders should partake in environmental protection efforts, the Company increased the time allocated to environmental training four times, compared to 2011. Thanks to all these efforts, Otokar won the third prize in the category of "Large Scale Organization - Environmental Management and Corporate Social Responsibility Projects", granted by Istanbul Chamber of Industry. Otokar continues to support various initiatives in Sakarya and its surrounding areas, where it operates. The Company has also contributed to several projects related to the development of alternative fuel vehicles, by collaborating with universities and industries.

Human Resources

İOtokar continued to carry out several projects which contribute to employment. The Company organized four different training programs on "Gas Metal Arc Welding" and "Vehicle Painting", in collaboration with İşkur (Turkish Employment Agency), and guaranteeing employment for 50% of the participants. Within the scope of this project, approximately 135 people received training, and most of them were placed in jobs. Within the scope of "Vocational Education: a Top Matter for the Nation" project, 116 senior students attending Sakarya Vocational School, were offered internship to help create a qualified workforce.

We adhere to the principle stated by Vehbi Koç as, "I exist if my country exists"; and we concentrate on the issues surrounding us, in our society and country. We couldn't have moved forward without acknowledging these issues, or remained insensitive.

we can't stop now

Relying on the fact that national projects and domestic resources have become very important in the Turkish defense industry in the recent years, Otokar aims to solidify its leadership position in tactical vehicles segment. Thus, the Company works to achieve the level of success its leading products have gained in export markets, such as Cobra and Arma, with other products as well.

IN THE FUTURE

In 2013, when it will celebrate its 50th anniversary, Otokar aims to maintain and increase its market share in commercial vehicles segment with its existing products, to continue to expand in new segments with new products, to concentrate on the delivery of orders received from the defense industry, and hence to maintain its sustainable growth.

Otokar anticipates a revival in the commercial vehicles market in 2013. It is expected that the local elections in 2014 will have a positive impact on bus demands from local and public administrations. Also, with the regulations that are expected to take effect in 2014, increased demand for public buses suitable for disabled people might also help revive the market. Similarly, it is expected that the regulations regarding the transportation of hazardous materials, which are expected to take effect in the beginning of 2014, and also the increasing significance of ATP certification, as part of EU compliance requirements regarding the transportation of food, may help expand the frigorific semi-trailer markets as well as the market of semi-trailers used in the transportation of hazardous materials.

Relying on the fact that national projects and domestic resources have become very important in the Turkish defense industry in the recent years, Otokar aims to solidify its leadership position in tactical vehicles segment. Thus, the Company works to achieve the level of success its leading products have gained in export markets, such as Cobra and Arma, with other products as well. On the other hand, the Altay main battle tank project is progressing according to plan, and Otokar aims to further improve the Altay tank based on the data obtained from the testing of the two preliminary prototypes.

Over the course of 50 years, we have achieved many firsts and successes together with the people who have worked hard for Otokar. If we had stopped, there wouldn't be so many road stories in this country and across the world. If we had stopped, Otokar, the leading company of the Turkish automotive industry with all its accomplishments, awards, and innovations, wouldn't exist. We cannot stop now...

reports and financial statements

AGENDA OF THE ORDINARY GENERAL MEETING OF OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş., TO BE HELD ON MARCH 27, 2013.

1- Opening and election of the Chairing Board,
2- Reading, discussion and approval of 2012 Board of Directors' Report and 2012 Annual Report,
3- Reading of the Audit Report and the Summary of the Independent Audit Report for fiscal year 2012,
4- Reading, discussion and approval of the Financial Statements for fiscal year 2012,
5- Approval of the changes made in the Board of Directors during the year, pursuant to Article 363 of the Turkish Commercial Code,
6- Absolving each Board Member and Auditor from their responsibilities regarding the activities of the Company in 2012,
7- Pursuant to the regulations of the Capital Markets Board, informing Shareholders about the Company's "Profit Distribution Policy" concerning 2012 and subsequent years,
8- Distribution of 2012 profit and approval, approval after changes, or disapproval of the Board of Directors' proposal regarding the date of profit distribution,
9- Approval, approval after changes, or disapproval of the Board's proposal about changing the Company's registered capital ceiling to TL 100,000,000.00 (hundred million), provided that the required permission is received from the Capital Markets Board, and the Ministry of Customs and Trade of the Turkish Republic,
10- Approval, approval after changes, or disapproval of the Board's proposal about making amendments to the Company's all Articles of Association, excluding Article 1 titled "Constitution", Article 2 titled "Founders", and Article 6 titled "Duration", and also about removing all Articles starting from Article 23 to Article 32, provided that the required permission is received from the Capital Markets Board and the Ministry of Customs and Trade of the Turkish Republic,
11- Determining the number and office term of the members of the Board of Directors, electing the members in number so determined, electing the Independent Members of the Board of Directors,
12- Informing the Shareholders about and approval of the "Remuneration Policy", and the payments made to the Board Members and Executive Managers, pursuant to Capital Markets Board regulations,
13- Determining the monthly gross salaries of Board Members,
14- 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,
15- Approval, approval after changes, or disapproval of the Board's proposal about the "General Meeting Directives" comprising the rules about the working principles and procedures of the General Meeting,
16- Informing the Shareholders about the transactions made with related parties during 2012, within the scope of Capital Markets Board regulations,
17- Informing the Shareholders about "The Company's Disclosure Policy", as pursuant to Capital Markets Board regulations,
18- Informing the Shareholders about the donations and aids made by the Company to foundations and associations during 2012 for charity purposes, and determining the highest limit of donations for 2013, as pursuant to Capital Markets Board regulations,
19- Granting permission to shareholders who have control over the management, to Board Members who hold shares of the Company, to executive 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 2012, within the scope of Corporate Governance Principles.
20- Wishes and opinions.

BOARD OF DIRECTORS REPORT
OF OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
SUBMITTED TO THE 50TH ORDINARY GENERAL MEETING
HELD ON MARCH 27, 2013,
FOR THE PERIOD JANUARY 1, 2012 – DECEMBER 31, 2012

BOARD OF DIRECTORS REPORT

Dear Shareholders,

The financial statements showing the activities of our Company in 2012, and the results of these activities, which have been issued in accordance with Generally Accepted Accounting Principles issued by the Capital Markets Board, are presented herein for the information of our shareholders and the public.

The names, office terms and authority limits of the members who undertook duty at the Boards of Directors and Auditors during the period, are as follows. (Determined at the Ordinary General Meeting of Shareholders dated March 14, 2012.)

BOARD OF DIRECTORS

		Term of Office	
Name/Last Name	**Title**	**Beginning**	**Ending**
Kudret ÖNEN	Chairman	March 14, 2012	March 27, 2013
Halil İbrahim ÜNVER	Vice Chairman	March 14, 2012	March 27, 2013
Osman Turgay DURAK	Member	March 14, 2012	March 27, 2013
Ali Tarık UZUN	Member	March 14, 2012	March 27, 2013
Ahmet Serdar GÖRGÜÇ	Member	March 14, 2012	March 27, 2013
Tuğrul KUDATGOBİLİK	Member	March 14, 2012	March 27, 2013
İsmet BÖCÜGÖZ	Independent Member	March 14, 2012	March 27, 2013
Abdülkadir ÖNCÜL	Independent Member	March 14, 2012	March 27, 2013

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.

BOARD OF AUDITORS

		Term of Office	
Name/Last Name	**Title**	**Beginning**	**Ending**
Mehmet APAK	Auditor	March 15, 2011	March 14, 2012
Mustafa Metin UTKAN	Auditor	March 15, 2011	March 14, 2012

Authority limits of the Auditors have been determined in accordance with Article 16 of the Company's Articles of Association, and the provisions of the Turkish Commercial Code.

CAPITAL STRUCTURE AND OWNERSHIP STRUCTURE

As of December 31, 2012, the registered capital of our Company is TL 25 million, and the issued capital is TL 24 million.

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

Shareholder	Amount of Shares (TL)	Percentage %
Koç Holding A.Ş.	10,722,750	44.68
Ünver Holding A.Ş.	5,954,944	24.81
Other Shareholders	7,322,306	30.51
Total	**24,000,000**	**100.00**

The remaining shares at par value of TL 7,322,306 representing 30.51% of our Company's capital are held by approximately 4,900 shareholders according to the most recent data received from the Central Registry Agency Inc.

Amendments made to the Articles of Association

At the Ordinary General Meeting held on March 14, 2012, the following amendments were made to the Articles of Association:
- "Article 5: Headquarters and Branches", the official address of the headquarters was amended due to the renumbering of doors by the municipality,
- "Article 10: Board of Directors"; "Article 14: Provisions regarding the Board of Directors", "Article 17: General Meetings", "Article 32: Compliance with Corporate Governance Principles" were amended in order to comply with Corporate Governance Principles.

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	%
2009	85.00
2010	62.50
2011	200.00

Whole of the dividend pertaining to the accounting period 2012 was paid to our shareholders in cash, starting from March 21, 2012.

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

AUTOMOTIVE INDUSTRY AND OTOKAR

Otokar operates in the light 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 of 4x4 tactical vehicles and wheeled armoured vehicles, which are used in defense industry services. Additionally, the Company manufactures trailers and semi-trailers under the brand name Otokar-Fruehauf for the transportation and logistics industries.

On July 29, 2008, Otokar signed an agreement with the Undersecretariat for Defense Industries for carrying 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. Full-scale model of the tank ALTAY was exhibited to the public at IDEF 2011 in May. Additionally, Otokar opened Turkey's first and only tank test center on March 29, 2012. And on November 15, 2012, a prototype of Altay tank was tested and displayed at a special ceremony which was attended by the Prime Minister.

THE MARKET-SALES-PRODUCTION

The developments observed in the sector during 2012 can be summarized as follows, based on the data obtained from OSD (Automotive Manufacturers Association).

- Total production of motor vehicles dropped by 10% to 1,072,908 units during the period of January-December 2012, compared to the same period of 2011. Similarly, automobile production also dropped by 10% to 577,296 units. In 2012, the motor vehicles market contracted by 10%, compared to the previous year.

- The developments in the Light Commercial Vehicles Segment, in which our Company operates, are as follows:
  Manufacturing of minibuses increased by 31%,
  Manufacturing of midi-buses increased by 18%,
  Manufacturing of pickups decreased by 11%.

- In the heavy commercial vehicles segment,
  Manufacturing of buses, large size trucks, and small size trucks decreased by 7%, 20%, and 40%, respectively.

When compared to 2011, total sales of imported light commercial vehicles dropped by 22%, and sales of locally manufactured light commercial vehicles dropped by 23% in 2012. The market share of imported vehicles stood at 43% in 2012.

PRODUCTION AND SALES

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

	2012		2011		Change (Units)		Change (%)	
	Production	**Sales**	**Production**	**Sales**	**Production**	**Sales**	**Production**	**Sales**
Minibus	52	56	168	152	(116)	(96)	(69)	(63)
Small size bus	1.812	1.877	1.492	1.383	320	494	21	36
Bus	616	637	727	607	(111)	30	(15)	5
4x4 Tactical Vehicles	23	31	147	205	(124)	(174)	(84)	(85)
Armoured tactical vehicles	346	347	528	546	(182)	(199)	(34)(36)	
Trailers	1.191	1.190	2.614	2.616	(1.423)	(1.426)	(54)	(55)
Total	**4.040**	**4.138**	**5.676**	**5.509**	**(1.636)**	**(1.371)**	**(29)**	**(25)**

According to our non-consolidated financial reports issued in accordance with the International Financial Reporting Standards (UMS/UFRS), and in the format determined by the Capital Markets Board, and as pursuant to CMB's "Communiqué on the Principles of Financial Reporting in Capital Markets", Serial XI, No. 29 of the, our Company's turnover increased by 13% over the previous year. Distribution of our turnover in terms of domestic and international sales, and in comparison with the previous year, is as follows:

	2012 (TL)	2011 (TL)	Change %
Domestic sales	744,330,923	726,345,773	3
International sales	260,161,309	164,179,416	59
Total	**1,004,492,232**	**890,525,189**	**13**

Our total international sales totaled US$ 145,785,646 in 2012 (2011: US$ 96,439,329), and its share in total turnover was 26% (2011: 18%).

Our total capacity utilization in 2012 was 37% (2011: 52%).

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 grow in the defense industry, to increase the share of its exports in total turnover, and to expand its portfolio with new models. The Company has been successfully attaining these targets.

INVESTMENTS

In 2012 Otokar continued its investments in "Otokar R&D Center", 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.

In 2012 total investments amounted to approximately US$ 16 million.

ADMINISTRATIVE ACTIVITIES

Names and positions of the executive managers of our Company in 2012 are as follows:

Name and Last Name	Position
Ahmet Serdar GÖRGÜÇ	General Manager
Hüseyin ODABAŞ	Assistant General Manager - Finance
Ali Rıza ALPTEKİN	Assistant General Manager - Production
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

Our Company's total number of employees as of December 31, 2012 was 2,281 (2011: 1,519). Of these employees, 595 (2011: 535) are administrative and office personnel, and 984 (2011 : 984) are workers. No disputes or labor movement have occurred during the period.

Our Company is subject to the Collective Labor Agreement signed between Turkish Metal Workers Union and MESS (Turkish Employers' Association of Metal Industries) on November 13, 2010, and to be effective as of September 1, 2010. The last agreement terminated on August 31, 2012, and the new agreement is awaited to take effect.

Our Company has agreed to comply with the Corporate Governance Principles issued by the Capital Markets Board, and to make 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 ISE (Istanbul Stock Exchange), with Corporate Governance Principles. The "Corporate Governance Rating Report" is available on www.otokar.com.tr.

Our Company's Corporate Governance Rating, which was 84.68 (8.47) in 2011, was increased to 86.80 (8.68) in 2012.

FINANCIAL RESULTS

Our Company presents to the General Meeting and the public its non-consolidated financial reports regarding its activities in 2012, and prepared in accordance with International Financial Reporting Standards (UMS/UFRS), and in the format determined by the Capital Markets Board as pursuant to CMB's "Communiqué on the Principles of Financial Reporting in Capital Markets", Serial XI, No. 29.

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

Our Company's turnover in 2012 amounted to TL 1,004,492,232, and gross sales profit stood at TL 222,028,306.

According to the financial statements prepared in accordance with International Financial Reporting Standards, and as pursuant to CMB's regulations, our Company set aside a depreciation provision of TL 30,258,066, and a severance pay and guarantee provision of TL 3,672,147 in 2012, closing the year with a pre-tax profit of TL 81,817,941, and an after-tax profit of TL 76,384,978.

Our Company will pay TL 3,876,947 in taxes for the year 2012, and its total tax expense, which includes deferred tax expenses and amounts to TL 5,432,963, is shown on the financial statements. Our Company's net profit after tax stands at TL 76,384,978.

In 2012 our company made tax-deductible donations and aids, amounting to TL 1,850,476, to foundations and associations for charitable purposes.

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 266.67% and in the amount of TL 2.66667 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 226.67 %, and in the amount of TL 2.26667 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 64,000,000 to be April 3, 2013, Wednesday.

We have presented to you the summary of the activities and the results obtained in 2012.

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 5, 2013

Kudret ÖNEN
Chairman of the Board of Directors

PROFIT DISTRIBUTION PROPOSAL FOR THE ACCOUNTING PERIOD OF JANUARY 1, 2012 – DECEMBER 31, 2012

According to our financial statements pertaining to the accounting period of January 1, 2012 – December 31, 2012, which have been issued by our Company in compliance with International Financial Reporting Standards, and pursuant to the provisions of CMB's Communiqué Serial XI, No. 29, and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. , our Company registered a "Non-consolidated Net Profit for the Period" amounting to TL 76,384,978. 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. As per the resolution made at the General Meeting, dividend payment will start on April 3, 2013.

Otokar Otomotiv ve Savunma Sanayi A.Ş. Profit Distribution Statement 2012 (TL)

1. Paid-in/Issued Capital	24,000,000	
2. Total Statutory Reserves (based on the Statutory Records)	22,798,147	
Information about any privileges provided in the articles of association regarding profit distribution	**According to CMB**	**According to Statutory Records**
3 Profit for the Period	81,817,941	71,297,806
4 Taxes Payable (-)	5,432,963	6,833,804
5 Net Profit for the Period (=)	76,384,978	64,464,002
6 Losses in Previous Years (-)		
7 Primary Statutory Reserve (-)		
8 NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	76,384,978	64,464,002
9 Donations made during the year (+)	1,850,476	
10 Net distributable profit for the period plus the donations based on which the primary dividend is calculated	78,235,454	64,464,002
11 Primary Dividend to Shareholders	15,647,091	
-Cash	15.647.091	
-Gratis Shares		
- Total	15,647,091	
12 Dividend Paid to Holders of Preferred Shares		
13 Dividend to Board members, employees, etc.		
14 Dividend Paid to Holders of Dividend Right Certificate		
15 Secondary Dividend to Shareholders	48,352,909	
16 Secondary Statutory Reserve	6,280,000	
17 Statutory Reserves		
18 Special Reserves		
19 EXTRAORDINARY RESERVES	6,104,978	
20 Other Funds Proposed to be Distributed		
-Retained Profit		
-Extraordinary Reserves		5,287,271
-Other Distributable Reserves pursuant to the Law and the Articles of Association		
21 Secondary Statutory Reserve Allocated from Other Funds Proposed to be Distributed		528,727

INFORMATION ABOUT THE PERCENTAGE OF PROFIT DISTRIBUTED

DIVIDEND PER SHARE

	GROUP	TOTAL DIVIDEND AMOUNT (TL)	DIVIDEND PER SHARE AT PAR VALUE OF TL 1 TL	
			AMOUNT (TL)	PERCENTAGE (%)
GROSS	A + B	64,000,000	2.66667	266.667
	TOTAL	64,000,000	2.66667	266.667
NET *	A + B	61,756,937	2.26667	226.667
	TOTAL	61,756,937	2.26667	226.667

RATIO OF THE DISTRIBUTED PROFIT TO NET DISTRIBUTABLE PROFIT PLUS DONATIONS (%)

AMOUNT OF PROFIT DISTRIBUTED TO SHAREHOLDERS (TL)	RATIO OF THE PROFIT DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PROFIT FOR THE PERIOD PLUS DONATIONS (%)
64,000,000	81.80

(1) The net dividend amount of TL 61,756,937 has been calculated by taking account the ownership structure, which the Company used as a reference in dividend distribution in 2012.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
AUDITOR'S REPORT

To the General Meeting of Shareholders of
Otokar Otomotiv ve Savunma Sanayii A.Ş.
ISTANBUL

We present the results of our audits of the Company regarding the accounting period 2012, for your comments.

We have found that;

1. Pursuant to the Turkish Commercial Code and relevant laws and regulations;
   a. Compulsory books and records have been kept in accordance with the requirements of applicable laws,
   b. Documents evidencing the records have been kept in good order, and
   c. Resolutions regarding the management of the Company have been properly recorded in the resolution register in accordance with the procedure.

2. In this regard, in view of the state and the condition of the Company, we have the opinion that the enclosed financial statements issued as of December 31, 2012, and in accordance with the provisions of CMB's "Communiqué on the Principles of Financial Reporting in Capital Markets" Serial XI, No. 29 and the circulars explaining this Communiqué, reflect the financial standing of the Company as of the said date and the business results of the said period accurately.

Consequently, we submit to the evaluation of the General Meeting, the operations of the Company summarized in the Board of Directors' report, the financial statements issued in accordance with CMB regulations, the approval of the proposals of the Board of Directors regarding the results of the period, and the release of the Board of Directors.

Yours Sincerely,
Istanbul, March 5, 2013

Mehmet Apak
Auditor

Mustafa Metin Utkan
Auditor

FINANCIAL RATIOS

Liquidity Ratios	December 31, 2012	December 31, 2011
1- Current Ratio (Current Assets /Short-term liabilities)	1.28	0.98
2- Liquidity Ratio (Current Assets -Inventories/ Short-term liabilities)	0.80	0.67

Financial Growth Ratios		
1- Ratio of Total Liabilities to Total Assets		
(Short-term liabilities + Long-term liabilities /Total Assets)	0.77	0.75
2- Shareholders' Equity/Total Liabilities		
Shareholders' Equity / (Short-term liabilities + Long-term liabilities)	0.30	0.33

Operating Profitability Ratios		
1- Profitability Ratio of Sales (Pre-tax profit / Net sales)	0.08	0.07
2- Profitability Ratio of Assets (Pre-tax profit /Total assets)	0,08	0,07
3- Profitability Ratio of Equity		
(Net profit for the period/Shareholders' equity)	0.32	0.26

(Convenience translation of financial statements and audit report originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Financial statements as of December 31, 2012 together with report of independent auditors

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

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(Convenience translation of audit report originally issued in Turkish)

Independent auditor's report

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, 2012, 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 these financial statements in accordance with Financial Reporting Standards published by the Capital Market Board in Turkey. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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, in all material respects, the financial position of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi as of December 31, 2012 and its financial performance and cash flow for the year then ended in accordance with financial reporting standards issued by Capital Market Board in Turkey.

Additional paragraph for convenience translation to English

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

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

Ferzan Ülgen, SMMM
Partner

February 18, 2013
Istanbul, Turkey

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Balance sheet as of December 31, 2012 Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

	Notes	Current period (Audited) December 31, 2012	Prior period (Audited) December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	4	**47.906.245**	4.470.424
Trade receivables		**224.693.650**	215.803.465
- Due from related parties	27	**24.550.065**	19.862.364
- Other trade receivables	8	**200.143.585**	195.941.101
Other receivables	9	**1.715**	577
Inventories	10	**252.632.987**	168.551.835
Derivative financial assets	7	**-**	9.022.907
Other current assets	17	**154.934.363**	133.705.191
Total current assets		**680.168.960**	531.554.399
Non-current assets			
Trade receivables	8	**59.397.503**	81.455.465
Other receivables	9	**47.971**	5.903
Estimated earnings in excess of billings on uncompleted contracts	11	**61.325.046**	43.967.333
Financial investments	5	**239.280**	239.280
Property, plant and equipment	12	**125.112.154**	113.300.891
Intangibles	13	**100.041.870**	71.474.322
Deferred tax asset	25	**11.092.336**	12.648.352
Total non-current assets		**357.256.160**	323.091.546
Total assets		**1.037.425.120**	854.645.945

The accompanying policies and explanatory notes on pages 8 through 64 form an integral part of these financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Balance sheet as of December 31, 2012 Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

	Notes	Current period (Audited) December 31, 2012	Prior period (Audited) December 31, 2011
Liabilities			
Current liabilities			
Financial liabilities	6	50.093.249	96.867.900
Derivative financial liabilities	7	2.193.011	-
Trade payables	8	85.026.598	78.495.682
- Due to related parties	27	8.988.915	5.086.142
- Other trade payables	8	76.037.683	73.409.540
Other payables	9	155.530.081	154.929.567
Government incentives and grants	14	670.521	621.992
Current tax liabilities	25	-	3.089.785
Debt provisions	15	228.933.010	200.771.540
Other current liabilities	17	11.009.338	8.233.975
Total current liabilities		533.455.808	543.010.441
Non-current liabilities			
Financial liabilities	6	236.099.752	82.471.971
Provisions	15	4.443.939	5.687.802
Government incentives and grants	14	2.332.562	1.017.366
Employee benefits	16	13.716.119	9.110.483
Other non-current liabilities	17	5.644.080	-
Total non-current liabilities		262.236.452	98.287.622
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	22.798.147	18.118.147
Retained earnings	18	65.806.705	63.640.101
Net income for the year	18	76.384.978	54.846.604
Total shareholders' equity		241.732.860	213.347.882
Total liabilities		1.037.425.120	854.645.945

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Comprehensive income statement for the year ended December 31, 2012 Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

	Notes	Current Period Audited January 1 – December 31, 2012	Prior Period Audited January 1 – December 31, 2011
Net sales	19	1.004.492.232	890.525.189
Cost of sales (-)	19	(782.463.926)	(694.820.626)
Gross profit		222.028.306	195.704.563
Marketing, sales and distribution expenses (-)	20	(78.654.006)	(83.213.660)
General administrative expense (-)	20	(33.678.006)	(25.161.744)
Research and development expenses (-)	20	(18.030.947)	(12.355.838)
Other operating income	22	4.804.452	4.216.993
Other operating expense (-)	22	(2.888.081)	(8.348.464)
Operating profit		93.581.718	70.841.850
Financial income	23	125.265.256	88.311.941
Financial expense (-)	24	(137.029.033)	(97.377.450)
Income before tax		81.817.941	61.776.341
Tax income/expense			
- Tax expense for the year (-)	25	(3.876.947)	(11.633.639)
- Deferred tax income/ expense	25	(1.556.016)	4.703.902
Net income		76.384.978	54.846.604
Other comprehensive income		-	-
Total comprehensive income		76.384.978	54.846.604
Earnings per share	26	0,00318	0,00229

The accompanying policies and explanatory notes on pages 8 through 64 form an integral part of these financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Statement of changes in equity for the year ended December 31, 2012 Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Retained earnings	Net income for the year	Total shareholders' equity
January 1, 2011	24.000.000	52.743.030	16.738.147	59.241.787	20.778.314	173.501.278
Transfer to retained earnings	-	-	-	20.778.314	(20.778.314)	-
Transfer to restricted reserves	-	-	1.380.000	(1.380.000)	-	-
Dividends paid (Note 18)	-	-	-	(15.000.000)	-	(15.000.000)
Total comprehensive income	-	-	-	-	54.846.604	54.846.604
December 31, 2011	**24.000.000**	**52.743.030**	**18.118.147**	**63.640.101**	**54.846.604**	**213.347.882**
Transfer to retained earnings	**-**	**-**	**-**	**54.846.604**	**(54.846.604)**	**-**
Transfer to restricted reserves	**-**	**-**	**4.680.000**	**(4.680.000)**	**-**	**-**
Dividends paid (Note 18)	**-**	**-**	**-**	**(48.000.000)**	**-**	**(48.000.000)**
Total comprehensive income	**-**	**-**	**-**	**-**	**76.384.978**	**76.384.978**
December 31, 2012	**24.000.000**	**52.743.030**	**22.798.147**	**65.806.705**	**76.384.978**	**241.732.860**

The accompanying policies and explanatory notes on pages 8 through 64 form an integral part of these financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Cash flow statement for the year ended December 31, 2012 Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

	Notes	Current period (Audited) January 1 – December 31, 2012	Prior period (Audited) January 1 – December 31, 2011
Cash flows from operating activities			
Income before provision for taxes		81.817.941	61.776.341
Adjustments to reconcile income before taxes to net cash flows from operating activities:			
Depreciation and amortization	12, 13	30.258.066	21.548.249
Provision for retirement pay liability	21	6.294.748	3.149.257
Provision for impairment for inventories	10, 21	40.236	1.575.452
Warranty provision expenses	15, 21	17.345.018	28.823.464
Gain on sale of property, plant and equipment	22	(15.168)	(1.020.382)
Interest expense	24	26.195.253	16.075.841
Interest income	23	(1.031.089)	(1.558.703)
Provision for doubtful receivables	8, 22	2.736.485	7.944.800
Forward transactions, net		992.842	(11.717.572)
Operating profit before changes in operating asset and liabilities		164.634.332	126.596.747
Trade and other receivables		10.388.085	(127.528.519)
Estimated earnings in excess of billings on uncompleted contracts		(17.357.712)	(21.320.789)
Inventories		(84.121.388)	(69.562.117)
Other current assets		(22.126.249)	(73.309.884)
Trade payables		6.530.916	30.934.122
Other liabilities, provisions and other current liabilities		42.281.231	84.981.281
Income taxes paid		(10.116.111)	(13.125.373)
Warranties paid	15	(18.278.508)	(16.566.412)
Employee termination benefits paid	16	(1.689.112)	(1.127.342)
Net cash (used in)/provided by operating activities		70.145.484	(80.028.286)
Cash flows from investing activities			
Cash paid for acquisition of property, plant and equipment	12	(25.298.282)	(24.462.080)
Cash paid for acquisition of intangible assets	13	(46.415.541)	(28.559.974)
Proceeds from sale of property, plant and equipment		1.092.115	2.377.553
Capital payment for financial investments	5	-	(239.280)
Interest received		1.031.089	1.558.703
Net cash used in investing activities		(69.590.619)	(49.325.078)
Cash flows from financing activities			
Proceeds from bank borrowings		422.112.861	355.485.394
Repayments of bank borrowings		(324.424.422)	(314.943.429)
Interest payments		(17.030.560)	(6.160.392)
Dividends paid		(48.000.000)	(15.000.000)
Realized gain from forward transactions, net		10.223.077	2.877.473
Net cash provided by financing activities		42.880.956	22.259.046
Net (decrease)/increase in cash and cash equivalents		43.435.821	(107.094.318)
Cash and cash equivalents at the beginning of the year	4	4.470.424	111.564.742
Cash and cash equivalents at the end of the year	4	47.906.245	4.470.424

The accompanying policies and explanatory notes on pages 8 through 64 form an integral part of these financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the financial statements (continued) As of December 31, 2012 Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

1. 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 and cross-country comprises the majority of its production. The number of the personnel in the Company is 2.281 (December 31, 2011-1.519).

The registered addresses of the Company are as follows:

Headquarters:

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

Factory:

Atatürk Cad. No: 6
54580 Arifiye/Sakarya

The Company has a subsidiary named "Otokar Europe SAS" with a capital of Euro 100.000, 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 18, 2013 and signed by Ahmet Serdar Görgüç and Hüseyin Odabaş 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 Istanbul Stock Exchange ("ISE") since 1996. As of December 31, 2012, the shares listed on the ISE are 29,91% of the total shares. As of December 31, 2012, 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

2.1 Basis of presentation

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (TL) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance.

The financial statements have been prepared from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting and reporting standards as prescribed by Turkish Capital Market Board. 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 are prepared in accordance with International Accounting/Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB communiqué No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" (Communiqué) which is published in the official gazette and become effective as of April 9, 2008.

The 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, 2012 and December 31, 2011 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

In order to provide chance to identify trend of financial performance and financial position, financial statements are prepared comparative to the prior period. When presentation of current year financial statements is revised for more accurate presentation, prior year financial statements are reclassified accordingly, to be comparative.

a) In order to be consistent with current year financial statements, warranty accrual amounting to TL 18.768.929 presented as current liabilities – provisions in the balance sheet as of December 31, 2011 has been separated as TL 13.081.127- current liability and TL 5.687.802 – non-current liability.

b) The Company has reclassified "Estimated earnings in excess of billings on uncompleted contracts amounting to TL 43.967.333 from current assets to non-current assets in its 2011 financial statements in order to be in line with the presentation in 2012 financial statements.

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, 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2012. 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, 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. Adoption of this amendment did not have any impact on the financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the financial statements (continued) As of December 31, 2012 Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market”

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

IFRS 7 Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Company.

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.

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

The amendments are effective for annual periods beginning on or after July 1, 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The most important change in the context of the amendment will be the reclassification of actuarial gain/losses from income statement to other comprehensive income statement.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This amendment will not have any impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

IAS 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 IAS 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 January 1, 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures-Enhanced Derecognition Disclosure Requirements (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 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. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

IFRS 10 Consolidated Financial Statements

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

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

IFRS 11 Joint Arrangements

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

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

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard the Company will provide more comprehensive disclosures for interests in other entities.

IFRS 13 Fair Value Measurement

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

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

The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

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

The guidance is effective for annual periods beginning on or after January 1, 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 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 IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after January 1, 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

IAS 1 Financial Statement Presentation:

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

IAS 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.

IAS 32 Financial Instruments: Presentation:

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

IAS 34 Interim Financial Reporting:

Clarifies the requirements in IAS 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.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after January 1, 2014 with earlier application permitted. The amendment has not yet been endorsed by the EU. The amendment is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

2. 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, 2012, 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.

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).

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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.

(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.
(iii) 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.
(iv) The entity is controlled or jointly controlled by a person identified in (a).
(v) 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 other operating income and expense.

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.

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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 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.

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.

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.

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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.

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.

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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.

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, 2012	December 31, 2011
Cash at banks		
- demand deposits	**4.217.628**	2.897.205
- time deposits	**39.615.000**	-
Cheques and notes received	**4.026.574**	1.526.619
Other	**47.043**	46.600
	47.906.245	4.470.424

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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, 2012, the Company has restricted bank deposit amounting to TL 1.362 (December 31, 2011-TL 1.141).

5. Financial investments

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.

The paid-in capital of Otokar Europe SAS is TL 239.280.

6. Financial liabilities

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

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

(*) Weighted average maturity days of long-term borrowings are 828.
(**) Bearing fixed interest rate
(***) Interest free loans used for SGK payments.

			December 31, 2011
	Maturities	Interest rate (%)	TL
Short-term bank borrowings (**)			
Denominated in TL	January 2, 2012 – March 15, 2012	8,55 – 12,95	96.867.900
Total			96.867.900

			December 31, 2011
	Maturitiesities	Interest rate (%)	TL
Long-term bank borrowings (*)(**)			
Denominated in TL	January 7, 2013 – September 16, 2013	10,80 – 11,16	82.471.9711
Total			82.471.971

(*) Principle amount of long-term borrowings will be repaid on maturity with all accrued interest.Weighted average maturity days of long-term borrowings are 499.
(**) Bearing fixed interest rate

As of December 31, 2012, the Company has not provided any guarantees for the borrowings received (December 31, 2011-None).

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7. Derivative financial instruments

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

			Fair values
	Contract amount	Contract maturity	Liabilities
December 31, 2012:			
Forward transactions	**213.421.206**	**January 31, 2013 – February 28, 2013**	**(2.193.011)**
Short-term derivative financial instruments	**213.421.206**		**(2.193.011)**
Total derivative financial instruments	**213.421.206**		**(2.193.011)**
December 31, 2011:			
Forward transactions	208.525.910	January 11, 2012 – March 30, 2012	9.022.907
Short-term derivative financial instruments	208.525.910		9.022.907
Total derivative financial instruments	208.525.910		9.022.907

8. Trade receivables and payables

Trade receivables

	December 31, 2012	December 31, 2011
Trade receivables, net	**100.905.085**	67.250.300
Notes receivables, net	**118.985.948**	147.028.337
	219.891.033	214.278.637
Less: provision for doubtful receivables	**(19.747.448)**	(18.337.536)
Other short-term trade receivables	**200.143.585**	195.941.101
Trade receivables from related parties (Note 27)	**24.550.065**	19.862.364
Short-term trade receivables	**224.693.650**	215.803.465
Long-term trade receivables, net	**13.255.966**	-
Long-term notes receivable, net	**46.141.537**	81.455.465
Long-term trade receivables	**59.397.503**	81.455.465

As of December 31, 2012, average collection term for trade receivables (except notes receivables) is 60-90 days (December 31, 2011 – 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, 2012, the total trade receivable from dealers amounting to TL 32.065.161 (December 31, 2011-TL 52.916.990), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 32.065.161 (December 31, 2011-TL 41.753.015). 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, 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**

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

December 31, 2011	Trade receivables
1- 30 day past due	-
1- 3 month past due	251.577
3- 12 month past due	-
1- 5 year past due	1.222.206
Over 5 year past due	-
Total	1.473.783
Amount secured with guarantee (1)	1.462.159

(1) Pledges on trailers.

The movement of the provision for doubtful receivables for the year ended December 31, 2012 and December 31, 2011 are as follows:

	December,31 2012	December,31 2011
January 1	**18.337.536**	10.540.246
Collections (Note 22)	**(1.326.573)**	(147.510)
Additional provision (Note 22)	**2.736.485**	7.944.800
As of December 31	**19.747.448**	18.337.536

Trade payables

	December,31 2012	December,31 2011
Trade payables, net	**75.851.383**	73.243.490
Notes payables, net	**186.300**	166.050
Short-term trade payables	**76.037.683**	73.409.540
Trade payables to related parties (Note 27)	**8.988.915**	5.086.142
Short-term trade payables	**85.026.598**	78.495.682

As of December 31, 2012, average payment term for trade payables is 45-60 days (December 31, 2011 – 45-60 days).

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9. Other receivables and payables

Other short-term receivables

	December 31, 2012	December,31 2011
Due from personnel	1.715	577
Total	**1.715**	577

Other long-term receivables

	December 31, 2012	December,31 2011
Deposits and guarantees given	47.971	5.903
Total	**47.971**	5.903

Other short-term payables

	December 31, 2012	December,31 2011
Advances received	145.260.185	148.349.292
Due to personnel	8.828.874	6.545.066
Other miscellaneous payables	1.441.022	35.209
Total	**155.530.081**	154.929.567

10. Inventories

	December 31, 2012	December,31 2011
Raw material	103.285.960	47.815.012
Work-in-process	22.257.093	9.056.158
Finished goods	49.091.664	61.757.207
Merchandise	30.152.329	24.079.893
Goods in transit	49.461.629	27.419.017
(-) Impairment for inventories (*)	(1.615.688)	(1.575.452)
Total	**252.632.987**	168.551.835

(*) TL 1.394.900 of impairment is related to finished goods (December 31,2011-1.148.244) and TL 220.788 is related to merchandises (December 31,2011-427.208). The impairment has been accounted under cost of sales account.

The movements of impairment for inventories in 2012 are as follows:

	December 31, 2012	December,31 2011
January 1	(1.575.452)	-
Period charge (Note 21)	(40.236)	(1.575.452)
December 31, 2012	**(1.615.688)**	(1.575.452)

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 61.325.046 as of December 31, 2012 (December 31, 2011 – TL 43.967.333) after netting with short term advance taken.

As of December 31, 2012, the short term advances taken by the Company related with ongoing projects which amounts to TL 93.823.684 was included in other payables in the financial statements (December 31, 2011 – TL 61.420.658). Rest of the amount TL 51.436.501 which is included in other payables is composed of other advance taken from customer (December 31, 2011 – TL 86.928.634) and other payables as amounting to TL 10.269.896 (December 31, 2011 – TL 6.580.275).

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12. Property, plant and equipment

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 year ended December 31, 2011, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2011	Additions	Disposals	Transfers	December 31, 2011
Cost:					
Land	36.396.386	574.360	-	-	36.970.746
Land improvements	5.481.336	530.766	(19.185)	323.017	6.315.934
Buildings	53.219.003	65.994	-	3.943.514	57.228.511
Machinery, equipment and installations	92.434.926	2.731.613	(6.800.817)	412.962	88.778.684
Motor vehicles	6.698.795	1.263.150	(1.089.147)	63.428	6.936.226
Furniture and fixtures	18.759.148	3.743.570	(255.966)	876.306	23.123.058
Leasehold improvements	1.448.602	-	-	-	1.448.602
Construction in progress	670.873	15.552.627	-	(5.619.227)	10.604.273
	215.109.069	24.462.080	(8.165.115)	-	231.406.034
Accumulated depreciation:					
Land improvements	2.330.079	207.984	(10.924)	-	2.527.139
Buildings	21.113.641	2.549.269	-	-	23.662.910
Machinery, equipment and installations	73.826.184	4.744.094	(6.394.259)	-	72.176.019
Motor vehicles	3.370.231	420.894	(189.400)	-	3.601.725
Furniture and fixtures	14.123.773	980.877	(213.361)	-	14.891.289
Leasehold improvements	1.207.532	38.529	-	-	1.246.061
	115.971.440	8.941.647	(6.807.944)	-	118.105.143
Net book value	99.137.629				113.300.891

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For the years ended December 31, 2012 and 2011, the allocation of depreciation and amortization expenses of property, plant and equipment and intangibles has been as follows:

	December 31, 2012	December,31 2011
Research and development expenses	16.406.313	11.369.270
Cost of goods sold	5.505.228	5.548.448
Costs related to uncompleted contracts	4.793.921	1.315.993
General administrative expenses	1.168.816	1.066.397
Development projects in process	1.165.354	1.135.766
Depreciation on outstanding inventories	616.467	579.519
Selling and marketing expenses	601.967	532.856
	30.258.066	21.548.249

As of December 31, 2012 and December 31, 2011, gross values of fully depreciated items which are still in use are as follows:

	December 31, 2012	December,31 2011
Machinery, equipment and installations	61.596.818	45.831.577
Motor vehicles	2.556.760	2.585.412
Furniture and fixtures	11.966.130	11.912.057
Leasehold improvements	1.120.006	1.094.646
	77.239.714	61.423.692

13. Intangible assets

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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For the year ended December 31, 2011, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2011	Additions	Transfers	December 31, 2011
Cost:				
Other intangible assets	6.768.208	1.190.689	-	7.958.897
Development costs	55.012.467	-	25.588.019	80.600.486
Development projects in process	7.299.830	27.369.285	(25.588.019)	9.081.096
	69.080.505	28.559.974	-	97.640.479
Accumulated amortization:				
Other intangible assets	4.186.143	1.237.332	-	5.423.475
Development costs	9.373.412	11.369.270	-	20.742.682
	13.559.555	12.606.602		26.166.157
Net book value:	55.520.950			71.474.322

As of December 31, 2012 and December 31, 2011, the gross values of fully amortized intangible assets which are still in use are as follows:

	December 31, 2012	December,31 2011
Other intangible assets	**3.839.842**	2.793.969
R&D expenses (amortized)	**2.550.970**	-
	6.390.812	2.793.969

14. Government grants and incentives

	December 31, 2012	December,31 2011
Short term	**670.521**	621.992
Long term	**2.332.562**	1.017.366
Total	**3.003.083**	1.639.358

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 (Tübitak). 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, 2012	December,31 2011
Provision for other costs	**208.617.007**	183.334.944
Warranty provision	**13.391.500**	13.081.127
Provision for vacation pay liability	**3.313.961**	2.235.464
Blue-collar worker salary difference provision	**1.504.996**	-
Cost provision of imported goods	**1.039.950**	-
Provision for sales commissions	**894.634**	1.920.005
Provision for legal cases	**127.838**	200.000
Provision for guarantee letter commissions	**43.124**	-
	228.933.010	200.771.540

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Provisions – long term

	December 31, 2012	December,31 2011
Warranty provision	4.443.939	5.687.802
	4.443.939	5.687.802

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, 2012	December,31 2011
January 1	183.334.944	94.164.831
Additional provision	37.591.617	56.880.993
Foreign exchange valuation	(12.309.554)	32.289.120
As of December 31	208.617.007	183.334.944

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, 2012	December,31 2011
January 1	18.768.929	6.511.877
Additional provision (Note 21)	17.345.018	28.823.464
Realized payments	(18.278.508)	(16.566.412)
As of December 31	17.835.439	18.768.929

Provision for sales commissions

The movements of provision for sales commissions are as follows:

	December 31, 2012	December,31 2011
January 1	1.920.005	1.011.614
Increase	1.374.984	10.516.416
Realized	(2.400.355)	(9.608.025)
As of December 31	894.634	1.920.005

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Provision for vacation pay liability

The movements of provision for vacation pay liability are as follows:

	December 31, 2012	December 31, 2011
January 1	2.235.464	1.922.831
Increase in provision, net (Note 21)	1.078.497	312.633
As of December 31	3.313.961	2.235.464

Commitments and contingencies

As of December 31, 2012 and December 31, 2011, the tables which represent the position of guarantees, pledges and mortgages are as follow:

Guarantees given by the Company	December 31, 2012	December 31, 2011
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	637.586.146	649.585.517
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	637.586.146	649.585.517

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

	December 31, 2012		December 31, 2011	
	Original currency	TL	Original currency	TL
USD	301.585.793	537.606.836	301.322.506	569.168.082
EUR	15.175.004	35.687.056	13.492.893	32.973.933
GBP	9.192	26.387	12.027	35.081
TL	64.265.867	64.265.867	47.408.421	47.408.421
		637.586.146		649.585.517

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

	December 31, 2012	December 31, 2011
Guarantee letters given		
Under secretariat of Ministry of Defense	405.591.826	439.881.761
Other	231.994.320	209.703.756
	637.586.146	649.585.517

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Letters of guarantees

a) Guarantees given as of December 31, 2012 and December 31, 2011 are as follows:

	December 31, 2012	December 31, 2011
Bank letters of guarantee (*)	637.586.146	649.585.517
	637.586.146	649.585.517

(*) Bank letter of guarantee amounting to TL 405.591.826 are given to Under Secretariat of Ministry of Defense within the scope of Altay Project. (December 31, 2011 – TL 439.881.761)

b) Guarantee received as of December 31, 2012 and 2011 as follows;

	December 31, 2012	December 31, 2011
Bank letters of guarantee (**)	285.704.758	225.181.079
Guarantee notes	56.509.498	53.460.035
Mortgages received	3.842.000	3.842.000
	346.056.256	282.483.114

(**) Bank letters of guarantee amounting to TL 157.770.977 are obtained from the sub-contractors for Altay Project (December 31, 2011-TL 116.160.705).

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 no new legal case as of September 30, 2012 but the expected effective amount as of December 31, 2012 is TL 12.517.001.

16. Employee benefits

	December 31, 2012	December 31, 2011
Reserve for retirement pay	13.716.119	9.110.483
Total	13.716.119	9.110.483

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 3.034 for each year of service as of December 31, 2012 (December 31, 2011-TL 2.732).

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.

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The CMB Accounting Standards 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, 2012	December 31, 2011
Net discount rate (%)	3,86	4,63
Turnover rate to estimate the probability of retirement (%)	4	7

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, 2012	December 31, 2011
January 1	9.110.483	7.088.568
Interest expense	911.048	708.857
Current year provision (including actuarial gains/losses)	5.383.700	2.440.400
Payments	(1.689.112)	(1.127.342)
As of December 31	**13.716.119**	9.110.483

17. Other assets and liabilities

a) Other current assets:

	December 31, 2012	December 31, 2011
Advances given	131.619.702	105.134.614
Value added tax receivables	17.241.400	25.754.551
Prepaid taxes	2.072.249	-
Prepaid expenses	1.834.082	1.373.991
Other	2.166.929	1.442.035
Total	**154.934.363**	133.705.191

b) Other current liabilities:

	December 31, 2012	December 31, 2011
Taxes and funds payable	5.902.620	5.253.198
Social security premiums payable	3.152.862	2.476.644
Deferred special consumption tax	249.277	100.355
Deferred maintenance revenues	1.595.339	-
Other	109.240	403.778
Total	**11.009.338**	8.233.975

c) Other non-current liabilities:

	December 31, 2012	December 31, 2011
Deferred maintenance revenues(*)	5.644.080	-
Total	**5.644.080**	-

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

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18. Shareholders' equity

Share Capital

As of December 31, 2012 and 2011, the principal shareholders and their respective shareholding percentages are as follows:

	December 31, 2012		December 31, 2011	
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 used to absorb losses in the event that the general reserve is exhausted.

Listed companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the Capital Market Board Communiqué IV, Nr: 27, article 5th, in the listed companies, the first dividend shall not be below %20 of the distributable profit deducted the accumulated losses. Based on their decisions taken in the ordinary general boards, listed joint-stock companies have their right to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion in the partnership.

Based on the decision of CMB, distributable profit -calculated upon the regulations of CMB related with the dividend distribution- shall be fully distributed if the amount is adequate to be provided by the distributable profits with respect to the statutory books, otherwise, all of the net distributable amount in the statutory books shall be distributed. No profit distribution shall be made in the case of tax loss is met in either local books or the financial statements prepared in accordance with CMB regulations.

Based on the decision of CMB dated January 27, 2010, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

As of December 31, 2012, 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 76.384.978 (December 31, 2011 – TL 54.846.604) and TL 65.806.705 (December 31, 2011 – TL 63.640.101), respectively. Current year net income of the Company in statutory books is TL 64.221.758 (December 31, 2011 – TL 55.583.667), other reserves to be distributed as dividend (without being subject to additional taxation) is TL 85.032.212 (December 31, 2011 – TL 79.263.650). In addition, in statutory books there is TL 16.224.790 inflation adjustment and TL 11.040.213 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 64.221.758 (December 31, 2011 – TL 55.583.667). As of our report date, there is no decision of dividend distribution related to 2012.

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In accordance with the Communiqué, as of December 31, 2012 and December 31, 2011, the details of equity, based on which the dividend will be distributed is as follows:

	December 31, 2012	December 31, 2011
Paid-in share capital	24.000.000	24.000.000
Inflation adjustment on equity items	52.743.030	52.743.030
Restricted reserves	22.798.147	18.118.147
Retained earnings		
- Extraordinary reserves	54.856.622	52.690.018
- Inflation adjustments on legal reserves	10.950.083	10.950.083
Net income for the year	76.384.978	54.846.604
Total shareholders' equity	**241.732.860**	213.347.882

As of December 31, 2012 and 2011, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

		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**

			December 31, 2011
	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24.000.000	52.743.030	76.743.030
Legal reserves	18.118.147	10.950.083	29.068.230
Total	42.118.147	63.693.113	105.811.260

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

	December 31, 2012	December 31, 2011
Legal reserves	22.798.147	18.118.147
Extraordinary reserves	85.032.212	79.263.650
Total	**107.830.359**	97.381.797
Dividends distributed during the year based on previous year's net income per statutory financial statements	48.000.000	15.000.000
Dividend paid per share (kuruş)	0,200	0,063

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

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19. Sales and cost of sales

Net sales

	January 1 – December 31, 2012	January 1 – December 31, 2011
Domestic sales	744.807.655	726.544.926
Export sales	260.164.645	164.180.669
Gross sales	1.004.972.300	890.725.595
Less: sales discounts and sales returns	(480.068)	(200.406)
Net sales	1.004.492.232	890.525.189

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

	January 1 – December 31, 2012	January 1 – December 31, 2011
Commercial vehicle	481.503.639	463.283.055
Armoured vehicles	307.079.062	253.065.734
Other sales (*)	215.909.531	174.176.400
	1.004.492.232	890.525.189

(*) TL 130.428.038 of this amount is related to revenues of uncompleted contracts (2011-91.827.072 TL)

Cost of sales

	January 1 – December 31, 2012	January 1 – December 31, 2011
Cost of finished goods sold	740.981.401	667.811.517
Cost of merchandise sold	41.482.525	27.009.109
Cost of sales	782.463.926	694.820.626

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

	January 1 – December 31, 2012	January 1 – December 31, 2011
Marketing, sales and distribution expenses	78.654.006	83.213.660
General administrative expenses	33.678.006	25.161.744
Research and development expenses	18.030.947	12.355.838
Total operating expenses	130.362.959	120.731.242

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21. Expenses by nature

	December 31, 2012	December 31, 2011
Cost of raw material and consumption goods	626.783.709	610.158.079
Change in finished goods and work-in-process	(288.737)	(38.436.149)
Cost of merchandises sold	41.688.944	25.433.656
Depreciation and amortization expense	29.092.605	20.412.484
Personnel expenses	111.926.656	93.856.134
Operational expenses	23.390.540	19.704.420
Administrative expenses	22.943.859	17.608.771
Warranty reserve expense (Note 15)	17.345.018	28.823.464
Exhibition and fair expenses	5.314.642	3.465.673
Transportation, distribution and storage expenses	9.356.360	5.244.588
Advertisement and promotion expenses	7.394.172	4.546.397
Provisions of impairment for inventories (Note 10)	40.236	1.575.452
Other expenses	17.838.881	23.158.899
Total	912.826.885	815.551.868

The breakdown of personnel expenses is as follows:

	January 1 – December 31, 2012	January 1 – December 31, 2011
With respect to the account:		
Cost of sales and inventories on hand	62.407.196	55.115.857
Costs related to uncompleted contracts	17.950.406	13.931.641
Capitalized development expenditures	16.118.033	13.172.755
General administrative expenses	16.248.996	12.706.471
Marketing, sales and distribution expenses	14.144.460	11.434.451
Research and development expenses	1.175.598	667.714
	128.044.689	107.028.889
By nature:		
Wages and salaries	95.508.920	81.508.476
Social security premiums	14.526.177	12.494.883
Other social benefits	10.636.347	9.563.640
Employee termination benefits (Note 16)	6.294.748	3.149.257
Provision for vacation pay liability (Note 15)	1.078.497	312.633
	128.044.689	107.028.889

22. Other operating income/expenses

	January 1 – December 31, 2012	January 1 – December 31, 2011
Other income		
Provisions no longer required (Note 8)	1.326.573	147.510
Other service income	963.179	1.147.517
R&D test center income	661.524	374.069
R&D incentive income	622.673	616.601
Gain on sale of fixed assets	15.168	1.020.382
Waste revenues	264.301	242.910
Other	951.034	668.004
Total	4.804.452	4.216.993

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	January 1 – December 31, 2012	January 1 – December 31, 2011
Other expense		
Provision for doubtful receivables (Note 8)	(2.736.485)	(7.944.800)
Other	(151.596)	(403.664)
Total	(2.888.081)	(8.348.464)

23. Financial income

	January 1 – December 31, 2012	January 1 – December 31, 2011
Foreign exchange gains	90.476.866	54.018.008
Forward income	20.290.361	19.655.520
Term difference income related with sales	13.466.940	12.947.710
Interest income from time deposits	1.031.089	1.558.703
Foreign exchange gains on bank borrowings	-	132.000
Total	125.265.256	88.311.941

24. Financial expense

	January 1 – December 31, 2012	January 1 – December 31, 2011
Foreign exchange losses	(89.550.577)	(69.860.413)
Interest expense on bank borrowings	(26.195.253)	(16.075.841)
Forward expense	(21.283.203)	(7.937.948)
Foreign exchange losses on bank borrowings	-	(3.503.248)
Total	(137.029.033)	(97.377.450)

25. Tax assets and liabilities

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

In Turkey, the corporation tax rate is 20% (2011-20%). 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 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations.

The aforementioned law has been enacted as of April 1, 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments. Research and development incentives shall be calculated over the total expenditures made in 2012 and 2011.

As a result of its research and development expenditures made in 2012 amounting to TL 39.666.087 (2011 – TL 26.657.372), 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, 2012 and 2011, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	December 31, 2012	December 31, 2011
Income tax payable	6.799.697	11.633.639
(-) Prepaid tax	(8.871.946)	(8.543.854)
Income tax payable, net	(2.072.249)	3.089.785

The breakdown of total tax expense for the year ended December 31, 2012 and 2011:

	January 1 – December 31, 2012	January 1 – December 31, 2011
Deferred tax (expense)/ income	(1.556.016)	4.703.902
Current tax expense	(3.876.947)	(11.633.639)
Total tax expense	(5.432.963)	(6.929.737)

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

	January 1 – December 31, 2012	January 1 – December 31, 2011
Profit before tax	81.817.941	61.776.341
Income tax charge at effective tax rate 20%	(16.363.588)	(12.355.268)
Effect of exemptions and incentives	10.856.844	5.331.474
Other permanent differences	73.781	94.057
Total tax expense	(5.432.963)	(6.929.737)

As of December 31, 2012 and 2011, 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, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Property, plant and equipment	12.960.293	(8.101.095)	889.236	1.861.076
Intangibles	(16.526.630)	(12.721.283)	(3.305.326)	(2.544.257)
Deferred financial expense	(305.425)	(517.981)	(61.085)	(103.596)
Inventories	163.859	(325.962)	32.772	(65.192)
Warranty provision	17.835.439	18.768.929	3.567.088	3.753.786
Reserve for retirement pay	13.716.119	9.110.483	2.743.224	1.822.097
Deferred financial income	4.175.331	1.230.242	835.066	246.048
Other provisions	8.986.866	7.704.234	1.797.373	1.540.847
Adjustment for percentage of completion method on construction projects	13.651.109	38.906.026	2.730.222	7.781.205
Other	9.318.830	(8.218.310)	1.863.766	(1.643.662)
Deferred tax asset			11.092.336	12.648.352

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The movement of deferred tax asset for the years ended December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
January 1	12.648.352	7.944.450
Deferred tax income /(expense)	(1.556.016)	4.703.902
	11.092.336	12.648.352

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, 2012	December 31, 2011
Net income attributable to shareholders (TL)	76.384.978	54.846.604
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (kuruş)	0,318	0,229

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, 2012 and December 31, 2011:

Due from related parties	December 31, 2012	December 31, 2011
Ram Dış Ticaret A.Ş. (1) (*)	23.141.922	19.008.642
Otokar Europe SAS (3)	608.470	-
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	492.700	572.854
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	283.023	-
Ford Otosan A.Ş. (2)	23.950	194.195
RMK Marine Gemi Yapım San. Deniz Taş. İşl. A.Ş. (1)	-	80.538
Aygaz A.Ş. (1)	-	6.135
Total	24.550.065	19.862.364

(*) 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.

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Due to related parties	December 31, 2012	December 31, 2011
Ram Dış Ticaret A.Ş. (1)	2.471.861	900.459
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	1.588.261	621.707
Zer Merkezi Hizmetler A.Ş. (1)	1.583.589	1.224.505
Setur Servis Turistik A.Ş. (1)	904.628	461.095
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	494.223	407.759
Ram Sigorta Aracılık Hz. A.Ş. (1)	483.269	118.255
Ark İnşaat A.Ş. (1)	442.799	402.744
Arçelik A.Ş. (1)	243.629	1.764
Koçtaş Yapı Marketleri A.Ş. (1)	221.594	155.537
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	195.013	103.623
Opet Fuchs Madeni Yağ A.Ş. (1)	154.030	-
Divan Turizm İşletmeleri A.Ş. (1)	66.805	-
Opet Petrolcülük A.Ş. (1)	54.823	67.702
Koç Holding A.Ş. (2)	49.343	9.069
Promena Elektronik Ticaret A.Ş. (1)	33.406	17.336
Bilkom A.Ş. (1)	1.463	-
Ford Otosan A.Ş. (2)	179	-
Aygaz Doğal Gaz Toptan Satış A.Ş. (1)	-	262.254
Otokar Europe SAS (3)	-	194.822
Setair Hava Taşımacılığı ve Hizm. A.Ş. (1)	-	121.995
Tat Konserve San. A.Ş. (1)	-	13.598
Vehbi Koç Vakfı Amerikan Hastanesi (1)	-	1.918
Total	**8.988.915**	5.086.142

(1) Shareholders' subsidiary/joint venture
(2) Shareholder
(3) The Company's subsidiary not in scope of consolidation

ii) Major sales and purchase transactions with related parties:

Product sales and service revenue	January 1 – December 31, 2012	January 1 – December 31, 2011
Ram Dış Ticaret A.Ş. (1) (*)	233.281.162	100.196.591
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	6.808.068	4.739.830
Zer Merkezi Hizmetler A.Ş. (1)	1.610.352	1.246.480
Otokar Europe SAS (3)	607.601	-
Aygaz A.Ş. (1)	301.178	86.710
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	235.000	-
Ford Otosan A.Ş (2)	2.116	1.424.499
Opet Petrolcülük A.Ş. (1)	-	1.656
Total	**242.845.477**	107.695.766

(*) The export registered sales to Ram Dış Ticaret A.Ş., comprise export sales made to third party customers.

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Purchase of property, plant and equipment	January 1 – December 31, 2012	January 1 – December 31, 2011
Ark İnşaat A.Ş. (1)	4.399.718	1.173.240
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. (1)	3.005.744	1.498.378
Zer Merkezi Hizmetler A.Ş. (1)	68.494	71.703
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	61.885	48.383
Koçtaş Yapı Marketleri A.Ş (1)	40.802	-
Arçelik A.Ş. (1)	36.924	21.833
Bilkom A.Ş. (1)	-	9.817
Koç.net Hab.Tek. İlt. Hiz. A.Ş. (1) (**)	-	5.825
Total	**7.613.567**	2.829.179

(**) As of November 30, 2011 Koç net Haberleşme Teknik İletişim Hizmetleri A.Ş. is sold to a third party by its shareholders. Transactions until November 30, 2011 are disclosed as related party transactions.

Inventory purchased	January 1 – December 31, 2012	January 1 – December 31, 2011
Zer Merkezi Hizmetler A.Ş. (1)	10.968.070	10.845.305
Ram Dış Ticaret A.Ş. (1)	6.124.679	9.330.678
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	3.374.953	2.759.744
Koçtaş Yapı Marketleri A.Ş. (1)	1.005.270	221.801
Opet Petrolcülük A.Ş. (1)	941.070	692.529
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	829.041	906.208
Opet Fuchs Madeni Yağ A.Ş. (1)	677.611	-
Arçelik A.Ş. (1)	205.837	13.514
Ford Otosan A.Ş. (2)	392	-
Aygaz Doğal Gaz Toptan Satış A.Ş (1)	-	1.398.498
Total	**24.126.923**	26.168.277

Services purchased	January 1 – December 31, 2012	January 1 – December 31, 2011
Ram Dış Ticaret A.Ş. (1)	7.505.596	1.023.206
Setur Servis Turistik A.Ş. (1)	4.335.385	2.694.594
Otokar Europe SAS (3)	2.378.439	-
Koç Holding A.Ş. (2)	1.353.018	1.170.148
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	1.325.130	781.813
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	1.051.726	424.062
Promena Elektronik Ticaret A.Ş. (1)	170.752	158.110
Setair Hava Taşımacılığı ve Hizm. A.Ş. (1)	111.702	154.255
Divan Turizm İşletmeleri A.Ş. (1)	69.905	4.605
Koç Üniversitesi (1)	56.896	179.264
Ram Sigorta Aracılık Hz. A.Ş. (1) (*)	34.513	1.161.409
Rahmi Koç Vakfı Müzesi (1)	28.240	-
Yapı Kredi Sigorta A.Ş. (1)	17.320	23.520
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (1)	16.676	13.318
Tüpraş-Türkiye Petrol Rafinerileri A.Ş. (1)	2.922	
Bilkom A.Ş. (1)	2.396	1.444
Tofaş Türk Otomobil Fabrikası A.Ş. (1)	1.251	
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş. (1)	-	1.690.458
Koç.net Hbl.Tek.İlt.Hz.A.Ş.**	-	275.648
Platform Araştırma ve Geliştirme Taş.Tic. A.Ş. (1)	-	152.388
Vehbi Koç Vakfı Amerikan Hastanesi (1)	-	26.730
Tat Konserve San. A.Ş. (1)	-	13.617
Otokoç Sigorta Aracılık Hizmetleri A.Ş. (1)	-	1.184
Total	**18.461.867**	9.949.773

(*) It includes paid and accrued premium as of December 31, 2012 in accordance with insurance policies signed between unrelated insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.
(**) As of November 30, 2011 Koç net Haberleşme Teknik İletişim Hizmetleri A.Ş. is sold to a third party by its shareholders. Transactions until November 30, 2011 are disclosed as related party transactions.

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Bank deposits	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş. [1]		
-demand deposits	903.749	1.600.896
	903.749	1.600.896

Checks and notes in collection	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş. [1]	37.314.908	45.089.091
	37.314.908	45.089.091

[1] Shareholders' subsidiary/joint venture
[2] Shareholder
[3] The Company's subsidiary not in scope of consolidation

For the year ended December 31, financial income and expense with related parties:

Borrowings	January 1 – December 31, 2012	January 1 – December 31, 2011
Yapı ve Kredi Bankası A.Ş. [1]	2.025.916	-
Total	2.025.916	-

Interest income	January 1 – December 31, 2012	January 1 – December 31, 2011
Yapı ve Kredi Bankası A.Ş [1]	243.407	212.503
Total	243.407	212.503

Foreign exchange gains	January 1 – December 31, 2012	January 1 – December 31, 2011
Ram Dış Ticaret A.Ş. [1]	7.493.280	10.564.359
Yapı ve Kredi Bankası A.Ş. [1]	338.928	1.129.765
Other [1]	2.308	1.732
Total	7.834.516	11.695.856

Forward gains /(losses)	January 1 – December 31, 2012	January 1 – December 31, 2011
Yapı ve Kredi Bankası A.Ş.		
Forward gains	-	-
Forward loss	21.000	-
Total	21.000	-

Foreign exchange losses	January 1 – December 31, 2012	January 1 – December 31, 2011
Ram Dış Ticaret A.Ş [1]	8.680.101	24.393.296
Yapı ve Kredi Bankası A.Ş [1]	1.479.877	975.834
Other [1]	13.791	25.529
Total	10.173.769	25.394.659

Interest expense	January 1 – December 31, 2012	January 1 – December 31, 2011
Yapı ve Kredi Bankası A.Ş. [1]	132.332	130.367
Total	132.332	130.367

[1] Shareholders' subsidiary/ joint venture

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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, 2012 amounted to TL 9.218.838 (2011-TL 7.762.314). 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, 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	-	-	-	-

	Receivables			
December 31, 2011	Trade receivables	Other receivables[3]	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D+E) [1]	297.258.930	105.141.094	2.897.205	-
- Maximum risk secured by guarantee [2]	(128.790.330)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	294.143.908	105.141.094	2.897.205	-
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	1.473.783	-	-	-
D. Net book value of impaired assets	1.641.239	-	-	-
- Overdue (gross book value)	19.978.775	-	-	-
- Impairment (-) (Note 8)	(18.337.536)	-	-	-
- Net value under guarantee	1.641.239	-	-	-
- 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.

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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.

As of December 31, 2012 and December 31, 2011, maturities of gross trade payables and financial liabilities are as follows:

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	10.269.896	10.269.896	10.269.896	-	-	-
Other current liabilities	11.009.338	11.009.338	11.009.338	-	-	-

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)	-	-	-

December 31, 2011

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	179.339.871	189.507.648	16.888.534	88.111.818	84.507.296	-
Trade payables	78.495.682	79.015.538	78.849.488	166.050	-	-

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	6.580.275	6.580.275	6.580.275	-	-	-
Other current liabilities	8.233.975	8.233.975	8.233.975	-	-	-

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)	9.110.483	9.110.483	9.110.483	-	-	-
Derivative cash inflows	217.636.395	217.636.395	217.636.395	-	-	-
Derivative cash outflows	(208.525.912)	(208.525.912)	(208.525.912)	-	-	-

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

Market risk

a) Foreign currency risk and related sensitivity analysis

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

The accompanying table represents the foreign currency risk of the assets and liabilities of the Company in the original currencies.;

		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

(Convenience translation of financial statements originally issued in Turkish)

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					Table of foreign currency position
					December 31, 2011
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	174.028.497	23.283.527	53.135.721	66.907
2a.	Monetary financial assets (including cash, bank accounts)	109.497.977	48.360.657	7.377.015	41.680
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**283.526.474**	**71.644.184**	**60.512.736**	**108.587**
5.	Trade receivables	81.455.466	-	33.331.478	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**81.455.466**	**-**	**33.331.478**	**-**
9.	**Total assets(4+8)**	**364.981.940**	**71.644.184**	**93.844.214**	**108.587**
10.	Trade payables	(31.669.169)	(3.534.468)	(6.277.392)	(3.308.955)
11.	Financial liabilities	-	-	-	-
12a.	Monetary other liabilities	(331.684.237)	(175.426.410)	(131.472)	-
12b.	Non-monetary other liabilities	-	-	-	-
13.	**Current liabilities (10+11+12)**	**(363.353.406)**	**(178.960.878)**	**(6.408.864)**	**(3.308.955)**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**-**	**-**	**-**	**-**
18.	**Total liabilities (13+17)**	**(363.353.406)**	**(178.960.878)**	**(6.408.864)**	**(3.308.955)**
19.	Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	9.022.907	110.153.300	(85.328.550)	3.250.000
19a.	Hedged total assets amount	217.548.819	110.153.300	-	3.250.000
19b.	Hedged total liabilities amount	(208.525.912)	-	(85.328.550)	-
20.	**Net foreign currency asset/(liability) position (9+18+19)**	**10.651.441**	**2.836.606**	**2.106.800**	**49.632**
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**1.628.534**	**(107.316.694)**	**87.435.350**	**(3.200.368)**
22.	Total fair value of financial instruments used for foreign currency hedging	9.022.907	110.153.300	(85.328.550)	3.250.000
23.	Export	164.179.416	67.880.140	20.41.483	140.177
24.	Import	304.208.716	63.226.052	73.545.055	9.633.042

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, 2012 and 2011:

			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	(14.010.617)	14.010.617
2-	Amount hedged for USD risk (-)	-	-
3-	**USD net effect (1+2)**	**(14.010.617)**	**14.010.617**
	In case 10% appreciation of EUR against TL:		
4-	EUR net asset/liability	20.453.291	(20.453.291)
5-	Amount hedged for EUR risk (-)	-	-
6-	**EUR net effect (4+5)**	**20.453.291**	**(20.453.291)**
	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)	**6.368.994**	**(6.368.994)**

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

		Exchange rate sensitivity analysis table	
			December 31, 2011
		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	(20.271.050)	20.271.050
2-	Amount hedged for USD risk (-)	-	-
3-	**USD net effect (1+2)**	(20.271.050)	20.271.050
	In case 10% appreciation of EUR against TL:		
4-	EUR net asset/liability	21.367.451	(21.367.451)
5-	Amount hedged for EUR risk (-)	-	-
6-	**EUR net effect (4+5)**	21.367.451	(21.367.451)
	In case 10% appreciation of GBP against TL:		
7-	GBP net asset/liability	(933.547)	933.547
8-	Amount hedged for GBP risk (-)	-	-
9-	**GBP net effect (7+8)**	(933.547)	933.547
	Total (3+6+9)	162.854	(162.854)

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, 2012 and 2011, 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, 2012	December 31, 2011
Total financial debt	**286.193.001**	179.339.871
Less: Cash and cash equivalents (Note 4)	**(47.906.245)**	(4.470.424)
Net financial debt	**238.286.756**	174.869.447
Total equity	**241.732.860**	213.347.882
Financial debt/shareholders’ equity rate	**99%**	82%

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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, 2012 and 2011:

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**

Assets	Level 1	Level 2	Level 3	Total
December 31, 2011				
Derivative financial instruments	-	9.022.907	-	9.022.907
Total	-	9.022.907	-	9.022.907

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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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 making 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 described in CMB's "Communiqué on the Determination and Implementation of Corporate Governance Principles" Serial: IV, No: 56, it also complies with the majority of optional principles. The Company aims to comply with all optional Corporate Governance Principles; however, full compliance hasn't been achieved yet due to some difficulties experienced during the implementation of certain principles, due to ongoing debates about compliance with certain principles on the international platform as well as in Turkey, and also because 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 haven't been implemented yet, and it aims for full compliance after completing the necessary administrative, legal, and technical infrastructure in a manner that will contribute to efficient management of the Company. Details of the extensive work carried out by the Company within the frame of Corporate Governance Principles, the principles which haven't been implemented yet, and any conflicts of interest stemming from such incompliance are explained below.

The main efforts of the Company concerning Corporate Governance in 2012 consist of compliance with CMB's new Communiqué on Corporate Governance Principles, Serial: IV, No: 56, and with the new Turkish Commercial Code. At the Ordinary General Meeting held in 2012, all the required amendments put forward by the Communiqué, were made to 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 regulations. The Committees established within the Board of Directors have commenced their duties. The remuneration policy regarding the Board of Directors and executive managers was determined and presented to the shareholders at the General Meeting. The General Meeting information document, which consists of preferred shares, voting rights, organizational changes; as well as the resumes of Board of Directors candidates, the remuneration policy regarding the Board of Directors and executive managers, and the reports and the information concerning related part transactions, were shared with our investors 3 weeks prior to the General Meeting. The Board of Directors was informed about all related party transactions, and with the approval of Independent Board Members it was decided to continue such transactions. Additionally, the Company's corporate website and annual report were reviewed and the necessary revisions were made for 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 information, and it 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., relations with the shareholders are conducted by the Shareholder Relations Unit. The Unit is in charge of providing information to the shareholders and prospective investors, however excluding confidential information and trade secrets, and without causing any information inequality as well as ensuring a two-way communication between the Company's management and the shareholders. Its main activities include:

- Promoting the Company to individual and institutional investors in Turkey and abroad, and providing information to potential investors and shareholders,
- Reporting to the Board of Directors,
- Ensuring that the General Meeting is held in accordance with applicable regulations, articles of association, and other internal regulations,
- Preparing the documents which might be used by the shareholders, and publishing such documentation on the Company's website three weeks prior to the General Meeting,
- Carrying out all kinds of public disclosure activities as required by the regulations, such as financial reporting and disclosing special situations to the public, and also other functions related to public disclosure within the scope of the Company's disclosure policy,
- Monitoring any amendments made to the legislation and laws, and ensuring that they are implemented by the Company,
- Ensuring that dividends are paid to the shareholders.

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 +90 (264) 229 22 44 (extension: 6200).

3. Exercise of Shareholders' Rights to be Informed

14 shareholders, who attended and got their names entered in the attendance list at the last General Meeting, were informed about financial and administrative matters. An Investors Meeting for the Analysts of Intermediary Institutions, which was also attended by the Company's General Manager and Executive Managers, was held during the year. Additionally, 15 one-on-one meetings were organized by the Finance Department, for the Analysts of Intermediary Institutions.

There is an "Investor Relations" section and related links on the Company's website, as well as information on how to access "ISE" (Istanbul Stock Exchange) data. The Company doesn't make any discriminations among shareholders in terms of accessing and inspecting information; and all information, excluding trade secrets, are shared by the shareholders. Investor Relations Unit replies all questions, excluding confidential information and trade secrets, via phone or in writing, after consulting with the most informed person 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 from the General Meeting that certain events be clarified by conducting a special audit, even if it's not on the agenda, whenever it is required to exercise shareholder rights and if the right to be informed and inspect has been exercised before. Up until now, no such demand was received from the shareholders. Additionally, the Company's activities are periodically audited by the Independent External Auditor, and Auditors elected by the General Meeting as well as the Internal Audit Unit.

4. Information about the General Meeting

Only one Ordinary General Meeting was held in 2012. Majority of the shareholders attended the General Meeting. Additionally, media representatives, representatives of various intermediary institutions and entities as well as persons who wanted to participate as audience, were allowed to attend the General Meeting.

As common practice, invitation to the General Meeting is made by the Board of Directors in accordance with the provisions of the Turkish Commercial Code, Capital Market Law and the Company's Articles of Association. Once the Board of Directors makes the decision to convene the General Meeting, the public is informed by making the necessary announcements via KAP (Public Disclosure Platform).

Additionally, the place and the agenda of the General Meeting, any draft amendments to the Articles of Association, and the proxy form are published in 2 national daily newspapers, at least 21 days prior to the General Meeting. The newspaper ad includes information on where the financial statements for the respective period as audited by the independent auditor, are available for inspection.

The Company announces to the public any required documents related to the agenda items prior to the General Meeting, and abides by legal processes and legislation in all announcements. Within the scope of the General Meeting Agenda, the Annual Report, Financial Statements, Corporate Governance Compliance Report, Profit Distribution Proposal, Independent Auditor's Report, the Legal Audit 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 General Meeting. Besides, a detailed explanation is included in the information document about each and every agenda item. Investors are also provided with other information regarding the General Meeting, as put forward by the Principles.

Shareholders are informed about the voting procedure, which will be applied at the General Meeting, via the Company's website and newspaper ads. At the General Meetings, votes on the agenda items are taken by "show of hands", and open voting method is used.

For those shareholders, who will be represented by proxy at the General Meeting, the required time for procedures as well as a sample proxy form are made available on the Company's website and via newspaper ads.

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

All minutes of General Meetings and attendance lists of the past years can be obtained from the Company's Headquarters, and the Minutes of General Meetings held in the past 5 years are also available on the website. Additionally, the minutes are made available at the Company's Headquarters, whenever demanded by shareholders.

At the Ordinary General Meeting held in 2012, shareholders were informed about the donations and aids made in 2011, on a separate agenda item, and no changes were made to the Company's donation policy.

5. Voting Rights and Minority Rights

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

Voting rights are exercised at the General Meeting in accordance with the regulations concerning the representation and the voting method. The Company abides by CMB's regulations on voting by proxy.

There aren't any provisions in the Company's Articles of Association regarding the representation of minority shareholders in the management or cumulative voting process.

6. Dividend Rights

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

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

In principle, by taking the net profit for the period stated in the financial statements, which are issued in accordance with the Capital Market Legislation and subjected to independent audit, as the basis, minimum 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 in cash or as gratis shares.

If the minimum distributable profit so calculated is less than 5% of the issued capital, no profit distribution is made.

Profit distribution policy and profit distribution proposal, which includes the details put forward by CMB's Corporate Governance Principles, take place in the annual report, are shared with the shareholders at the General Meeting, and announced to the public on the Company's website.

The dividend to be distributed, as per the resolution of the General Meeting, can wholly be in cash or as gratis shares; or partly in cash and partly as gratis shares.

If profit distribution will be made in cash, distribution is completed at the latest by the end of the fifth month following the respective accounting period; if distribution will be made as gratis shares, then 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 the Company's Articles of Association.

The dividend distributions (by the percentage of the issued capital) made by the Company in the recent years are as follows:

YEAR ISSUED	CAPITAL (TL)	% OF DIVIDEND BY ISSUED CAPITAL	AMOUNT OF DISTRIBUTED DIVIDEND (TL)
FROM 2007 PROFIT	24,000,000	125.00%	30,000,000
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

7. Transfer of Shares

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

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 at creating an efficient and an open communication platform by uniformly sharing its vision, goals, past performance, and expectations with the public, relevant authorities, existing 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 about what kind of information will be shared with the public, other than those 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 questions. The Disclosure Policy has been approved by the Board of Directors, and presented to the 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 making 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 it is approved by the Board of Directors.

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

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

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

9. Company Website and its Content

The Company's website address is www.otokar.com.tr, where current and past information can be obtained. The website contains 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.

10. Annual Report

The annual report is prepared under the supervision of the Board of Directors, and covers all the information required by the Corporate Governance Principles. 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 the 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 made by means of media, and the 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 General Meetings as well as with the information on the website, annual reports, press releases, and all other practices carried out within the scope of the Company's disclosure policy.

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

12. Participation of Stakeholders in Management

Stakeholders can participate in management improvement efforts, actively express their opinions, and make comments according to 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 total quality philosophy and aim to increase productivity. The Company also organizes regular meetings where employees, suppliers, and customers can share their demands from the Company. Besides, training programs and various surveys, such as "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 more effect on the society. Additionally, the Company implements a system through which customer demands received by the sales and the dealer network can be tracked, hence necessary arrangements are made and feedback is provided.

13. Human Resources Policy

Within the scope of the Company's human resources policy, recruitment and promotion criteria have been established in writing. The Company's 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 opportunity for everyone.

Thus, the Company aims to continuously improve the competencies 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 currently is in effect. Issues such as recruitment policies, career planning, improvement and training policies for the employees, are dealt with under the Personnel Regulation. While there are various committees established to carry out the relations with the employees, no employee representative has yet been selected and appointed. The Company acts in harmony with the Human Resources policies of Koç Group, 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 have been received in this regard during the period.

The job descriptions of employees have been defined and shared with the employees. Practices related to performance and rewarding, are carried out via an electronic platform, Koç@İnsan, which is open to all employees, and serves to inform employees about the Company's goals as well as to measure their performance in realizing these goals.

14. Ethical Rules and Social Responsibility

Otokar acts appropriately in all of its domestic and international activities and relations with business partners, the society, its customers, suppliers, shareholders, and employees, and strives to extend such behavior 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 Ethical Principles.

Within the scope of its corporate social responsibility efforts, Otokar carries out activities both in the region where its factory is located and also targeting the general public, in order to contribute to and create value for the society. Detailed information about these efforts are included in the Annual Report. The Company received no negative notices during the period on account of damage caused to the environment. There are records in place, mainly environmental impact reports, concerning the Company's activities.

SECTION IV – BOARD OF DIRECTORS

15. The Structure and Formation of the Board of Directors

The Company's current Board of Directors consists of;

Mr. Kudret Önen – Chairman of the Board of Directors, Executive Member, Chairman of the Executive Committee and Member of the Risk Management Committee

Mr. Halil İbrahim Ünver – Vice Chairman, Non-executive Board Member

Mr. Osman Turgay Durak – Non-executive Board Member

Mr. Ali Tarık Uzun – Board Member , Non-executive Board Member, Member of the Corporate Governance Committee

Mr. Ahmet Serdar Görgüç – Board Member and General Manager, Executive Member, Member of the Executive Committee

Mr. Tuğrul Kudatgobilik - Non-executive Board Member

Mr. İsmet Böcügöz – Independent Board Member, Chairman of the Audit Committee, Chairman of the Corporate Governance Committee

Mr. Abdülkadir Öncül - Independent Board Member, Chairman of the Risk Management Committee, Member of the Audit Committee.

The detailed resumes of the Members of the Board of Directors are included in the annual report.

Chairman of the Board and General Manager duties are carried out by separate persons. While Board Members are encouraged to spare the required time to fulfill their obligations for the Company, there are no rules that restrict them from assuming other duties outside the Company. Considering the fact that especially independent members can contribute significantly to the Board with their business experience and specific knowledge, no such restrictions have been deemed necessary. The resumes of each Board Member and their other duties outside the Company are shared with the shareholders before the General Meeting.

The duties of the Nominating Committee have been assumed by the Audit Committee until May 25, 2012. After this date, these duties will be carried out by the Corporate Governance Committee.

In 2012, 2 independent board candidates were suggested to the Audit Committee, and their declarations of candidacy together with their resumes were evaluated at the meetings of the Audit Committee and the Board, held on February 21, 2012, and both were approved as independent board candidates. All Independent Board Members have submitted their declarations of independence to the Audit Committee, and no circumstances abolishing the independent status of board members, arose during the accounting period of 2012.

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 a need arises. Therefore, the number of Board meetings may vary according to such needs. The Board of Directors made 20 resolutions in 2012. The Board convenes for meetings whenever the operations of the Company so require. Although there isn't a 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 top management of the Company notifies the Board Members of the situation, and the meeting agenda is set accordingly. Apart from this, the meeting agenda can also be established when a Board Member notifies the top 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, hence the meeting agenda is established.

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 opposite votes, are recorded in the minutes of resolutions. However, since no such opposite or different views have been expressed recently, no disclosures have been made to the public in this regard.

All related party transactions made during 2012, have been submitted to the Board of Directors. With the unanimous consent of Independent Board Members, it was decided that such transactions will be brought to the Board for approval, should the conditions of these transactions change, or if the amount of any single transaction made after the date of the Board's resolution exceeds TL 5 million, or if the amount of common and ongoing transactions exceeds TL 10 million within a given accounting period. It was also decided that all related party transactions falling under these limits, can continue according to the resolutions made by the Company's management. There have been no transactions exceeding these limits, or any changes in the conditions, since this resolution was reached. In 2012, there have been no related party transactions or significant transactions, which had to be presented to the General Meeting for approval due to being disapproved by independent members.

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

The Board of Directors forms several committees in order to effectively fulfill its duties and responsibilities, and these committees carry out their activities in accordance with specified procedures. The Committees reach certain decisions after independently conducting some studies. Then, they present these in the form of proposals to the Board's consideration, and the Board makes the final decision.

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

Executive Committee

Mr. Kudret Önen - Chairman of the Board of Directors, Executive Member, Chairman of the Executive Committee

Mr. Ahmet Serdar Görgüç - Board Member and General Manager, Executive Member, Member of the Executive Committee

Due to the fact that the Board cannot convene for meetings as frequently as desired, this Committee serves to follow the developments that take place within the Company and the sector it operates in, and to inform the Board of Directors if and when necessary. The other duties of the Committee are to ensure coordination between the Company's management and the Board of Directors, and to make proposals with regards to developing appropriate strategies for the Company and achieving efficiency in all activities. The Committee convenes once a month unless it is required to convene more frequently in order to perform its duties.

Audit Committee

Mr. İsmet Böcügöz - Independent Board Member, Chairman of the Audit Committee
Mr. Abdülkadir Öncül - Independent Board Member, Member of the Audit Committee

The duty of the Audit Committee is to make sure that the Company's accounting and reporting systems comply with applicable laws and regulations, to oversee the announcement of financial statements to the public, the progress and effectiveness of independent auditing and internal control. The Committee convenes at least four times a year.

Corporate Governance Committee

Mr. İsmet Böcügöz - Independent Board Member, Chairman of the Corporate Governance Committee

Mr. Ali Tarık Uzun – Board Member, Non-executive Board Member, Member of the Corporate Governance Committee

The duty of the Corporate Governance Committee is to oversee whether Corporate Governance Principles are implemented within the Company, and if not, to determine the reasons for non-compliance and any conflict of interest stemming from such non-compliance, and to make improvement suggestions to the Board with regard to establishing the Corporate Governance Principles. The Committee also undertakes the duties of Nominating Committee and Remuneration Committee, and convenes as frequently as required.

Risk Management Committee

Mr. Abdülkadir Öncül - Independent Board Member, Chairman of the Risk Management Committee

Mr. Kudret Önen – Chairman of the Board of Directors, Executive Member, Member of the Risk Management Committee

The duty of the Risk Management Committee is to determine and assess any strategic, operational, financial, legal and other risks which may undermine the Company's existence or growth; to calculate the impact and probability of such risks, to report and manage these risks according to the Company's risk taking profile; and also to make suggestions to the Board of Directors about implementing the necessary measures against such risks, taking them into consideration in decision making processes and establishing and integrating effective internal control mechanisms. The Committee convenes as frequently as required.

18. Risk Management and Internal Control

Regarding the Company's financial and administrative activities, a risk management and internal control mechanism has been established. Financial Affairs and Internal Audit Departments are in charge of overseeing that it operates effectively and in accordance with capital markets legislation and regulations.

The Company's financial statements are inspected by the Audit Committee, which is formed by Board Members. Additionally, the auditors, who have been assigned by the General Meeting pursuant to the Turkish Commercial Code, also carry out the auditing of the Company.

The Company is audited, including 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 major shareholders of the Company.

19. The Company's Strategic Goals

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

Strategic Goals:

- To grow by 15% in average over certain periods by achieving a profitability of minimum 15% in shareholders' equity, and by increasing the value of shares,
- To focus on the manufacturing of breakthrough products which have international competitive power,
- To invest in technology in order to become the leader, or the second in the industries the Company operates in;
- To boost the brand's power by commanding technology,
- To increase the share of international sales in total revenue by increasing exports and overseas operations.

The strategic goals determined in line with the Company's vision and mission, are evaluated by the Board of Directors. Values pertaining to the Company's mission and vision, which have been established by the Executive 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 executive management. By evaluating the performance in the previous years, the Board of Directors reviews the Company's activities during the year and the strategic goals set by the Executive Management, and makes its decision accordingly.

20. Remuneration of the Board of Directors

Payments and benefits offered to the Board of Directors and executive managers, as well as the criteria for determining such remuneration, are detailed in the Company's "Remuneration Policy regarding Board Members and Executive Managers", which was presented to the shareholders on the Company's website as part of the "Information Document", three weeks prior to the General Meeting held on March 14, 2012. It was then approved at the General Meeting and took effect. Total remuneration paid to the Board Members and Executive Managers is evaluated annually by the Corporate Governance Committee and the Board of Directors. Total remuneration paid to the Board Members and Executive Managers is specified in the notes to financial statements, for the information of the general public. The Company doesn't undertake any transactions which may lead to conflict of interest, such as lending money, giving out loans, or offering guarantees in favor of 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, implemented in line with the Company's strategies; and aims at foreseeing and monitoring potential risks, which may hinder the Company from reaching its goals, and making action plans against such risks.

A Risk Management Committee has been established to determine and assess any strategic, operational, financial, legal and other risks which may undermine the Company's existence or growth; to calculate the impact and probability of such risks, to report and manage these risks according to the Company's risk taking profile; and also to make suggestions to the Board of Directors about implementing 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 according to the risk policy implemented by Koç Group.

At the Board meeting of Otokar Otomotiv ve Savunma San. A.Ş., dated July 11,2012, it was decided to establish a Risk Management Committee in order to pre-determine risks, which may undermine the Company's existence or growth, to take the necessary measures against such risks, and to carry out risk management. The reason for establishing the Risk Management Committee is to enable the committees established by the Board to function effectively, and also to comply with Article 378 of the Turkish Commercial Code No. 6102, which took effect on July 1, 2012. It was also decided to appoint Board Member Mr. Abdülkadir Öncül as the Chairman of the Committee, and Board Member Mr. Kudret Önen as member of the Committee.

The Committee convened for three meetings after its establishment, and assessed the Risk Management System at Otokar Otomotiv ve Savunma San. A.Ş., and determined the principles of risk reporting. Reporting efforts and assessments carried out by the Committee, are in line with these principles and periodically presented to the Board of Directors.

b. Internal Control System and Internal Audit

With the Internal Control system, the Company aims to ensure the efficiency and productivity of the activities, the credibility of the financial reporting system, and compliance with applicable laws and regulations.

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.

Accounting transactions made by Otokar Otomotiv ve Savunma San. A.Ş. in 2012, haven't been subject to any inspection.

2012 REPORT ON AFFILIATED COMPANIES

Pursuant to Article 199 of the Turkish Commercial Code No. 6102, which took effect on July 1, 20121, the Board of Directors of Otokar Otomotiv ve Savunma Sanayii 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 Sanayii A.Ş. and the related parties are included in footnote No. 27 of the financial statement. The Company's Board of Directors approved the report, which details the transactions made with majority shareholders, as pursuant to Article 199 of the Turkish Commercial Code, at its meeting dated March 5, 2013. The conclusion of this report is as follows:

"The Board of Directors of Otokar Otomotiv ve Savunma Sanayii A.Ş. reached the conclusion that, in all transactions made in 2012 between Otokar Otomotiv ve Savunma Sanayii A.Ş. and its majority shareholder and its subsidiaries, either the transactions were 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 are no measures taken, or refrained from, that can harm the Company, and, accordingly, there are no transactions or measures that require balancing."

2012 REPORT ON RELATED PARTY TRANSACTIONS

At its meeting dated March 5, 2013, The Company's Board of Directors approved the report detailing common and ongoing transactions made with related parties, in accordance with CMB's Communiqué, Serial: IV, No: 41. The conclusion of this report is as follows:

"Pursuant to Capital Markets Board's Communiqué, Serial: IV, No: 41; due to the fact that the amount of the Company's common and ongoing product sales transactions with Ram Dış Ticaret A.Ş. within a given accounting period, have exceeded 10% of total gross sales, as disclosed to the public in the annual financial statements, the same pricing policy, which is applied to unrelated third parties, has also been applied to the sales made to Ram Dış Ticaret A.Ş. because these sales fall into the category of export registered sales. It is also reported herein that a minimum amount of commission has been paid for procured services, and information on the status of these transactions against market conditions has been presented."

LEGAL DISCLOSURES

Time Period of the Report	: January 1, 2012 – December 31, 2012
Company Title	: Otokar Otomotiv ve Savunma San. A.Ş.
Trade Registry / Number	: Istanbul /83467
Ownership Structure and Capital Structure	: Registered Capital Ceiling: TL 25,000,000 Paid-in Capital: TL 24,000,000
Contact Address	: Aydınevler Mah. Dumlupınar Cad. No: 58 A Blok 34854 Küçükyalı / Istanbul
Phone	: +90 (216) 489 29 50
Website	: www.otokar.com.tr

Lawsuits against the Company:
There are no major lawsuits against the Company.

Private and Public Audits in 2012:
None.

Administrative and legal sanctions applied to the Company or Board Members due to non-compliance with the provisions of laws and regulations:
None.

Implementation of General Meeting's Resolutions:
Resolutions made at the Ordinary General Meeting, dated March 14, 2012, 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 of the Company, to executive managers, and their spouses, in-laws and blood relatives up to second kin, to make transactions or compete with the Company and its affiliates, which may lead to conflict of interest:
None.

Otokar Otomotiv ve Savunma Sanayi A.Ş.
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