ANNUAL REPORT 2011

Otokar

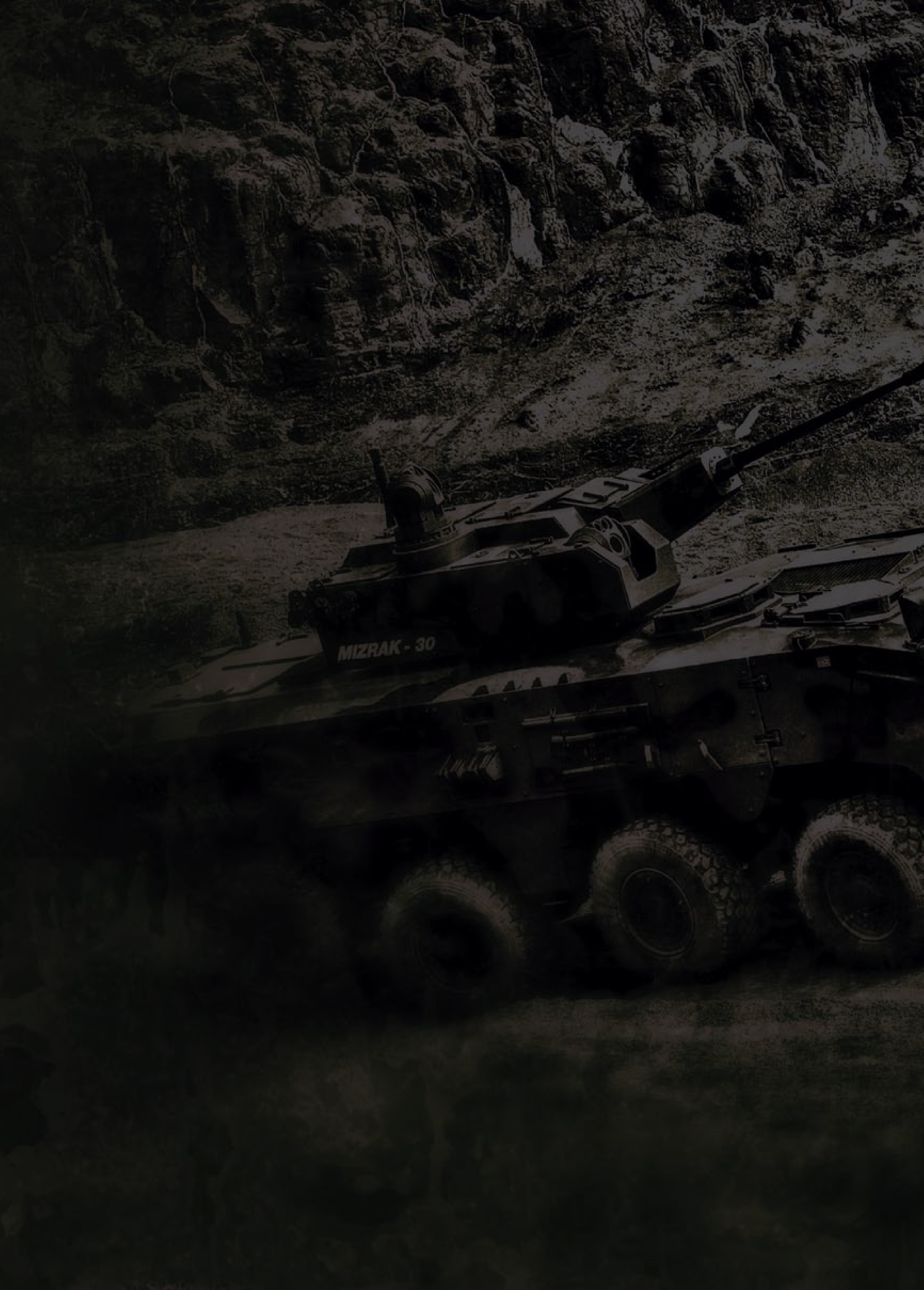

THINK
GET B


BIG
GGER

THINK BIG,
GET BIGGER.

The biggest feature of leaders is thinking big. They work to get bigger everyday with realistic targets combining the visions and dreams.
At the base of our numerous success in our pass for 49 years, from the beginning there is strong passion of getting bigger.

We think big and get bigger for two years in a row with our qualified human source, right investments, and realistic targets.


MIZRAK - 30

CONTENTS


2 BOSTANCI
ALTUNİZADE
OTOKAR

OTOKAR IN BRIEF

Otokar Otomotiv ve Savunma Sanayi A.Ş. has been offering special solutions to the requirements of its customers through its own technology, design and applications in the automotive and defence industry since 1963.

As a member of Koç Group of Companies, Otokar is operating at its 552.000 sqm plant in Arifiye, Sakarya with approximately 2000 employees. Total vehicle manufacturing capacity of the company is 10.700 vehicles. Thousands of public transport, logistic and defence vehicles manufactured by the company have been serving on the roads of around 60 countries, including Turkey, in 5 continents.

In the military vehicle segment, Otokar is manufacturing armoured wheeled tactical vehicles with brand names ZPT, COBRA, KAYA and ARMA, of which intellectual rights are owned by Otokar, and vehicles with brand name Land Rover Defender which are manufactured under license. The company also takes part as prime contractor in ALTAY project which has been launched to design the first national main battle tank of Turkey. Otokar is the largest private capital defence industry company and the leading land systems supplier of Turkey. Products of Otokar are actively used in more than 20 countries.

In the public transport segment, the product range of Otokar extends from minibuses of 5.8 meters to buses of 12 meters. Buses with brand names M-2010, Sultan, Doruk and Kent are used in various areas from in-city transportation to long distance transportation. Exported under brand names of Centro, Navigo, Vectio, Kent and Territo, buses of Otokar are today used in more than 30 countries.

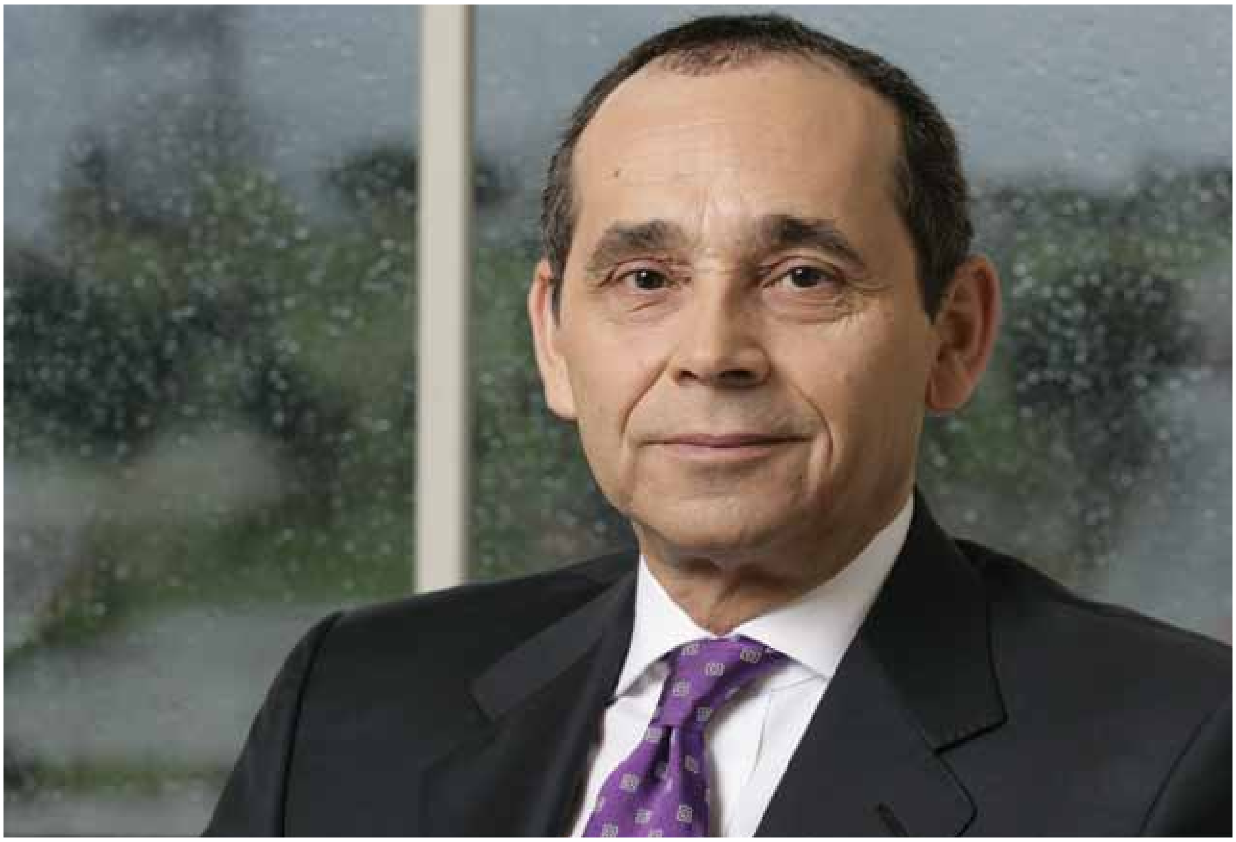
Otokar has been manufacturing trailers and semi-trailers since 2002. The brand names of semi-trailers manufactured by Otokar are Fruehauf and Otokar. Semi-trailers of Otokar are used in a number of fields from transportation of dangerous substances to transportation of perishable foods and dry cargo.

Vision:

By developing its own technology, Otokar preserves the local and national identity characteristics of its products. The objective of Otokar is to ensure customer, employee and shareholder satisfaction at all times with the philosophy of total excellence.

Mission:

Main duty of Otokar is to design, manufacture and market commercial vehicles and various defence industry products having competitive power around the world in line with the expectations of the customers.



CHAIRMAN'S STATEMENT

Dear shareholders,

In the aftermath of an almost unprecedented global crisis we passed through in recent years, 2011 was the year when the wheels of economy and industry began to turn once again. While the world economy is still at the stage of recovery and even recession, Turkey performed successfully in 2011 thanks to the measures, works and regulations put into the operation.

Year of Revival in Automotive and Defence Industry

Not only the figures, but also the activation in the commercial vehicle segment which is considered as one of the indicators of revival of economic life, is a proof of this fact. Commercial vehicle business was slow in 2010. However, the demand postponed in 2010 turned into sales in 2011. The bus and semi-trailer markets grew significantly.

While the bus market slowed down a little bit during the first half of the year because of the matter of compliance with the Euro 4 emission levels and European regulations under the program of harmonization with the European Union, especially purchases of public transportation busses by municipalities and private persons revived the sector. The bus market grew by 50 percent. The bus market in Europe, which is the main export market of Turkey, recovered a little bit, but unfortunately the figures in 2008 could not be attained both in the domestic market and the export markets.

In the semi-trailer market, one of the main business segments of Otokar, with the impact of demand postponed for two years on the one hand and the revival of the industry and increased manufacturing on the other, the highest sales in the last decade could be achieved in this segment. The trailer market grew by 80 percent over the previous year.

In the defence industry, the natural demand fluctuations continued in 2011. In the market which was stagnant in general, civil commotions in the Middle Easter and Gulf countries created instant new demands.

Otokar grew by 72 percent, reaching a turnover of TL 890 million, in 2011

As Otokar, we successfully managed the crisis period of 2009-2010 thanks to our customer-focused product and service strategy and engineering, R&D and manufacturing power. By taking correct and proper decisions, we entered 2011 stronger with new products and a more aggressive sales strategy. As a result, we have become the most preferred bus and military vehicle brand of Turkey once again. Our turnover grew by 72 percent, almost four times of the growth rate over the last eight years, reaching TL 890 million. We increased our sales by 58 percent and earned a profit of TL 55 million.

This success is not a coincidence, of course. Otokar used one other advantage of operating in two different segments as commercial and military in the last year. The fact that the commercial and military businesses have balanced each other and we have distributed the risk to two different segments has enabled us to achieve a sustainable growth even under most adverse conditions so far until 2011. 2011, on the other hand, was a special year during which we achieved growth and great successes in both of the segments thanks to the positive effect of the activation in the market.

We have become a brand in the world and doubled the exports

As we point out at every opportunity, one of the most important characteristics of Otokar besides operating in different segments is that it manufactures as an independent manufacturer products of which intellectual rights are owned by it. Owing to this, Otokar is able to offer its own products under the brand name of Otokar to any market of its choice so as to meet the needs of the market. As the leading bus and tactical armoured vehicle brand of Turkey with a proven track record in the domestic market, Otokar has been reinforcing its power with sales figures increasing year by year. Products with Otokar brand are today used not only in the domestic market, but also in more than 60 countries in 5 continents.

These successes are reflected to our financial results. We reached an export figure at the level of USD 96 million with an increase by 110 percent in 2011. The great growth in exports in 2011 stemmed from the defence industry products. Manufacturing the most known vehicles in their class in the world, Otokar added new countries to the users of Turkish armoured vehicles which successfully serve in more than 20 countries and in the peace forces of the United Nations; existing successes became references for new orders. With the impact of this, we achieved a success in the defence industry which is rare in the world. Our new product ARMA received the second order from abroad before it completed the age one.

Toward a turnover of TL 1 billion

Besides achieving a significant growth in 2011, Otokar is a company which has potential to increase this growth more owing to the growth potential of the sectors in which it operates and to its own strengths.

We expect that the bus market will grow both in Turkey and Europe for the benefit of us during the next 5 years. Especially the cost sensitive approaches in Europe with the effect of global crisis offer a significant market opportunity for Turkish bus brands which have lower operating costs and sales prices. For this reason, we believe that our company Otokar Europe we established in 2011 will create new opportunities for us as being nearer to the customer and the market. In the trailer market, we expect that the market for the ADR tanker trailers in the fuel oil transportation will grow in the aftermath of introduction of new regulations in Turkey.

Meanwhile, in the wheeled tactical armoured vehicles segment where we have been operating for 25 years as the largest private capital defence industry company of Turkey, we target to repeat the success of COBRA in our new products in the next years. In the project of ALTAY, whose model in real size we exhibited in 2011, we are working with full force to manufacture the vehicles deserved by our country.

While we are meeting a new year with excitement to reach our goals, I thank our shareholders, customers, business partners, suppliers and employers who have always stood by us and wish to complete the year 2012 with successful results.

Yours sincerely,

Kudret Önen
Chairman of the Board of Directors

MEMBERS OF THE BOARD OF DIRECTORS

Kudret ÖNEN
Chairman

Mr. Önen was born in 1953 and graduated from university. He is the President of Defense Industry, Other Automotive and Information Technology Group within the organization of Koç Holding A.Ş.

Halil İbrahim ÜNVER
Vice Chairman

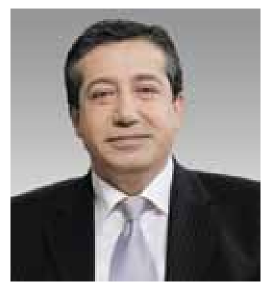
Mr. Ünver was born in 1950 and graduated from university. He is the Chairman of the Board of Directors of Ünver Holding.

O.Turgay DURAK
Member

Mr. Durak was born in 1952 and graduated from university. He is the CEO of Koç Holding A.Ş.

Alpay BAĞRIAÇIK
Member

Mr. Bağrıaçık was born in 1938 and graduated from university. He was retired in 2002 as Member of the Board of Directors and Consultant of Koç Holding A.Ş.

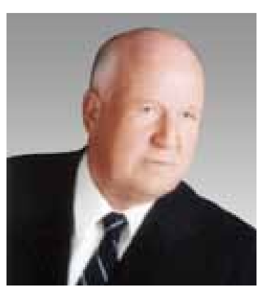


Ali Tarık UZUN
Member

Mr. Uzun was born in 1964 and graduated from university. He is the President of Audit Group within the organization of Koç Holding A.Ş.

A. Serdar GÖRGÜÇ
Member - General Manager

Mr. Görgüç was born in 1959 and graduated from university. He is the General Manager of Otokar A.Ş.



Taylan BİLGEL
Member

Mr. Bilgel was born in 1942 and graduated from university. He is the Chairman of the Board of Directors of Orta Anadolu Otomotiv Ticaret ve Sanayi A.Ş.

Tuğrul KUTADGOBİLİK
Member

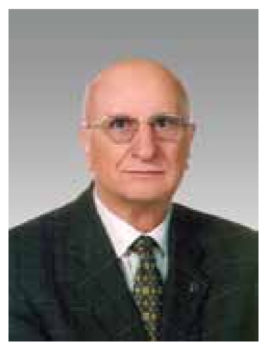
Mr. Kudatgobilik was born in 1940 and graduated from university. He is the Chairman of the Board of Directors of MESS and MESS Education Foundation.

Power of the auditors have been established in accordance with the article 16 of the Article of Assoçiation and the provisions of the Turkish Commercial Code.

MEMBERS OF THE BOARD OF AUDITORS

Mehmet APAK
Auditor

Mr. Apak was born in 1970 and graduated from university. He is coordinator in the Coordinatorship of Audit Group of Koç Holding A.Ş.



Metin UTKAN
Auditor

Mr. Utkan was born in 1940 and graduated from university. He is Chairman of the Board of Directors and Founder Member of YMM and works as Chartered Public Accountant.

Power of the auditors have been established in accordance with the article 16 of the Article of Assoçiation and the provisions of the Turkish Commercial Code.

PASSENGER TRANSPORTATION

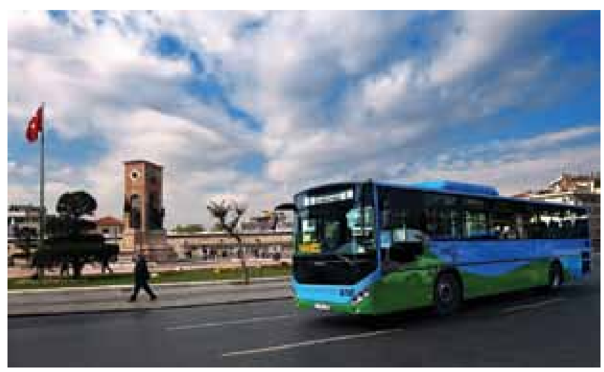
In the aftermath of global crisis experienced in 2009, the heavy commercial vehicle sector has begun to recover rapidly and manufacturing of minibuses, small busses and busses increased over 30 percent in 2011. While the heavy commercial vehicle market slowed down a little bit because of the matter of compliance with Euro 4 emission levels and European regulations under the program of harmonization with the European Union, especially purchases of public transportation busses by municipalities and private persons revived the sector. The overall bus market grew by 50 percent. The bus market in Europe, the main export market of Turkey, recovered as well, but the figures of 2008 could not have yet been attained both in the domestic market and the export markets.

Otokar closed 2011 as the leader of the bus market in Turkey as in the previous year. It achieved a growth over the growth of the market and became the most preferred brand among all buses with a capacity of 25 passengers and above.

Having ambitious targets in Europe besides the domestic market, Otokar established the company Otokar Europe in 2011 to carry out its bus export operations at a point closer to the target market and to be closer to the customer.

In-city passenger transportation

New systems and new solutions developed by the municipalities for in-city passenger transportation marked the year 2011. Metropolitan municipalities, which have been making investments for the sake of developing the rail transportation, have begun to look for integrated solutions to feed the rail transportation. The fact that many metropolitan municipalities have transferred the in-city public transportation service to separate entities paved the way for purchasing more modern and contemporary busses for the cities. Cities like İstanbul, Bursa and Samsun took the lead. İstanbul Metropolitan Municipality introduced a new practice, established a new bus company, İstanbul Otobüs A.Ş., and held tenders for new bus lines to serve within the body of the new company.



With the bus KENT introduced to the market in the segment of municipality busses last year, Otokar got off the ground successfully in this field. In its first year, KENT began to be used in a number of leading cities of Turkey like İstanbul, Malatya and Samsun. KENT was the most preferred bus among the busses purchased for use within the organization of İstanbul Otobüs A.Ş. which is one of the new public transport systems in İstanbul. In the first tender, KENT was preferred by majority of the users.

While KENT is sailing toward these successes, the bus DORUK (VECTIO in international markets) of 9 meters with low entry floor for transportation of disabled people, which is unique in the market, has begun to serve in all parts of

Turkey. In line with the needs of the users, Otokar renewed the low entry DORUK LE as a 3-door bus in 2011. Owing to its modern design and lower operating costs, both the municipalities and the public transport operators favored DORUK.

In line with the decision requiring the use of vehicles suitable for transportation of disabled people in public transport which will be effective in July 2012, Otokar renewing its vehicle SULTAN City (NAVIGO in international markets), introduced its SULTAN Maxi City of 7.7 meters with a structure on the rear door allowing ascending and descending of wheel chair to the market.

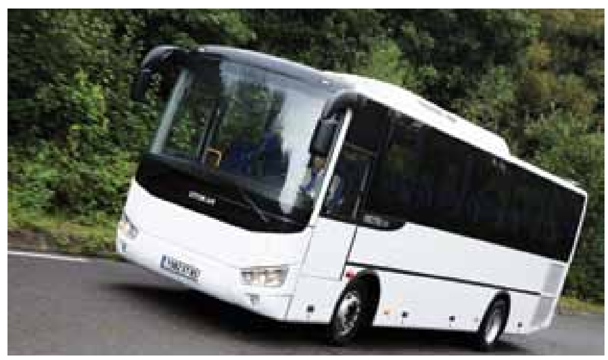
Having the broadest product family of Turkey in in-city transportation, Otokar has begun to offer special solutions for in-city public transportation in this line to the municipalities. Giving due consideration to the diversified needs and dynamics of the market, Otokar have begun to offer its low floor minibuses which are convenient for transportation of disable people to the municipalities. Otokar produced solutions with its vehicles of 6, 9 and 12 meters for the municipalities in order to enable them to balance the passenger densities varying from route to route and from hour to hour optimally. Municipalities of various cities like Samsun and Bursa purchased vehicles by giving due considerations to the aforesaid factors so as to minimize their operational costs.

The success of Otokar in the domestic market was repeated in the international markets as well. The busses VECTIO (DORUK) and KENT in Poland, the bus KENT in Hungary and the bus CENTRO (M-2010) in Spain are now used by new users.

The bus KENT, which was awarded design award in 2010, was awarded a prize in abroad in 2011. In the competition of European Bus & Coach Week held under the organization of Busworld Kortrijk, KENT passed the tough tests successfully. It was awarded the Jury's Special Award by a selection panel formed by press professionals who are specialists in their fields.

Service and tourism transportation

For reason that the transportation prices were not increased adequately despite the fact that the costs of fuel, vehicle renewal and operation continued to increase, 2011 was a difficult year for service transporters. Although the sector didn't shrink, the decrease in the income of the customers led to harsher competition among the manufacturers. Otokar was the brand which came out of this competition as a leader with its SULTAN (NAVIGO in international markets) busses. Owing to their two different sizes and different comfort options as well as to their lower operating costs especially in personnel transportation and durability, SULTAN busses were the primary preference of the users.



DORUK T, which has lesser passenger capacity and is shorter than coaches, but which is comparable with coaches for both exterior design and interior comfort, was the favorable bus of the tourism operators last year. The users who tested the bus especially in the region of Antalya during the 2010 season were satisfied for the lower operating costs in comparison with coaches and for the higher passenger capacity in comparison with the small size busses offered by DORUK T and thus placed higher orders for DORUK T in 2011. DORUK T has achieved great successes in its own niche market.

CARGO TRANSPORTATION

Due to the impact of the global crisis, trailer segment suffered from a severe stagnation during the last two years. With the effect of the general economic revival in 2011, postponed demands turned into sales. The segment grew by 80 percent over 2010. The number of trailers sold in Turkey reached the highest numbers of the last 10 years.

Otokar doubled its trailer sales, selling 2616 trailers in 2011. It became second in the market in terms of overall sales and reinforced its long lasting leadership in the sales of vehicles for perishable foods and fuel oil tanker trailers which require high specialty and experience.

Reinforcing its leadership in frigorific semi-trailers by developing new products continuously, Otokar introduced two new and different models into the market at the beginning and end of 2011. The new Iceliner model added to the product family at the beginning of 2011 gained appreciation in a short time thanks to its ceiling height of 2.66 meters and wider interior space and innovations providing better hygiene. It has become the most preferred vehicle especially in the South Eastern Anatolia where transportation of perishable foods is denser. Otokar developed and launched new Iceliner Premium, which has higher interior space, in December.

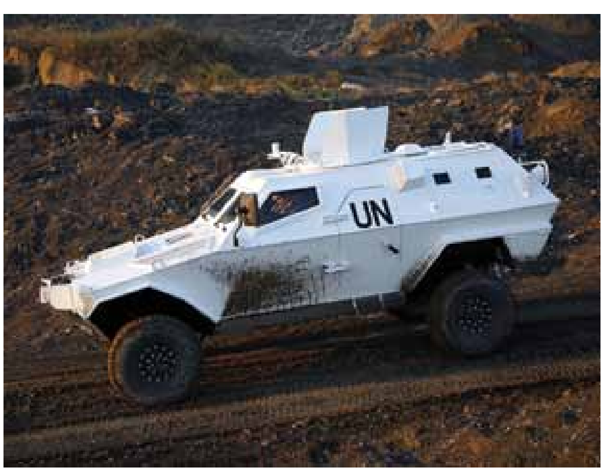
Being the leading company of Turkey in fuel oil tanker semi-trailers, Otokar maintained its leadership in this field in 2011 and continued its information activities regarding the regulation which makes it compulsory to use tanker semi-trailers with ADR certificate which will come in effect in January 1, 2013.

Continuing to make innovations in the curtainsider trailer segment, Otokar realized a first in Turkey in 2011 by introducing the first Turkish semi-trailer which can be used with all trucks in the market. Introduced to the market under the brand name of Otokar Optiliner in late November, the vehicle received great appreciation from the users. In late 2011, Otokar also introduced to the market the light semi-trailer which reduces the operating costs of the users of semi-trailers and which has increased cargo carrying capacity.

DEFENCE INDUSTRY

As more focus has been given to local designs and local manufacturing in the defence industry, the Undersecretariat of Defence Industry of the Ministry of National Defence of Turkey has recently announced that the share of locality has been raised to around 52 percent recently. Significant steps were taken for a number of projects in the defence industry and a number of projects were realized in recent years. Renovation and expansion of the existing inventory of the security forces and domestic conflicts and tensions in neighboring countries increased the demand for the defence industry products.

Being the largest private capital defence industry company of Turkey, Otokar continued to be the leader in 2011 by taking active part in the works for land vehicles. As it always has been, COBRA was demanded both in the domestic market and international markets as the most appreciated and liked vehicle of Otokar. The performance exhibited by COBRA especially in the peace forces of the United Nations, its mobility and maneuverability, supreme protection and modular structure were the references of COBRA for new orders. Two new users abroad preferred COBRA for very different missions in 2011. ARMA, which has been designed in line with the strategy of Otokar to expand its wheeled tactical armoured vehicle family, has achieved a rare success in the defence industry with the effect of this reference. ARMA 6x6 armoured tactical vehicle, which was first introduced in June 2010, received two orders from abroad before it completed age one.



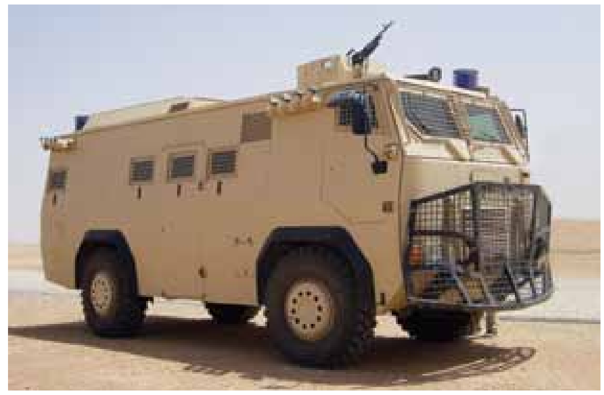
Having increased its R&D investments and thus accelerated the product development pace, Otokar expanded its product family in 2011. By adding the 8x8 armoured tactical vehicle to its ARMA brand product family, Otokar introduced the new vehicle first in IDEF 2012, the most important and largest defence industry fair of Turkey and the region. The vehicle passed all tests, including the desert tests and became ready for mass manufacturing. Offering the supreme protection and maneuverability along with a modular structure suitable for various missions, ARMA 8x8 has become one of the products with competitive advantages in the world by also offering the advantage of survivability, spacious interior and low operational costs.

Another vehicle exhibited at IDEF was ARMA 6x6 Armoured EOD Vehicle. The vehicle, which has been designed for use by EOD teams commissioned with the task of destruction of handmade explosives or road-side bombs, has been developed for remote detection and identification of suspicious/dangerous objects and handmade explosives (EYP) and unearthing and defusing of mines with its integrated hydraulic robotic arm.

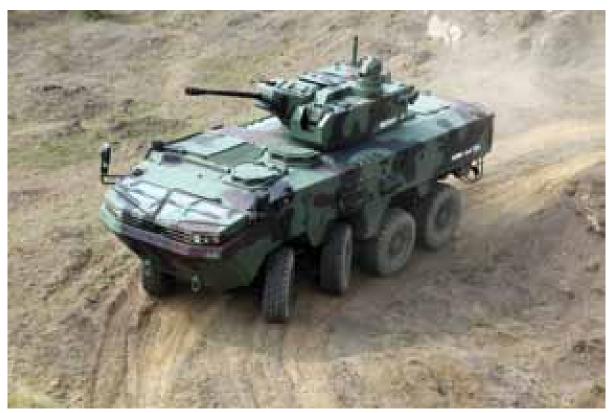
One of the most important projects of Otokar in 2011 was the modernization of Armoured Personnel Carriers and Akrep vehicles in the inventory of Turkish General Directorate of Security. In addition to the modernization works, Otokar received the first orders for its Armoured Interior Security Vehicle which was developed by Otokar on the platform of Armoured Patrol Vehicle by taking into account the current needs of the security forces and the changing threats.

Receiving important orders for exportation besides the domestic orders, Otokar has signed an important contract for its ISV Armoured Interior Security Vehicle besides COBRA, ZPT and ARMA. In June 2011, Otokar received an order from one of its existing users for Armoured Interior

Security Vehicle in an amount of USD 54.1 million and thus began the exportation of this vehicle as well.



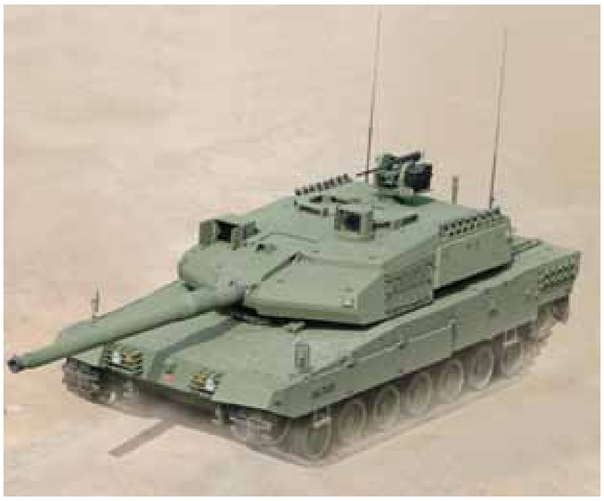
Otokar carried out significant works not only in the segment of tactical armoured vehicles but also in the design and development of turret systems in 2011. MIZRAK-30, a remote controlled turret developed by own sources of Otokar as an original and national project, was first exhibited on ARMA 8x8 in IDEF. Owing to its flexible and modular design, MIZRAK allows integration of automatic cannons of various types and caliber from 20 mm to 40 mm. Owing to its performance and technological capabilities, MIZRAK competes with systems used in the world armies or currently being developed.



Otokar, which gains a competitive advantage over its competitors with its Integrated Logistic Support system, delivered 41 training courses to users of Cobra, ZPT and Land Rover Defender vehicles in 2011. In the activities carried out theoretically and practically, training was given to 700 local and foreign users.

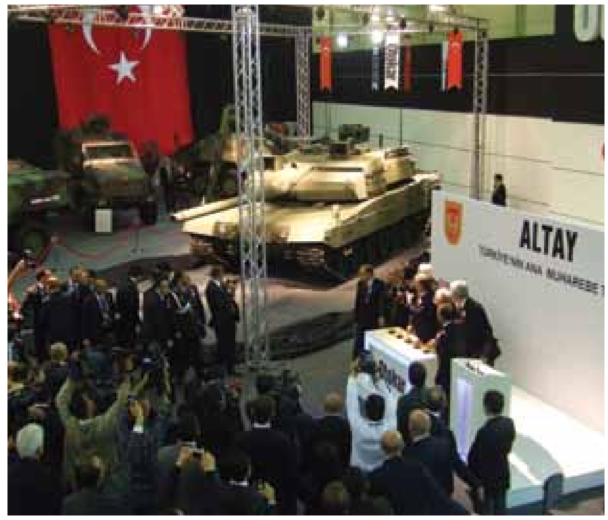
THE PROJECT ALTAY

Otokar has been contracted as the prime contractor for development of the first main battle tank of Turkey, named ALTAY. Launched with a signing ceremony in July 2008, the project consists of three phases. The project progressed to the Phase II in 2011.



The concept design, which was the first phase of the project, was completed in the last year and 1/1 scale model of ALTAY tank was exhibited in the 10th IDEF fair held in İstanbul in May 10-14, 2011. A model of ALTAY in real size was demonstrated to the public first time ever in the presence of Mr. Abdullah Gül, the President of the Republic, Mr. Vecdi Gönül, the Minister of Defence, General Işık Koşaner, the Chief of Staff, General Erdal Ceylanoğlu, the Commander of Land Forces, and Mr. Murad Bayar, the Undersecretary of Defence Industry. All features of the ‘concept design phase’ of the project which was completed until then could be watched on the real size model of the first Turkish main battle tank.

Afterward, preparations for manufacturing of the first of the preliminary prototypes which would be manufactured under the project were commenced.



INVESTMENTS AND IMPROVEMENTS

Otokar invested TL 16 million in research and development in 2011. While it added new models to its product family in both military and commercial segments, it continued the works to expand the existing product range in line with the customer expectations, the current needs and the technological developments.

Commissioning last year the "Climate Test Chamber with Dynamometer", which is one of the important R&D investments in Turkey and is owned by a few manufacturers in the world, Otokar used this testing facility for its own vehicles and rented it to the leading automotive manufacturers of Turkey in 2011.

Otokar also started the investment in the "Electromagnetic Compatibility Test Center (EMC/EMI)" under the Project Altay this year. When completed, this test center, where electromagnetic tests and compatibility studies of existing and new vehicles will be made, will become one of the most modern facilities in its field in the world and the largest EMC/EMI Test Center in Turkey.

In the field of manufacturing, besides the development and improvement investments, through the Otokar Recommendation and Reward system which allows active participation of the employees, 2603 recommendations were made in 2011. Owing to these recommendations, productivity could be increased significantly.

For manufacturing of the preliminary prototype and prototype tanks under the project ALTAY, a Prototype Workshop has been built. Having started the construction of a Tank Test Runway within the site of Otokar plant in 2011, Otokar targets to complete this investment during the next year.

HUMAN RESOURCES

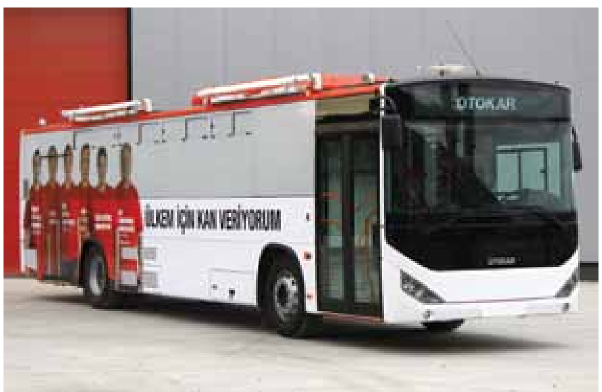
Employed 1519 persons, of which 984 are blue collar and 535 white collar, as of the end of 2011, Otokar continued the investments in the human resources in line with the principle of "our most important capital is the human resources" of Koç Group of Companies. Otokar added total 117 persons to the family of Otokar in 2011.

With training of total 25 thousand hours annually, an increase of 29 percent was achieved compared with the previous year. Training hour per person increased by 47 percent. Besides the job related training, Otokar Sharing Conferences has been launched with 11 topics from art, psychology and health to manufacturing technologies and business life. In addition, various events were organized involving social lives of the employees.

Active steps like job safety newsletter, job safety training, etc. were taken in 2011 with a view to improving the Job Safety culture. Otokar Natural Disaster Search and Rescue Team (ODAK) has been formed by 45 volunteers within the organization of Otokar to carry out search and rescue operations in a disaster and emergency occurred both in the country and within the site of the factory.

SOCIAL RESPONSIBILITY WORKS

Having awareness of corporate social responsibility, Otokar actively participated in the "For My Country" project carried out by Koç Holding across the Koç Group of Companies. Under the project of "I Give Blood for My Country" carried out jointly with Turkish Red Crescent in 2010 and 2011, 1013 employees of Otokar donated blood. Otokar also prepared a special blood transfusion bus for the Turkish Red Crescent. The bus KENT, which was designed and equipped with the necessary devices in line with the needs of the Red Crescent, was donated to the Red Crescent in January 2012.



Within the scope of the campaign called "Meslek Lisesi Memleket Meselesi" [Country Needs Vocational High Schools for Industrial Development], another social responsibility project carried out by the Koç Group of Companies, a welding workshop was established within the factory of Otokar in 2011 to give theoretical and practical training to the students of vocational high schools who were working at Otokar especially on MIG and MAG welding methods and welding defects.

In order to increase the employment of qualified workers in the region of Sakarya and to provide knowledgeable and qualified employees to the market, Car Painting Course has been opened within the factory. 60 trainees directed by İşkur [Turkish Employment Agency] attended the car painting training for 3.5 months within the scope of this project which is being carried out jointly with İşkur. 33 persons out of the trainees who passed the exam at the end of the Course have joined the organization of Otokar.

Otokar gave support to social needs in the region of Sakarya with voluntary participations and aids of the employees in 2011.

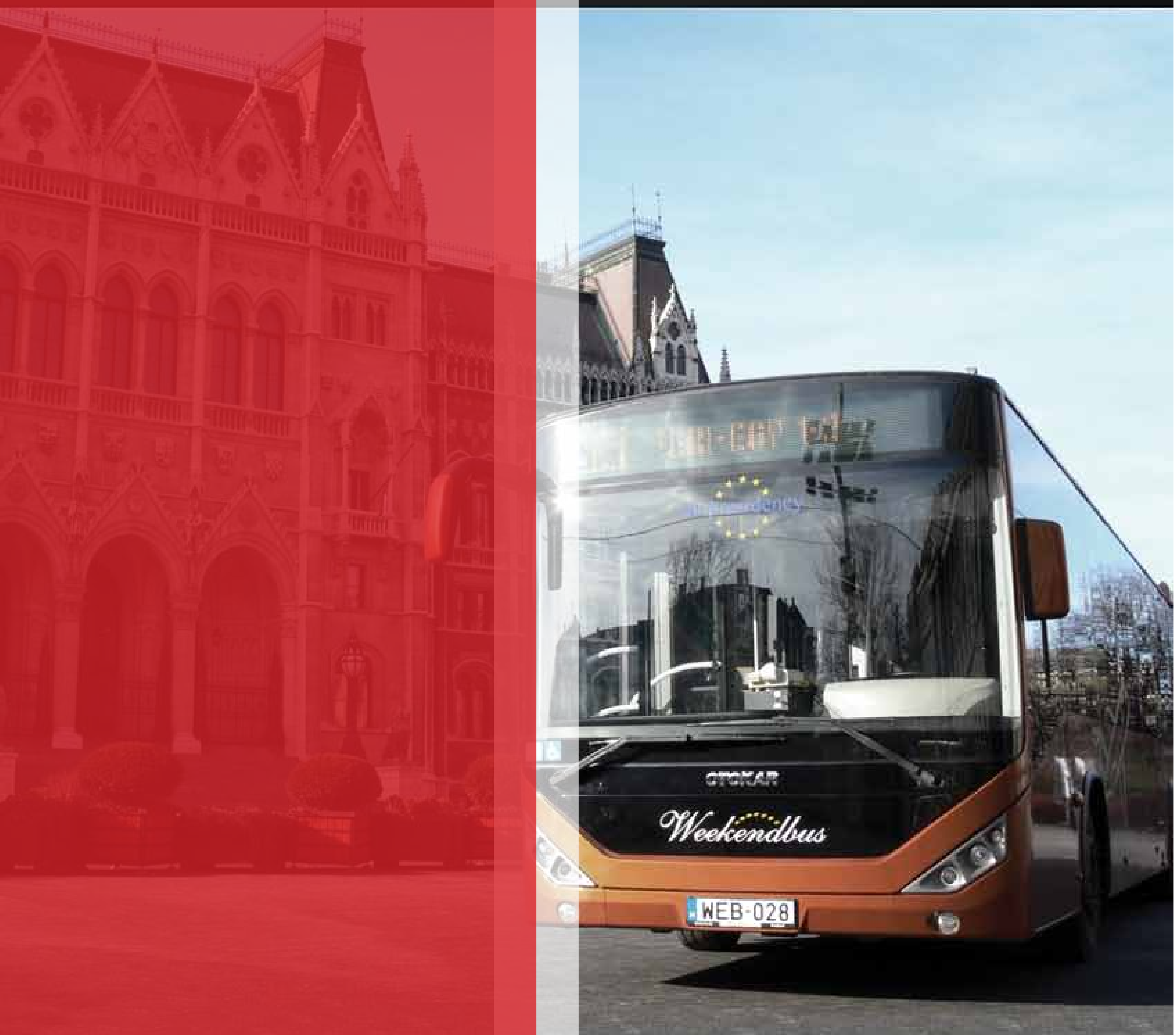
EXPECTATIONS FROM 2012

Shrinkage in the bus segment in the domestic market is expected in 2012 both in line with the general economic expectations and due to the increased vehicle costs resulting from transition to Euro 5 emission level. It is expected that the effect of this shrinkage will mitigate with the application of requirement to carry disable passengers in in-city public transportation from 2012 on and that the market will become active in this segment during the first six months. As to the foreign markets, it is expected that the European market will remain at the same levels.

It is expected that in the trailer market, which accelerated at unexpected speeds in 2011 due to the impact of demands postponed for two years, the acceleration will lessen. However, with coming into effect of the regulation which makes it compulsory to use tanker trailers with ADR certification in January 2013, a reactivation in this segment is expected.

Otokar, which will focus on the deliveries of defence industry orders received in 2011, will continue to the second and third phase works under the Altay National Main Battle Tank Project.

In addition, Otokar will continue to expand its product family with busses running with alternative fuels and new trailer models in 2012.


Weekendbus
WEB-028

FOR THE 49TH ORDINARY GENERAL ASSEMBLY MEETING OF
OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
TO BE HELD ON 14.03.2012 AT 11:00

AGENDA

1- Opening and election of the Chairing Board.

2- Reading of summary of and discussion of the Directors' and Auditors' Reports as well as the Independent Audit Report of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., the independent audit firm, concerning the activities and accounts of the Company in 2011; adoption, revised adoption or rejection of the proposal of the Board of Directors concerning the Balance Sheet and Income Statement 2011.

3- Release of each of members of the Board of Directors and Auditors from their obligations regarding the activities of the Company in 2011.

4- Adoption, revised adoption or rejection of the proposal of the Board of Directors concerning the distribution of the profit in 2011 and the date of distribution of the profit.

5- Voting of amendments to the article 5 "Head Office and Branch Offices", the article 10 "Board of Directors", the article 14 "Provisions Regarding the Board of Directors" and the article 17 "General Meetings", of the Articles of Association and of addition of the article 32 "Compliance with Corporate Governance Principles" to the Articles of Association, providing that necessary permissions have been obtained from the Capital Market Board and the Ministry of Customs and Commerce of the Republic of Turkey.

6- Determination of the number and office term of the members of the Board of Directors, election of members in number so determined, and election of the Independent Members of the Board of Directors.

7- Determination of the number of auditors and election of the auditors in number so determined.

8- Determination of the "Remuneration Policy" regarding the Members of the Board of Directors and the Top Executives pursuant to the Corporate Governance Principles.

9- Determination of the monthly gross remuneration of the members of the Board of Directors, the Independent Members of the Board of Directors and the Auditors.

10- Approval of the independent audit firm selected by the Board of Directors upon the proposal of the Audit Committee pursuant to the Communiqué Concerning the Standards of Independent Audit in the Capital Market of the Capital Market Board.

11- Granting of permission to the Board of Directors pursuant to the articles 334 and 335 of the Turkish Commercial Code to grant permission to the shareholders who have control of the management, to the Members of the Board of Directors and to the top executives and to the blood and in-law relatives of them up to second kin to execute transactions with the Company or its affiliates in such nature that may cause conflict of interest, to compete with the Company and its affiliates, to carry out such businesses falling into the scope of the subject of the Company personally or on behalf of others and to invest in such companies which are engaged in such businesses, and to execute other transactions, providing that information about such deals and transactions executed during the year is given to the General Meeting.

12- Giving information to the General Meeting about the transactions executed with the related parties during 2011 within the meaning of the regulations of the Capital Market Board.

13- Giving information to the General Meeting about the "Profit Distribution Policy" of the Company in 2012 and subsequent years pursuant to the Corporate Governance Principles.

14- Giving information to the General Meeting about the "Company Information Policy" of the Company pursuant to the Corporate Governance Principles.

15- Giving information to the General Meeting about the donations and aids made by the Company to foundations and societies for purposes of social aid in 2011.

16- Giving authority to the Chairing Board to sign the Minutes of the General Meeting on behalf of the Shareholders and to the effect that it be deemed suffice.

17- Wishes.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
FOR THE PERIOD 01.01.2011 - 31.12.2011
SUBMITTED TO THE 49TH ORDINARY GENERAL ASSEMBLY MEETING
held on March 14, 2012

BOARD OF DIRECTORS REPORT

Dear Shareholders,

The financial statements showing the activities of the Company covering the year 2011 and the results of these activities, which have been issued in accordance with the Generally Accepted Accounting Principles issued by the Capital Market Board are presented to the information of the shareholders.

Following are the names, office terms and authority limits of the members who undertook duty at the Boards of Directors and Auditors during the period. (Members who were elected by the Annual General Meeting dated 15.03.2011.)

Board of Directors:

		Office Term	
Name and Last Name	**Duty**	**Beginning**	**Ending**
Kudret ÖNEN	Chairman	15.03.2011	14.03.2012
Halil İbrahim ÜNVER	Vice Chairman	15.03.2011	14.03.2012
Osman Turgay DURAK	Member	15.03.2011	14.03.2012
Alpay BAĞRIAÇIK	Member	15.03.2011	14.03.2012
Ali Tarık UZUN	Member	15.03.2011	14.03.2012
Ahmet Serdar GÖRGÜÇ	Member	15.03.2011	14.03.2012
Taylan BİLGEL	Member	15.03.2011	14.03.2012
Tuğrul KUDATGOBİLİK	Member	15.03.2011	14.03.2012

Authority limits of the chairman and members of the Board of Directors have been determined in accordance with the article 12 of the Articles of Association of the Company and the provisions of the Turkish Commercial Code.

Board of Auditors:

		Office Term	
Name and Last Name	**Duty**	**Beginning**	**Ending**
Mehmet APAK	Auditor	15.03.2011	14.03.2012
M.Metin UTKAN	Auditor	15.03.2011	14.03.2012

Authority limits of the auditors have been determined in accordance with the article 16 of the Articles of Association of the Company and the provisions of the Turkish Commercial Code.

Capital of the Company and Shareholders Owning More Than 10% of the Capital:

As of 31.12.2011, the registered capital of the Company is TL 25 million and the issued capital TL 24 million.

Names and amounts of shares of the shareholders who own more than 10% of the capital and the percentages of these shares in the capital are as follows:

Name of the Shareholder	Amount of Share (TL)	Share %
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 the capital are held by approximately 4.900 shareholders according to the most recent data we received from the Central Stock Register Agency.

Dividends Distributed in the Last Three Years and their Rates:

Otokar distributed cash dividends at the following rates on the issued capital in recent years.

Period	%
2008	30,00
2009	85,00
2010	62,50

Whole of the dividend pertaining to the account period 2010 was paid to the shareholders in cash after March 22, 2011.

Our shareholders can access to the corporate and financial data of the Company under the section of “Investment Relations” in the web site at www.otokar.com.tr.

AUTOMOTIVE INDUSTRY AND OTOKAR

Otokar is in the light commercial vehicles segment of the automotive industry. Product range of Otokar consists of minibus, medium size bus and bus targeting the commercial market and preferably used in public transport; service and tourism transportation on the one hand and 4x4 tactical vehicles and wheeled armoured tactical vehicles of various types used in defence industry services on the other. In addition, trailers and semi-trailers are manufactured under the brand name of Otokar-Fruehauf for the transportation and logistics industry.

In July 29, 2008, Contract for the Design and Prototype Manufacturing of the first Turkish Main Battle Tank was signed between Otokar and the Undersecretariat of Defence Industry under the “Project of Manufacturing Turkish National Main Battle Tank” (Project Altay). Following the concept design completed in 2010, detailed design phase has commenced under the Project Altay. 1/1 size model of the tank ALTAY was exhibited to the public in IDEF 2011 exhibition in May.

Developments in the industry as of the end of 2011 can be summarized as follows based on the data released by the Association of Automotive Industrialists:

- Total manufacturing of motor vehicles rose to 1,189 thousand units during the period of January-December 2011 with an increase by 9% over the same period of 2010 and automobile manufacturing rose to 640 thousand units with an increase by 6%.

- Developments in the manufacturing of Light Commercial Vehicles Segment in which the Company takes part are as follows:

  Manufacturing of minibuses and midi-buses increased by 32%.
  Manufacturing of pickups increased by 8%.

- In the heavy commercial vehicles segment,
  Manufacturing of buses increased by 31%.
  Manufacturing of large size trucks increased by 60%. and
  Manufacturing of small size trucks increased by 39%.

Total sales of light commercial vehicles increased by 8% and of imported light commercial vehicles by 11% during the period of January-December 2011. Sales of locally manufactured light commercial vehicles have increased by 6%. Market share of import vehicles has increased by 41% during the period of January-December 2011.

PRODUCTION AND SALES

Production and sales units of the company by the product types compared with the previous year are as follows:

	2011		2010		Change (Unit)		Change %	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Minibus	168	152	286	283	(118)	(131)	(41)	(46)
Medium Size Bus	1,492	1,383	988	1,033	504	350	51	34
Bus	727	607	379	405	348	202	92	50
4x4 Tactical Vehicles	147	205	374	416	(227)	(211)	(61)	(51)
Armoured Tactical Vehicles	528	546	205	179	323	367	158	205
Trailers	2,614	2,616	1,158	1,159	1,456	1,457	126	126
TOTAL	**5,676**	**5,509**	**3,390**	**3,475**	**2,286**	**2,034**	**67**	**59**

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 Market Board pursuant to the "Communiqué on Principles of Financial Reporting in Capital Market", Serial XI, No. 29 of the Capital Market Board, the turnover of the company increased by 72% over the same period of the previous year. Domestic and international distribution of our turnover compared with the previous year is as follows:

	2011 (TL)	2010 (TL)	Change %
Domestic sales	726.345.773	447.972.160	62
International sales	164.179.416	69.424.334	136
TOTAL	**890.525.189**	**517.396.494**	**72**

Our total international sales is $ 96,439,329 (2010: $ 45,876,869), and its share in the total turnover is 18% (2010: 13%).

Our total capacity utilization is 53% (2010: 32%) as of the end of 2011.

Otokar owes its growth to the products of which the design and intellectual rights are owned by it, which have been developed by its own engineering, research and development sources. Otokar has adopted its strategies as growing in the defence industry, increasing the share of exports in the turnover and growing with new models, and has been successfully attaining these targets.

In 2011, Otokar participated in the IDEX 2011 Military Exhibition held in Abu Dhabi in February 20-24, 2011. Otokar exhibited its Cobra, Kaya and Arma vehicles among its armoured tactical vehicle range.

Otokar participated first time ever in the third BRIDEX 2011 defence industry exhibition held in Brunei in July 6-9, 2011. Otokar exhibited its internally controlled gun platform of Cobra.

Kent LF bus of Otokar was awarded the "Jury's Special Award" in the Busworld 2011

Kortrijk Bus Exhibition held in Belgium in October 21-26, 2011.

In the 10th IDEF (International Defence Industry Exhibition) held at Tüyap Fair Convention and Congress Center in İstanbul in May 10-13, 2011, Otokar exhibited its world renowned military vehicles of its own design and manufacturing. Otokar also exhibited a real size model of the first Turkish main battle tank to be manufactured under the Project ALTAY, in which Otokar is the prime contractor.

Otokar promoted its busses and semi-trailers in the biannual COMVEX İstanbul Commercial Vehicles, Busses and Subsidiary Industry Exhibiton held at Tüyap Fair Convention in November 24,27 - 2011.

INVESTMENTS

In 2011, Otokar continued the investments in the "Otokar R&D Center" which it started in previous years by taking a crucial decision in the field of research and development with a view to achieving the targeted rapid growth with vehicles of which intellectual rights are owned by Otokar.

The investments made so far, including the investments in the R&D Center and the modernization projects, amount to 15 million US dollars.

ADMINISTRATIVE ACTIVITIES

Names and positions of the top executives of the Company in 2011 are as follows:

Name and Last Name	Position
A. Serdar GÖRGÜÇ	General Manager
Hüseyin ODABAŞ	Assistant General Manager - Financial
Ali Rıza ALPTEKİN	Assistant General Manager - Production
Murat ULUTAŞ	Assistant General Manager - Technical
H. Basri AKGÜL	Assistant General Manager - Sales and Marketing
Mustafa BAKIRCI	Assistant General Manager - Tank and Armoured Vehicles

Total number of employees as of 31.12.2011 is 1,519 (2010: 1,312). Of these employees, 535 (2010: 461) are administrative and office personnel and 984 (2010: 851) are workers. No dispute and labor movement has occurred during the period.

The Company is subject to the Group's Collective Labor Agreement signed between the Turkish Metal Union and MESS on 13.11.2010, effective 01.09.2010. The term of the Agreement is two years and it will expire on 31.08.2012.

The Company has agreed to comply with the Corporate Governance Principles issued by the Capital Market Board and to make regulations on issues to be complied with according to the changing conditions. Otokar has been rated by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in respect of compliance of the corporations listed in the İstanbul Stock Exchange with the Corporate Governance Principles in accordance with the Communiqué on the Principles Concerning Rating Activity and Rating Agencies in Capital Market of the Capital Market Board. The "Corporate Governing Rating Report" is available at the web site of the Company at www.otokar.com.tr.

The Corporate Governance Rating of the Company, which was 83.18 (8.32) in 2010, was ascertained at 84.68 (8.47) in 2011.

FINANCIAL RESULTS

The Company presents its non-consolidated financial reports issued regarding its activities in 2011 in accordance with the International Financial Reporting Standards (UMS/UFRS) in the format determined by the Capital Market Board pursuant to the "Communiqué on the Principles Concerning Financial Reporting in Capital Market", Serial XI, No. 29 of the Capital Market Board to the General Meeting and the public.

Also the financial statements, footnotes and ratios showing the results of our activities in 2011 are presented to your inspection.

In 2011, the turnover of the Company amounted to TL 890,525,189 and the gross sales profit to TL 195,704,563.

According to the financial statements issued in accordance with the International Financial Reporting Standards pursuant to the regulations of the Capital Market Board, the company set aside depreciation provision of TL 21,548,249 and severance pay and guarantee provision of TL 14,278,967, and closed the year with a pre-tax profit amounting to TL 61,776,341.

In 2011, the company earned an after-tax net profit amounting to TL 54,846,604.

The company made donations and aids amounting to TL 1,810,537 to foundations and societies exempted from tax for purposes of social aid during the year.

In determination of the profit distribution, long term strategy, capital requirements, investment and financing policies and profitability and cash position of the company are taken into account.

We submit to your approval of payment of gross=net cash dividend at the rate of 200% and in the amount of TL 2.00000 per share at par value of TL 1.00 to shareholders in unlimited tax payer status and to shareholders in limited tax payer status who earn profit share through a business unit or a permanent representative in Turkey;

payment of net cash dividend at the rate of 170% and in the amount of TL 1.70000 per share at par value of TL 1.00 to other shareholders as per the Profit Distribution Proposal attached hereto, and that the beginning date of payment of the dividends in total amount of TL 48,000,000 be Wednesday, 21.03.2012.

We have presented you a summary of the activities and the results obtained in 2011.

Dear Shareholders,

This Board of Directors completed its office term today. This meeting will elect the new members of the Board of Directors for the next period. We thank you for the trust, courtesy and assistance extended by you to us during our office term.

İstanbul, February 21, 2012

Kudret ÖNEN
Chairman of the Board of Directors

PROFIT DISTRIBUTION PROPOSAL FOR THE ACCOUNT PERIOD OF 01.01.2011-31.12.2011

According to our financial statements pertaining to the account period of 01.01.2011-31.12.2011 which have been issued by the Company in compliance with the International Financial Reporting Standards and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in accordance with the provisions of the Communiqué Serial XI, No. 29 of the Capital Market Board, "Non-consolidated Net Profit in the Period" amounting to TL 54,846,604 has been earned. Our proposal for the profit distribution prepared by taking into account our long term corporate strategy, the capital requirements of the Company, the investment and financing policies, and the profitability and cash position is given below. As per the resolution to be taken by the General Meeting, payment of the dividend will start on 21.03.2012.

Otokar Otomotiv ve Savunma Sanayi A.Ş. Profit Distribution Statement 2011 (TL)			
1. Paid-up/Issued Capital			**24.000.000**
2. Total Statutory Reserves (based on the Statutory Records)			**18.118.147**
Information about any privilege provided in the articles of association regarding the profit distribution			
		According to the Capital Market Board	**According to the Statutory Records**
3.	Profit in the Period	61,776,341	67,237,134
4.	Taxes Payable (-)	-6,929,737	-11,715,710
5.	Net Profit in the Period (=)	54,846,604	55,521,424
6.	Losses in Previous Years (-)		
7.	**Primary Statutory Reserve (-)**		
8.	**NET DISTRIBUTABLE PROFIT IN THE PERIOD (=)**	54,846,604	55,521,424
9.	Donations made during the year (+)	1,810,537	
10.	**Net distributable profit in the period plus the donations based on which the primary dividend is calculated**	56,657,141	
11.	Primary dividend to shareholders	11,331,428	
	-Cash	11,331,428	
	-Gratis Shares		
	- Total	11,331,428	
12.	Dividend Paid to Holders of Preferential Shares		
13.	Dividend to members of the board of directors, employees, etc.		
14.	Dividend to holders of dividend shares		
15.	Secondary Dividend to Shareholders	36,668,572	
16.	Secondary Statutory Reserve	4,680,000	
17.	Statutory Reserves		
18.	Special Reserves		
19.	**EXTRAORDINARY RESERVE**	2,166,604	2,841,424
20.	**Other Funds Proposed to be Distributed**		

INFORMATION ABOUT RATE OF PROFIT DISTRIBUTED				
DIVIDEND PER SHARE				
	GROUP	**TOTAL AMOUNT OF DIVIDEND (TL)**	**DIVIDEND PER SHARE AT PAR VALUE OF TL 1.00**	
			AMOUNT(TL)	**RATE(%)**
GROSS	-	48,000,000	2.00000	200.000
	TOTAL	**48,000,000**	**2.00000**	**200.000**
NET	-	40,800,000	1.70000	170.000
	TOTAL	**40,800,000**	**1.70000**	**170.000**

RATIO OF THE DISTRIBUTED PROFIT TO THE NET DISTRIBUTABLE PROFIT PLUS DONATIONS	
AMOUNT OF PROFIT DISTRIBUTED TO SHAREHOLDERS (TL)	RATIO OF THE PROFIT DISTRIBUTED TO SHAREHOLDERS TO THE NET DISTRIBUTABLE PROFIT PLUS DONATIONS (%)
48,000,000	84.72

AUDITOR'S REPORT

To the General Meeting of Shareholders of
Otokar Otomotiv ve Savunma Sanayi A.Ş.
İSTANBUL

We present the results of our audits regarding the account period 2011 of the Company 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 the laws,

    b. Documents evidencing the records have been kept in good order and

    c. Resolutions taken concerning the management of the Company have been recorded in the resolution register in accordance with the procedure.

2. In this regard, in view of the state and condition of the Company, we have the opinion that the enclosed financial statements issued as of 31.12.2011 in accordance with the provisions of the "Communiqué on the Principles of Financial Reporting in Capital Market" Serial XI, No. 29 of the Capital Market Board 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 the operations of the company summarized in the report prepared by the Board of Directors, the financial statements issued in accordance with the Capital Market Board, the approval of the proposals of the Board of Directors regarding the result of the period and the release of the Board of Directors to the comment of the General Meeting.

Yours sincerely,

İstanbul, 21.02.2012

Mehmet Apak	M. Metin Utkan
Auditor	Auditor

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

ERNST & YOUNG
Quality In Everything We Do

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, 2011, 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, 2011 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.

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

Erdem Tecer, SMMM
Partner

February 13, 2012
İstanbul, Turkey

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BALANCE SHEET

AS OF DECEMBER 31, 2011

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

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

		Current period	Prior period
		(Audited)	**(Audited)**
	Notes	**December 31, 2011**	**December 31, 2010**
Assets			
Current assets			
Cash and cash equivalents	4	4.470.424	111.564.742
Trade receivables	8	215.803.465	136.241.771
- Trade receivables from related parties	28	19.862.364	18.890.279
- Trade receivables from other parties	8	195.941.101	117.351.492
Other receivables	9	577	594
Inventories	10	168.551.835	100.565.170
Estimated earnings in excess of billings on uncompleted contracts	11	43.967.333	22.646.544
Derivative financial instruments	7	9.022.907	182.808
Other current assets	18	133.705.191	60.395.307
Total current assets		**575.521.732**	**431.596.936**
Non-current assets			
Trade receivables	8	81.455.465	41.433.423
Other receivables	9	5.903	5.903
Financial investments	5	239.280	-
Property, plant and equipment	12	113.300.891	99.137.629
Intangibles	13	71.474.322	55.520.950
Deferred tax asset	26	12.648.352	7.944.450
Total non-current assets		**279.124.213**	**204.042.355**
Total assets		**854.645.945**	**635.639.291**

The accompanying policies and explanatory notes form an integral part of the financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BALANCE SHEET

AS OF DECEMBER 31, 2011

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

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

		Current period	Prior period
		(Audited)	(Audited)
	Notes	December 31, 2011	December 31, 2010
Liabilities			
Current liabilities			
Financial liabilities	6	96.867.900	38.007.355
Trade payables	8	78.495.682	47.561.560
- Trade payables to related parties	28	5.086.142	3.376.743
- Trade payables to other parties	8	73.409.540	44.184.817
Other payables	9	154.929.567	162.029.312
Government incentives and grants	15	621.992	359.975
Current tax liabilities	26	3.089.785	4.581.519
Provisions	16	206.459.342	103.611.153
Other current liabilities	18	8.233.975	7.131.327
Total current liabilities		**548.698.243**	**363.282.201**
Non-current liabilities			
Financial liabilities	6	82.471.971	90.875.102
Government incentives and grants	15	1.017.366	892.142
Employee benefits	17	9.110.483	7.088.568
Total non-current liabilities		**92.599.820**	**98.855.812**
Shareholders' equity			
Parent Company's equity			
Paid-in share capital	19	24.000.000	24.000.000
Inflation adjustment on equity items	19	52.743.030	52.743.030
Restricted reserves	19	18.118.147	16.738.147
Retained earnings	19	63.640.101	59.241.787
Net income for the year	19	54.846.604	20.778.314
Total shareholders' equity		**213.347.882**	**173.501.278**
Total liabilities		**854.645.945**	**635.639.291**

The accompanying policies and explanatory notes form an integral part of the financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A. Ş.

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

		Audited	**Audited**
	Notes	**January 1– December 31, 2011**	**January 1– December 31, 2011**
Net sales	20	890.525.189	517.396.494
Cost of sales (-)	20	(694.820.626)	(426.300.182)
Gross profit		**195.704.563**	**91.096.312**
Selling, marketing and distribution expense (-)	21	(83.213.660)	(42.376.871)
General and administrative expense (-)	21	(25.161.744)	(19.913.065)
Research and development expenses (-)	21	(12.355.838)	(7.186.302)
Other operating income	23	4.216.993	5.770.936
Other operating expense	23	(8.348.464)	(1.749.748)
Operating profit		**70.841.850**	**25.641.262**
Financial income	24	88.311.941	37.636.662
Financial expense (-)	25	(97.377.450)	(43.201.069)
Income before tax		**61.776.341**	**20.076.855**
Tax income/expense			
- Tax expense for the year	26	(11.633.639)	(4.581.519)
- Deferred tax income	26	4.703.902	5.282.978
Net income		**54.846.604**	**20.778.314**
Other comprehensive income		**-**	**-**
Total comprehensive income		**54.846.604**	**20.778.314**
Earnings per share	**24**	**0,229**	**0,087**

The accompanying policies and explanatory notes form an integral part of the financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A. Ş.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Retained earnings	Net income for the year	Total shareholders' equity
January 1, 2010	**24.000.000**	**52.743.030**	**14.818.147**	**47.701.977**	**33.859.810**	**173.122.964**
Transfer to retained earnings	-	-	-	33.859.810	(33.859.810)	-
Transfer to restricted reserves	-	-	1.920.000	(1.920.000)	-	-
Dividends paid (Note 19)	-	-	-	(20.400.000)	-	(20.400.000)
Total comprehensive income	-	-	-	-	20.778.314	20.778.314
December 31, 2010	**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 19)	-	-	-	(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**

The accompanying policies and explanatory notes form an integral part of the financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A. Ş.
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

	Notes	January 1 – December 31, 2011	January 1 – December 31, 2010
Cash flows from operating activities			
Income before provision for taxes		**61.776.341**	**20.076.855**
Adjustments to reconcile income before taxes to net cash flows from operating activities:			
Depreciation and amortization	12	21.548.249	15.820.022
Provision for retirement pay liability	22	3.149.257	2.482.334
Provision for inventories	10, 22	1.575.452	-
Warranty provision expenses	16, 22	28.823.464	8.536.235
Gain on sale of property, plant and equipment	23	(1.020.382)	(2.858.179)
Interest expense	25	16.075.841	12.365.701
Unrealized foreign exchange loss on borrowings		-	1.079.750
Interest income	24	(1.558.703)	(746.729)
Provision for doubtful receivables	8, 23	7.944.800	1.535.319
Gain on forward transactions, net		(11.717.572)	(727.728)
Operating profit before changes in operating asset and liabilities		**126.596.747**	**57.563.580**
Trade receivables and other receivables		(127.528.519)	(19.599.540)
Devam eden yıllara sari işlerdenCosts and estimated earnings in excess of billings on uncompleted contracts		(21.320.789)	(11.527.097)
Inventories		(69.562.117)	29.484.873
Other current assets		(73.309.884)	(169.949)
Trade payables		30.934.122	(8.987.424)
Other liabilities, provisions and other current liabilities		84.981.281	112.230.828
Income taxes paid		(13.125.373)	-
Warranties paid	16	(16.566.412)	(8.209.078)
Employee termination benefits paid	17	(1.127.342)	(1.010.184)
Net cash (used in)/provided by operating activities		**(80.028.286)**	**149.776.009**
Cash flows from investing activities			
Cash paid for acquisition of property, plant and equipment	12	(24.462.080)	(6.186.083)
Cash paid for acquisition intangible assets	12	(28.559.974)	(22.961.136)
Proceeds from sale of property, plant and equipment		2.377.553	3.951.604
Capital payment for financial investments	5	(239.280)	-
Interest received		1.558.703	746.729
Net cash used in investing activities		**(49.325.078)**	**(24.448.886)**
Cash flows from financing activities			
Change in spot borrowings, net		12.891.542	9.821.707
Proceeds from bank borrowings		64.385.526	34.779.500
Repayments of bank borrowings		(36.735.103)	(59.514.302)
Realized gain from forward transactions, net		2.877.473	544.927
Interest payments		(6.160.392)	(10.875.390)
Dividends paid	19	(15.000.000)	(20.400.000)
Net cash provided by/(used in) financing activities		**22.259.046**	**(45.643.558)**
Net (decrease)/increase in cash and cash equivalents		**(107.094.318)**	**79.683.565**
Cash and cash equivalents at the beginning of the year	4	**111.564.742**	**31.881.177**
Cash and cash equivalents at the end of the year	4	**4.470.424**	**111.564.742**

The accompanying policies and explanatory notes form an integral part of the financial statements.

(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 and midibuses, trailers, semi-trailers and cross-country comprises the majority of its production. The number of the personnel in the Company is 1.519 (December 31, 2010 - 1.312).

The registered addresses of the Company are as follows:

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

Factory:
Atatürk Cad. No: 9
54580 Arifiye / Sakarya

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" has not yet started its operations and does not materially affect the financial statements, it has not been subject to consolidation and has been classified under financial investments in the balance sheet (Note 5).

Financial statements have been authorized for issue by the Board of Directors of the Company on February 13, 2012 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. 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, 2011, the shares listed on the ISE are 29,91% of the total shares. As of December 31, 2011, the principal shareholders and their respective shareholding percentages are as follows:

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

The Parent Company (Koç Holding A.Ş.), is controlled by Koç Family and the companies owned by 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 financial assets 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, 2011 and December 31, 2010 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

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.

In order to be comparative with the current year presentation, the Company has reclassified forward income accruals amounting to TL 182.808, which was classified in 'other current assets' as of December 31, 2010, to 'derivative financial instruments'.

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, 2011 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

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

IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction— Prepayments of a Minimum Funding Requirement (Amended)

The amendment removes an unintended consequence when an entity is subject to minimum fundingrequirements and makes an early payment of contributions to cover such requirements. The amendmentpermits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position or performance of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39.

As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation does not apply when the creditor is acting in the capacity of a shareholder, in common control transactions or when the issue of equity shares was part of the original terms of the liability. The adoption of the interpretation did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation - Classifications on Rights Issues (Amended)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Company because the Company does not have these types of instruments.

IAS 24 Related Party Disclosures (Revised)

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. In addition, the revised standard introduces a partial exemption of general disclosure requirements for transactions with government-related entities. The amendment has no effect on the financial position or performance of the Company.

Improvements to IFRSs

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Revisions which are effective as of January 1, 2011 and have no effect on the financial performance and financial position of the Company are as follows. The amendments that are effective as at 1 January 2011 are as follows:

IFRS 3 Business Combinations

i) Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS

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

ii) Measurement of non-controlling interests

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

iii) Unreplaced or voluntarily replaced share-based payment awards

This improvement requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration paid and post combination expenses.

IFRS 7 Financial Instruments: Disclosures

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Among others, the improvement remove the disclosure requirement of the collateral held as security and other credit enhancements and estimate of their fair value for financial assets that are past due but not impaired and that are individually impaired; and instead include a disclosure requirement of financial effect of collateral held as security and other credit enhancements for all financial assets.

IAS 1 Presentation of Financial Statements

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

IAS 27 Consolidated and Separate Financial Statements

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 "The Effect of Changes in Foreign Exchange Rates", IAS "28 Investments in Associates" and IAS 31 "Interests in Joint Ventures" apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

IAS 34 Interim Financial Reporting

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements on i) the circumstances likely to affect fair values of financial instruments and their classification, ii) transfers of financial instruments between different levels of the fair value hierarchy, iii) changes in classification of financial assets, and iv) changes in contingent liabilities and assets.

IFRIC 13 Customer Loyalty Programmes

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

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 1 July 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. This standard has not yet been endorsed by the EU. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

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

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

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 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. This standard 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 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 standard has not yet been endorsed by the EU. 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. This standard has not yet been endorsed by the EU. 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. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (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. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after 1 July 2011.Comparative disclosures are not required. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities(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. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 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 1 January 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 1 January 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. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 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. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 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. 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 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 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

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

The Interpretation is effective for annual periods beginning on or after 1 January 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. This standard has not yet been endorsed by the EU. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

2.5 Significant accounting judgments and estimates

The preparation of the financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

a) In the context of IAS 11 “Construction contracts” assumptions are made related to total cost of and profitability of projects.

b) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all deductable temporary differences. For the year ended December 31, 2011, 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.

e) 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.

f) 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.

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.

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;
- (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.

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

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

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

(vii) if the person or entity defined in article (a) and subparagraph (i) has significant influence or control over company or if the mentioned person or entity is a key executive of the company.

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

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:

- Existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Existence of the intention to complete the intangible asset and use or sell it
- Existence of the ability to use or sell the intangible asset.
- Reliability of how the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete The development and to use or sell the intangible asset.
- 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 5 years by straight-line method effective from the start of the production.

Investment, Research and Development Incentives

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

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

Income Taxes

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

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

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

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

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

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

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

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

Long-term Employee Benefits

(a) Defined benefit plans:

Retirement pay liability

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

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

Financial assets

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.

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.

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.

Cash flow statement

For purposes of preparation of the statements of cash flows, cash and cash equivalents include cash on hand, bank deposits and reverse repurchase agreements with maturity of less than three months.

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

Since the Company follows its operations in one segment, the Company does not prepare segment reporting. Sales by product groups are disclosed in Note 17.

4. CASH AND CASH EQUIVALENTS

	December 31, 2011	**December 31, 2010**
Cash at banks		
- demand deposits	2.897.205	9.675.762
- time deposits	-	100.799.200
Cheques and notes received	1.526.619	1.028.005
Other	46.600	61.775
Total	**4.470.424**	**111.564.742**

As of December 31, 2010, effective interest rate of time deposits which are originally amounting to USD 65.200.000 is annually 1,55% and the maturity is 3 days.

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, 2011, the Company has restricted bank deposit amounting to TL 1.145 (December 31, 2010 - TL 795).

5. FINANCIAL İNVESTMENTS

The Company has a subsidiary titled as «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” has not yet started its operations and does not materially affect the financial statements, it has not been subject to consolidation and is carried at cost values.

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

6. FINANCIAL LIABILITIES

	Maturities	İnterest rate (%)	December 31, 2011 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**

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

(*) Weighted average maturity days of long-term borrowings are 499.

(**) Bearing fixed interest rate

	Maturities	İnterest rate (%)	Amount in original currency	December 31, 2010 TL
Short-term bank borrowings (**)				
Denominated in EUR	June 9, 2011	3,55	10.378.129	21.265.825
Denominated in TL	January 5, 2011 – October 27, 2011	8,50	16.741.530	16.741.530
Total				**38.007.355**

	Maturities	İnterest rate (%)	Amount in original currency	December 31, 2010 TL
Long-term bank borrowings (*)(**)				
Denominated in EUR	February 24, 2012 – March 15, 2012	3,76	7.549.304	15.469.278
Denominated in TL	April 28, 2012	8,55 - 8,75	75.405.824	75.405.824
Total				**90.875.102**

(*) Principle amount of long- term borrowings will be repaid on maturity with all accrued interest. Weighted average maturity days are 426.

(**) Bearing fixed interest rate

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

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

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	Assets
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**
December 31, 2010:			
Forward transactions	92.106.455	February 22, 2011 – June 8, 2011	182.808
Short-term derivative financial instruments	92.106.455		182.808
Total derivative financial instruments	**92.106.455**		**182.808**

8. TRADE RECEIVABLES AND PAYABLES

Trade receivables

	December 31, 2011	December 31, 2010
Trade receivables, net	67.250.300	44.185.538
Notes receivables, net	147.028.337	83.706.200
	214.278.637	**127.891.738**
Less: provision for doubtful receivables	(18.337.536)	(10.540.246)
Other short-term trade receivables	**195.941.101**	**117.351.492**
Trade receivables from related parties (Note 25)	19.862.364	18.890.279
Short-term trade receivables	**215.803.465**	**136.241.771**
Long-term notes receivable, net	81.455.465	41.433.423
Long-term trade receivables	**81.455.465**	**41.433.423**

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

Guarantees received for trade receivables

Receivables of the Company mainly relate to the sales to the minibus and bus dealers, trailer sales and military vehicle sales. As of December 31, 2011, the total trade receivable from dealers amounting to TL 52.916.990 (December 31, 2010 - TL 53.131.516), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 41.753.015 (December 31, 2010 - TL 46.846.000). The Company manages its credit risk for the remaining receivables through policies and procedures as explained in the Credit Risk section of Note 26.

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

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**

December 31, 2010	**Trade receivables**
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	53.604
1- 5 year past due	2.603.978
Over 5 year past due	-
Total	**2.657.582**
Amount secured with guarantee (1)	**2.094.954**

(1) Pledges on trailers.

The movement of the provision for doubtful receivables for the year ended December 31, 2011 and December 31, 2010 are as follows:

	December,31 2011	December,31 2010
January 1	10.540.246	9.032.435
Collections	(147.510)	(27.508)
Additional provision (Note 23)	7.944.800	1.535.319
Total	**18.337.536**	**10.540.246**

Trade payables

	December,31 2011	December,31 2010
Trade payables, net	73.243.490	44.033.767
Notes payables, net	166.050	151.050
Short-term trade payables	**73.409.540**	**44.184.817**
Trade payables to related parties (Note 25)	5.086.142	3.376.743
Short-term trade payables	**78.495.682**	**47.561.560**

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

9. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

	December, 31 2011	December, 31 2010
Due from personnel	577	594
Total	**577**	**594**

Other long-term receivables

	December, 31 2011	December, 31 2010
Deposits and guarantees given	5.903	5.903
Total	**5.903**	**5.903**

Other short-term payables

	December, 31 2011	December, 31 2010
Advances received	148.349.292	158.527.706
Due to personnel	6.545.066	3.469.360
Other miscellaneous payables	35.209	32.246
Total	**154.929.567**	**162.029.312**

10. INVENTORIES

	December, 31 2011	December, 31 2010
Raw material	47.815.012	25.138.729
Work-in-process	9.056.158	2.139.199
Finished goods	61.757.207	29.089.773
Merchandise	24.079.893	17.622.154
Goods in transit	27.419.017	26.575.315
(-) Impairment for inventories (*)	(1.575.452)	-
Total	**168.551.835**	**100.565.170**

(*) TL 1.148.244 of impairment is related to finished goods and TL 427.208 is related to merchandises. The impairment has been accounted under cost of sales account.

The movements of impairment for inventories in 2011 are as follows:

	December, 31 2011
January 1	-
Period charge (Note 22)	(1.575.452)
December 31, 2011	(1.575.452)

11. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS AND OTHER PAYABLES

As of December 31, 2011 accrued costs related to uncompleted contracts amounted to TL 251.447.795 (December 31, 2010 - TL 135.992.445).

As of December 31, 2011, the short term advances taken by the Company related with ongoing projects which amounts to TL 61.420.658 was included in other payables in the financial statements (December 31, 2010 – TL 114.477.042).

12. PROPERTY, PLANT AND EQUIPMENT

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**

For the year ended December 31, 2010, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2010	Additions	Disposals	Transfers	December 31, 2010
Cost:					
Land	36.396.386	-	-	-	36.396.386
Land improvements	5.481.336	-	-	-	5.481.336
Buildings	53.131.899	-	-	87.104	53.219.003
Machinery, equipment and installations	86.463.883	2.034.497	(1.844.073)	5.780.619	92.434.926
Motor vehicles	5.113.531	1.901.866	(316.602)	-	6.698.795
Furniture and fixtures	18.408.093	1.593.830	(1.246.715)	3.940	18.759.148
Leasehold improvements	1.445.746	2.856	-	-	1.448.602
Construction in progress	5.889.502	653.034	-	(5.871.663)	670.873
	212.330.376	**6.186.083**	**(3.407.390)**	**-**	**215.109.069**
Accumulated depreciation:					
Land improvements	2.128.424	201.655	-	-	2.330.079
Buildings	18.593.043	2.520.598	-	-	21.113.641
Machinery, equipment and installations	70.043.866	4.739.617	(957.299)	-	73.826.184
Motor vehicles	3.127.422	363.051	(120.242)	-	3.370.231
Furniture and fixtures	14.677.521	682.677	(1.236.425)	-	14.123.773
Leasehold improvements	1.168.255	39.277	-	-	1.207.532
	109.738.531	**8.546.875**	**(2.313.966)**	**-**	**115.971.440**
Net book value	**102.591.845**			**-**	**99.137.629**

For the years ended December 31, 2011 and 2010, the allocation of depreciation and amortisation expenses of property, plant and equipment and intangibles has been as follows:

	December 31, 2011	December 31, 2010
Research and development expenses	11.369.270	6.185.961
Cost of goods sold	5.548.448	5.868.078
Costs related to uncompleted contracts	1.315.993	809.418
Development projects in process	1.135.766	1.020.656
General administrative expenses	1.066.397	1.034.056
Depreciation on outstanding inventories	579.519	437.572
Selling and marketing expenses	532.856	464.281
	21.548.249	**15.820.022**

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

	December 31, 2011	December 31, 2010
Machinery, equipment and installations	45.831.577	47.771.602
Motor vehicles	2.585.412	2.585.412
Furniture and fixtures	11.912.057	11.880.762
Leasehold improvements	1.094.646	1.089.332
	61.423.692	**63.327.108**

13. INTANGIBLE ASSETS

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**

14. INTANGIBLE ASSETS (CONTINUED)

For the year ended December 31, 2010, the movement of intangibles and accumulated amortization is as follows

	January 1, 2010	Additions	Transfers	December 31, 2010
Cost:				
Other intangible assets	5.936.514	831.694	-	6.768.208
Development costs	26.784.388	-	28.228.079	55.012.467
Development projects in process	13.398.467	22.129.442	(28.228.079)	7.299.830
	46.119.369	**22.961.136**	**-**	**69.080.505**
Accumulated amortization:				
Other intangible assets	3.098.957	1.087.186	-	4.186.143
Development costs	3.187.451	6.185.961	-	9.373.412
	6.286.408	**7.273.147**	**-**	**13.559.555**
Net book value:	**39.832.961**			**55.520.950**

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

	December 31, 2011	December 31, 2010
Other intangible assets	2.793.969	2.325.783
	2.793.969	**2.325.783**

15. GOVERNMENT GRANTS AND INCENTIVES

	December 31, 2011	December 31, 2010
Short term	621.992	359.975
Long term	1.017.366	892.142
Total	**1.639.358**	**1.252.117**

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.

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

	December 31, 2011	December 31, 2010
Provision for other costs	183.334.944	94.164.831
Warranty provision	18.768.929	6.511.877
Provision for sales commissions	1.920.005	1.011.614
Provision for vacation pay liability	2.235.464	1.922.831
Provision for legal cases	200.000	-
	206.459.342	**103.611.153**

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, 2011	December 31, 2010
January 1	94.164.831	51.518.026
Additional provision	56.880.993	40.570.629
Foreign exchange valuation	32.289.120	2.076.176
	183.334.944	**94.164.831**

Warranty provision

The Company provides one year warranty for minibus and Land Rover vehicles and 2 years warranty for certain armoured vehicle models and midi-busses 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, 2011	December 31, 2010
January 1	6.511.877	6.184.720
Additional provision (Note 22)	28.823.464	8.536.235
Realized	(16.566.412)	(8.209.078)
	18.768.929	**6.511.877**

Provision for sales commissions

The movements of provision for sales commission are as follows:

	December 31, 2011	December 31, 2010
January 1	1.011.614	-
Increase	10.516.416	2.250.893
Realized	(9.608.025)	(1.239.279)
	1.920.005	**1.011.614**

Provision for vacation pay liability

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

	December 31, 2011	December 31, 2010
January 1	1.922.831	1.438.270
Increase in provision, net (Note 22)	312.633	484.561
	2.235.464	**1.922.831**

Commitments and contingencies

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

Guarantees given by the Company	December 31, 2011	December 31, 2010
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	649.585.517	415.391.058
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation.	-	-
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations.	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
Total	**649.585.517**	**415.391.058**

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

	December 31, 2011		December 31, 2010	
	Original currency	**TL**	**Original currency**	**TL**
U.S. Dollars	301.322.506	569.168.082	236.582.361	365.756.330
Euro	13.492.893	32.973.933	10.170.955	20.841.304
GBP	12.027	35.081	22.500	53.743
Turkish Lira	47.408.421	47.408.421	28.739.681	28.739.681
		649.585.517		**415.391.058**

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

	December 31, 2011	December 31, 2010
Guarantee letters given		
Under secretariat of Ministry of Defense	439.881.761	326.155.872
Other	209.703.756	89.235.186
	649.585.517	**415.391.058**

Letters of guarantees

a) Guarantees given as of December 31, 2011 and December 31, 2010 is as follows:

	December 31, 2011	December 31, 2010
Bank letters of guarantee (*)	649.585.517	415.391.058
	649.585.517	**415.391.058**

(*) Bank letter of guarantee amounting to TL 439.881.761 are given to Under Secretariat of Ministry of Defense within the scope of Altay Project. (December 31, 2010 – TL 326.155.872)

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

	December 31, 2011	December 31, 2010
Bank letters of guarantee (**)	225.181.079	162.541.441
Guarantee notes	53.460.035	1.000.000
Mortgages received	3.842.000	5.042.000
Guarantee checks	-	135.000
	282.483.114	**168.718.441**

(**) Bank letters of guarantee amounting to TL 116.160.705 are obtained from the sub-contractors for Altay Project (December 31, 2010 - TL 107.830.620).

17. EMPLOYEE BENEFITS

	December 31, 2011	December 31, 2010
Reserve for retirement pay	9.110.483	7.088.568
Total	**9.110.483**	**7.088.568**

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 2.732 for each year of service as of December 31, 2011 (December 31, 2010 - TL 2.517).

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.

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, 2011	**December 31, 2010**
Discount rate (%)	4,63	4,66
Turnover rate to estimate the probability of retirement (%)	7	8

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, 2011	**December 31, 2010**
January 1	7.088.568	5.616.418
Interest expense	708.857	561.642
Current year provision (including actuarial gains/ losses)	2.440.400	1.920.692
Payments	(1.127.342)	(1.010.184)
	9.110.483	**7.088.568**

18. OTHER ASSETS AND LIABILITIES

a) Other current assets:

	December 31, 2011	**December 31, 2010**
Advances given	105.134.614	43.634.290
Value added tax receivables	25.754.551	14.634.076
Prepaid expenses	1.373.991	828.104
Other	1.442.035	1.298.837
Total	**133.705.191**	**60.395.307**

b) Other current liabilities:

	December 31, 2011	December 31, 2010
Taxes and funds payable	5.253.198	4.772.726
Social security premiums payable	2.476.644	2.044.993
Deferred special consumption tax	100.355	133.358
Other	403.778	180.250
Total	**8.233.975**	**7.131.327**

19. SHAREHOLDERS' EQUITY

Share Capital

As of December 31, 2011 and 2010, the principal shareholders and their respective shareholding percentages are as follows:

	December 31, 2011		December 31, 2010	
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, 2011, 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 54.846.604 (December 31, 2010 – TL 20.778.314) and TL 63.640.101 (December 31, 2010 – TL 59.241.787), respectively. Current year net income of the Company in statutory books is TL 55.583.667 (December 31, 2010 – TL 36.775.511), other reserves to be distributed as dividend (without being subject to additional taxation) is TL 79.263.650 (December 31, 2010 – TL 58.868.141). After deduction of first legal reserves, current year net profit in statutory books is TL 55.583.667 (December 31, 2010 – TL 36.775.511). As of our report date, there is no decision of dividend distribution related to 2011.

In accordance with the Communiqué, as of December 31, 2011 and December 31, 2010, the details of equity, based on which the dividend will be distributed is as follows:

	December 31, 2011	**December 31, 2010**
Paid-in share capital	24.000.000	24.000.000
Inflation adjustment on equity items	52.743.030	52.743.030
Restricted reserves	18.118.147	16.738.147
Retained earnings		
- Extraordinary reserves	52.690.018	48.291.704
- Inflation adjustments on legal reserves	10.950.083	10.950.083
Net income for the year	54.846.604	20.778.314
Total shareholders' equity	**213.347.882**	**173.501.278**

As of December 31, 2011 and 2010, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

			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**

			December 31, 2010
	Historical Value	**Inflation adjustments on equity items**	**Restated Value**
Share capital	24.000.000	52.743.030	76.743.030
Legal reserves	16.738.147	10.950.083	27.688.230
Total	**40.738.147**	**63.693.113**	**104.431.260**

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

	December 31, 2011	**December 31, 2010**
Legal reserves	18.118.147	16.738.147
Extraordinary reserves	79.263.650	58.868.141
Total	**97.381.797**	**75.606.288**
Dividends distributed during the year based on previous year's net income per statutory financial statements	15.000.000	20.400.000
Dividend paid per share (kuruş)	0,063	0,085

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

20. SALES AND COST OF SALES

Net sales

	December 31, 2011	December 31, 2010
Domestic sales	726.544.926	448.419.381
Export sales	164.180.669	69.478.800
Gross sales	890.725.595	517.898.181
Less: sales discounts and sales returns	(200.406)	(501.687)
Net sales	**890.525.189**	**517.396.494**

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

	December 31, 2011	December 31, 2010
Commercial vehicle	463.283.055	271.182.909
Armoured vehicles	253.065.734	119.856.251
Other sales (*)	174.176.400	126.357.334
	890.525.189	**517.396.494**

(*) TL 91.827.072 of this amount is related to revenues of uncompleted contracts (2010 - 79.561.711 TL)

Cost of sales

	December 31, 2011	December 31, 2010
Cost of finished goods sold	667.811.517	402.923.165
Cost of merchandise sold (Note 22)	27.009.109	23.377.017
Sales and cost of sales	**694.820.626**	**426.300.182**

21. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES.

	December 31, 2011	December 31, 2010
Selling and marketing expenses	83.213.660	42.376.871
General and administrative expenses	25.161.744	19.913.065
Research and development expenses	12.355.838	7.186.302
Total operating of Expenses	**120.731.242**	**69.476.238**

22. EXPENSES BY NATURE

	January 1- December 31, 2011	January 1- December 31, 2010
Cost of raw material and consumption goods	610.158.079	334.665.957
Personnel expenses (Note 22)	93.856.134	66.683.358
Manufacturing overhead expenses	17.029.216	11.300.213
Warranty reserve expense (Note 16)	28.823.464	8.536.235
Other selling expenses	28.733.357	1.266.335
Depreciation and amortization expense	20.412.483	14.799.366
Transportation and insurance expense	5.244.587	4.272.898
Exhibition and fair expenses	3.465.673	2.555.148
Change in finished goods and work-in-process	(40.732.637)	4.680.652
Cost of merchandise sold (Note 20)	27.009.109	23.377.017
Impairment in inventories (Note 10)	1.575.452	-
Other expenses	19.976.951	23.639.241
	815.551.868	**495.776.420**

The breakdown of personnel expenses is as follows:

	January 1- December 31, 2011	January 1- December 31, 2010
With respect to the account:		
Cost of sales and inventories on hand	55.115.857	37.687.411
Costs related to uncompleted contracts	13.931.641	8.719.130
Capitalized development expenditures	13.172.755	11.779.396
General and administrative expenses	12.706.471	11.044.838
Selling and marketing expenses	11.434.451	8.534.740
Research and development expenses	667.714	697.239
	107.028.889	**78.462.754**

By nature:		
Wages and salaries	81.508.476	60.685.437
Social security contributions	12.494.883	9.770.756
Other social benefits	9.563.640	5.039.666
Employee termination benefits	3.149.257	2.482.334
Provision for vacation pay liability (Note 16)	312.633	484.561
	107.028.889	**78.462.754**

23. OTHER OPERATING INCOME / EXPENSES

	January 1-December 31, 2011	**January 1-December 31, 2010**
Other income		
R&D incentive income	616.601	1.729.196
Gain on sale of fixed asset	1.020.382	2.858.179
Price adjustment income	1.147.517	440.710
R&D test center income	374.069	64.078
Other	1.058.424	678.773
Total	**4.216.993**	**5.770.936**

	January 1-December 31, 2011	**January 1-December 31, 2010**
Other expense		
Provision for doubtful receivables (Note 8)	(7.944.800)	(1.535.319)
Other	(403.664)	(214.429)
	(8.348.464)	**(1.749.748)**

24. FINANCIAL INCOME

	January 1-December 31, 2011	**January 1-December 31, 2010**
Foreign exchange gains	54.018.008	26.544.615
Forward income	19.655.520	1.711.735
Term difference income related with sales	12.947.710	6.048.333
Interest income from time deposits	1.558.703	746.729
Foreign exchange gains on bank borrowings	132.000	2.585.250
Total	**88.311.941**	**37.636.662**

25. FINANCIAL EXPENSE

	January 1- December 31, 2011	January 1- December 31, 2010
Foreign exchange losses	(69.860.413)	(29.771.945)
Interest expense on bank borrowings	(16.075.841)	(12.365.701)
Forward expense	(7.937.948)	(984.007)
Foreign exchange losses on bank borrowings	(3.503.248)	(48.900)
Unearned financial expense	-	(30.516)
Total	**(97.377.450)**	**(43.201.069)**

26. TAX ASSETS AND LIABILITIES

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

In Turkey, the corporation tax rate is 20% (2010 - 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one 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 2011 and 2010.

As a result of its research and development expenditures made in 2011 amounting to TL 26.657.372 (2010 – TL 20.749.149), the Company has utilized research and development incentives at 100% deduction without any withholding tax. The Company has an R&D center certificate.

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

	December 31, 2011	December 31, 2010
Income tax payable	11.633.639	4.581.519
(-) Prepaid tax	(8.543.854)	-
Income tax payable, net	**3.089.785**	**4.581.519**

The breakdown of total tax expense for the year ended December 31, 2011 and 2010:

	January 1- December 31, 2011	January 1- December 31, 2010
Deferred tax income	4.703.902	5.282.978
Current tax expense	(11.633.639)	(4.581.519)
Total tax (expense) / income	**(6.929.737)**	**701.459**

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

	January 1- December 31, 2011	January 1- December 31, 2010
Profit before tax	61.776.341	20.076.855
Income tax charge at effective tax rate 20%	(12.355.268)	(4.015.371)
Effect of exemptions and incentives	5.331.474	4.485.079
Other permanent differences	94.057	231.751
Total tax (expense) / income	**(6.929.737)**	**701.459**

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

	Cumulative temporary differences		Deferred tax assets/(liability)	
	December 31, 2011	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
Property, plant and equipment	(8.101.095)	(6.212.127)	1.861.076	2.238.869
Intangibles	(12.721.283)	(9.250.865)	(2.544.257)	(1.850.173)
Deferred financial expense	(517.981)	(189.676)	(103.596)	(37.935)
Inventories	(325.962)	(433.007)	(65.192)	(86.601)
Warranty reserve	18.768.929	6.511.876	3.753.786	1.302.375
Reserve for retirement pay	9.110.483	7.088.568	1.822.097	1.417.714
Deferred financial income	1.230.242	543.512	246.048	108.702
Other provisions	7.704.234	7.313.549	1.540.847	1.462.710
Adjustment for percentage of completion method on construction projects	38.906.026	17.723.696	7.781.205	3.544.739
Other	(8.218.310)	(779.753)	(1.643.662)	(155.950)
Deferred tax asset			**12.648.352**	**7.944.450**

The movement of deferred tax asset for the years ended December 31, 2011 and 2010 is as follows:

	December 31, 2011	**December 31, 2010**
January 1	7.944.450	2.661.472
Deferred tax credit	4.703.902	5.282.978
	12.648.352	**7.944.450**

27. 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, 2011	**December 31, 2010**
Net income attributable to shareholders (TL)	54.846.604	20.778.314
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (kuruş)	0,229	0,087

28. 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, 2011 and December 31, 2010:

Due from related parties	**December 31, 2011**	**December 31, 2010**
Ram Dış Ticaret A.Ş.(Ram Dış) (1) (*)	19.008.642	18.799.156
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	572.854	8.834
Ford Otosan A.Ş. (1)	194.195	56.323
RMK Marine Gemi Yapım San. Deniz Taş. İşl. A.Ş. (1)	80.538	25.966
Aygaz A.Ş. (1)	6.135	-
Total	**19.862.364**	**18.890.279**

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

Due to related parties	December 31, 2011	December 31, 2010
Zer Merkezi Hizmetler A.Ş. (1)	2010	1.056.504
Ram Dış Ticaret A.Ş. (1)	900.459	1.024.253
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	621.707	51.196
Setur Servis Turistik A.Ş. (1)	461.095	224.384
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	407.759	203.774
Ark İnşaat A.Ş. (1)	402.744	-
Aygaz Doğal Gaz Toptan Satış A.Ş. (1)	262.254	-
Otokar Europe SAS (3)	194.822	-
Koçtaş Yapı Marketleri A.Ş. (1)	155.537	17.838
Setair Hava Taşımacılığı ve Hizm. A.Ş. (1)	121.995	-
Ram Sigorta Aracılık Hz. A.Ş. (1)	118.255	91.671
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	103.623	125.872
Opet Petrolcülük A.Ş. (1)	67.702	19.210
Promena Elektronik Ticaret A.Ş. (1)	17.336	38.466
Tat Konserve San. A.Ş. (1)	13.598	-
Koç Holding A.Ş. (2)	9.069	6.671
Vehbi Koç Vakfı Amerikan Hastanesi (1)	1.918	-
Arçelik A.Ş. (1)	1.764	653
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş. (1)	-	275.599
Koç.net Hab.Tek. İlt. Hiz. A.Ş. (1)	-	29.982
Palmira Turizm Ticaret A.Ş. (1)	-	288
Platform Araştırma ve Geliştirme Taş.Tic. A.Ş. (1)	-	210.382
Total	**5.086.142**	**3.376.743**

(1) Shareholders' subsidiary
(2) Shareholder
(3) Financial investment of the Company

ii) Major sales and purchase transactions with related parties:

Product sales and service revenue	January 1- December 31, 2011	January 1- December 31, 2010
Ram Dış Ticaret A.Ş. (1) (*)	100.196.591	39.850.839
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	4.739.830	-
Ford Otosan A.Ş.(2)	1.424.499	3.789
Zer Merkezi Hizmetler A.Ş. (1)	1.246.480	456.016
Aygaz A.Ş. (1)	86.710	162.857
Opet Petrolcülük A.Ş. (1)	1.656	-
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	-	161.500
Total	**107.695.766**	**40.635.001**

(*) The sales to Ram Dış comprise export sales made to third party customers.

Purchase of property, plant and equipment	January 1- December 31, 2011	January 1- December 31, 2010
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. (1)	1.498.378	1.240.084
Ark İnşaat A.Ş. (1)	1.173.240	-
Zer Merkezi Hizmetler A.Ş. (1)	71.703	5.019
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	48.383	59.794
Arçelik A.Ş. (1)	21.833	2.310
Bilkom A.Ş. (1)	9.817	-
Koç.net Hab.Tek. İlt. Hiz. A.Ş. (1) (**)	5.825	91.210
Koçtaş Yapı Marketleri A.Ş. (1)	-	1.170
Total	**2.829.179**	**1.399.587**

(**) 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 purchases	January 1- December 31, 2011	January 1- December 31, 2010
Zer Merkezi Hizmetler A.Ş. (1)	10.845.305	5.579.493
Ram Dış Ticaret A.Ş. (1)	9.330.678	3.855.965
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	2.759.744	1.259.185
Aygaz Doğal Gaz Toptan Satış A.Ş. (1)	1.398.498	-
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	906.208	-
Opet Petrolcülük A.Ş. (1)	692.529	293.080
Koçtaş Yapı Marketleri A.Ş. (1)	221.801	30.694
Arçelik A.Ş. (1)	13.514	3.453
Total	**26.168.277**	**11.021.870**

(1) Shareholders' subsidiary
(2) Shareholder

Services received	January 1- December 31, 2011	January 1- December 31, 2010
Setur Servis Turistik A.Ş. (1)	2.694.594	1.488.070
Eltek Elektrik Enerji İth.İhr.Top.Tic. A.Ş. (1)	1.690.458	1.537.021
Koç Holding A.Ş. (2)	1.170.148	1.162.663
Ram Sigorta Aracılık Hz. A.Ş. (1) (*)	1.161.409	1.241.101
Ram Dış Ticaret A.Ş. (1)	1.023.206	1.237.287
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	781.813	614.221
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	424.062	209.635
Koç.net Hbl.Tek.İlt.Hz.A.Ş. (1) (**)	275.648	298.566
Koç Üniversitesi (1)	179.264	9.616
Promena Elektronik Ticaret A.Ş. (1)	158.110	119.109
Setair Hava Taşımacılığı ve Hizm. A.Ş. (1)	154.255	-
Platform Araştırma ve Geliştirme Taş.Tic. A.Ş. (1)	152.388	178.983
Vehbi Koç Vakfı Amerikan Hastanesi (1)	26.730	-
Yapı Kredi Sigorta A.Ş. (1)	23.520	-
Tat Konserve San. A.Ş. (1)	13.617	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (1)	13.318	-
Palmira Turizm Ticaret A.Ş. (1)	4.605	3.623
Bilkom A.Ş. (1)	1.444	-
Otokoç Sigorta Aracılık Hizmetleri A.Ş. (1)	1.184	-
Rahmi Koç Vakfı Müzesi (1)	-	1.962
Total	**9.949.773**	**8.101.857**

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

Bank deposits	December 31, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1)		
- demand deposits	1.600.896	4.201.751
	1.600.896	**4.201.751**

Checks and notes in collection	December 31, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1)	45.089.091	14.226.501
	45.089.091	**14.226.501**

(1) Shareholders' subsidiary
(2) Shareholder

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

Interest income	January 1- December 31, 2011	January 1- December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1)	212.503	47.648
Total	**212.503**	**47.648**

Foreign exchange gains	January 1- December 31, 2011	January 1- December 31, 2010
Ram Dış (1)	10.564.359	7.039.375
Yapı ve Kredi Bankası A.Ş. (1)	1.129.765	1.104.195
Other (1)	1.732	690
Total	**11.695.856**	**8.144.260**

(1) Shareholders' subsidiary

Forward gains /(losses)	January 1- December 31, 2011	January 1- December 31, 2010
Yapı ve Kredi Bankası A.Ş.		
Forward gains	-	1.044.541
Forward loss	-	(429.620)
Total	**-**	**614.921**

Foreign exchange losses	January 1- December 31, 2011	January 1- December 31, 2010
Ram Dış (1)	24.393.296	9.308.719
Yapı ve Kredi Bankası A.Ş. (1)	975.834	724.474
Other (1)	25.529	378
Total	**25.394.659**	**10.033.571**

Interest expense	January 1- December 31, 2011	January 1- December 31, 2010
Yapı ve Kredi Bankası A.Ş. (1)	130.367	4.533.457
Total	**130.367**	**4.533.457**

(1) Shareholders' subsidiary

Benefits provided to executives

Salaries and similar benefits provided to the executive management by the Company for the year ended December 31, 2011 amounted to TL 7.762.314 (2010 - TL 5.534.095).

29. 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, 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	-	-	-	-

December 31, 2010	Receivables Trade receivables	Other receivables(3)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	177.675.195	43.640.787	110.474.962	-
- Maximum risk secured by guarantee (2)	(187.644.984)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	174.240.909	43.640.787	110.474.962	-
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	2.657.583	-	-	-
D. Net book value of impaired assets	776.703	-	-	-
- Overdue (gross book value)	11.316.949	-	-	-
- Impairment (-) (Note 8)	(10.540.246)	-	-	-
- Net value under guarantee	385.474	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off- balance sheet items having credit risk				

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount.

(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

(3) The major amount of other receivables consists of advances given.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

As of December 31, 2011 and December 31, 2010, maturities of gross trade payables and financial liabilities are as follows:

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 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						
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 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	9.110.483	9.110.483	9.110.483	-	-	-
Derivative cash outflows	-	-	-	-	-	-

December 31, 2010

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	128.882.457	138.196.972	17.062.793	37.857.191	83.276.988	-
Trade payables	47.561.560	47.751.405	43.733.173	4.018.232	-	-

Expected maturities	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						
Other payables	3.501.606	3.501.607	3.469.360	25.350	6.897	-
Other current liabilities	7.131.327	7.131.327	7.131.327	-	-	-

Expected maturities (or maturities per agreement)	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)
Derivative financial liabilities (net)	182.808	182.808	-	-	-	-
Derivative cash inflows	411.764	411.764	411.764	-	-	-
Derivative cash outflows	(228.956)	(228.956)	-	(228.956)	-	-

Market risk

a) Foreign currency risk and related sensitivity analysis

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

The accompanying table represents the foreign currency risk of the Company;

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)	118.520.882	53.071.795	7.377.015	84.203
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**292.549.379**	**76.355.322**	**60.512.736**	**151.110**
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)**	**374.004.845**	**76.355.322**	**93.844.214**	**151.110**
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)	-	-	-	-
19a.	Hedged total assets amount	-	-	-	-
19b.	Hedged total liabilities amount	-	-	-	-
20.	**Net foreign currency asset/ (liability) position (9+18+19)**	**10.651.439**	**(102.605.556)**	**87.435.350**	**(3.157.845)**
21.	**Net foreign currency asset/ (liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**10.651.439**	**(102.605.556)**	**87.435.350**	**(3.157.845)**
22.	Total fair value of financial instruments used for foreign currency hedging				
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

As of December 31, 2011, the Company signed forward agreements amounting to USD 110.153.300 and GBP 3.250.000. According to the agreements, the Company will purchase the related amounts in consideration to EUR 85.328.550.

Table of foreign currency position

		December 31, 2010			
		TL equivalent (functional currency)	**USD**	**EUR**	**GBP**
1.	Trade receivables	104.009.947	14.725.861	39.292.550	305.368
2a.	Monetary financial assets (including cash, bank accounts)	155.109.729	91.024.578	7.012.640	6.753
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**259.119.676**	**105.750.439**	**46.305.190**	**312.121**
5.	Trade receivables	41.433.423	-	20.220.303	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**41.433.423**	**-**	**20.220.303**	**-**
9.	**Total assets(4+8)**	**300.553.099**	**105.750.439**	**66.525.493**	**312.121**
10.	Trade payables	(15.824.373)	-	(4.592.477)	(2.685.225)
11.	Financial liabilities	(21.265.824)	-	(10.378.129)	-
12a.	Monetary other liabilities	(247.370.105)	(159.057.179)	(716.269)	-
12b.	Non-monetary other liabilities	-	-	-	-
13.	**Current liabilities (10+11+12)**	**(284.460.302)**	**(159.057.179)**	**(15.686.875)**	**(2.685.225)**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(15.469.279)	-	(7.549.304)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**(15.469.279)**	**-**	**(7.549.304)**	**-**
18.	**Total liabilities (13+17)**	**(299.929.581)**	**(159.057.179)**	**(23.236.179)**	**(2.685.225)**
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-
19a.	Hedged total assets amount	-	-	-	-
19b.	Hedged total liabilities amount	-	-	-	-
20.	**Net foreign currency asset/ (liability) position (9+18+19)**	**623.518**	**(53.306.740)**	**43.289.314**	**(2.373.104)**
21.	**Net foreign currency asset/ (liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**623.518**	**(53.306.740)**	**43.289.314**	**(2.373.104)**
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23.	Export	69.424.341	9.639.936	27.171.629	359.295
24.	Import	129.399.072	30.428.251	35.587.455	5.851.327

As of December 31, 2010, the Company signed forward agreements amounting to USD 56.440.600 and GBP 2.400.000. According to the agreements, the Company will purchase the related amounts in consideration to EUR 44.949.712.

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, 2011 and 2010:

		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	(19.381.163)	19.381.163
2-	Amount hedged for USD risk (-)	-	-
3-	**USD net effect (1+2)**	(19.381.163)	19.381.163
	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	(921.144)	921.144
8-	Amount hedged for GBP risk (-)	-	-
9-	**GBP net effect (7+8)**	(921.144)	921.144
	Total (3+6+9)	**1.065.144**	**(1.065.144)**

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

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, 2011 and 2010, 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, 2011	December 31, 2010
Total financial debt	179.339.871	128.882.457
Less: Cash and cash equivalents (Note 4)	(4.470.424)	(111.564.742)
Net financial debt	174.869.447	17.317.715
Total equity	213.347.882	173.501.278
Financial debt/shareholders' equity rate	**82%**	**10%**

30. 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, 2011 and 2010:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2011				
Derivative financial instruments	-	9.022.907	-	9.022.907
Toplam	**-**	**9.022.907**	-	**9.022.907**
December 31, 2010				
Derivative financial instruments	**-**	182.808	-	182.808
Total	**-**	**182.808**	**-**	**182.808**

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.

31. Subsequent Events

None.

32. 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.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
TO BE HELD ON 14.03.2012 AT 11:00

FINANCIAL RATIOS

Liquidity ratios	**2011**	**2010**
1- Current ratio	1.05	1.19
(Current assets/Short-term liabilities)		
2- Liquidity ratio	0.74	0.91
(Current assets – Inventories/Short-term liabilities		
Financial Structure Ratios		
1- Ratio of total liabilities to total assets	0.75	0.73
(Short-term liabilities + Long-term liabilities/Total assets)		
2- Equity/Total Liabilities	0.33	0.38
Equity/(Short-term liabilities + Long-term liabilities)		
Operational Profitability Ratios		
1- Profitability ratio of sales	0.07	0.04
(Pre-tax profit/Net sales)		
2- Profitability ratio of assets	0.07	0.03
(Pre-tax profit/Net sales)		
3- Profitability rate of equity	0.26	0.12
(Net profit for the term/Equity)		

Corporate Governance Compliance Report

CORPORATE GOVERNANCE COMPLIANCE REPORT

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The said principles which bring about the corporate governance quality have been adopted by this company, and most of them are currently implemented. They aim at making of disclosures to the public, ensuring of transparency, and conducting of necessary works in respect of such decisions and transactions concerning the shareholders and the stakeholders as well as the Board of Directors in accordance with the Corporate Governance Principles.

Pursuant to the resolution of the meeting of the Capital Market Board dated 10.12.2004 and no. 48/1588, it has been deemed convenient that the corporations listed in the İstanbul Stock Exchange (the ISE) include a statement regarding their compliance with the Corporate Governance Principles in their annual reports and web sites, if any, beginning with the annual report 2005. Accordingly, Otokar Otomotiv ve Savunma Sanayi A.Ş. has added the following information about the compliance with the principles to its Annual Report 2011. The COMPLIANCE REPORT is presented below for your information and is also available at the web site of the Company at 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. Main activities carried out by the Unit include:

- Promoting the Company to individual and institutional investors at home and abroad and providing information to potential investors and shareholders;

Mr. Hüseyin Odabaş and Ms. Yasemin Orhon are authorized in this regard. Information can be obtained from them by e-mail (arf@otokar.com.tr) and/or by phone (0264 229 22 44/extension 6210).

- Reporting to the Board of Directors;
- Making of preparations for the General Meeting, preparation of the relevant documentation, obtaining of preliminary permissions for amendments to the articles of association and submission of them to the approval of

the General Meeting;

- Conducting of the General Meeting, preparation of the documentation useful for the shareholders, sending to the minutes to the requesting persons;
- Giving information to the shareholders;
- Sending of required Special Situation Disclosures to the ISE and the Capital Market Board pursuant to the Communiqué Serial VIII, No. 39 of the Capital Market Board;
- Monitoring of amendments made to the legislation concerning the Capital Market Law and presentation of the same to the attention of the concerned units of the company;
- Ensuring payment of dividends to the shareholders;
- Preparation of financial statements and activity reports at quarterly periods.

Mr. Hüseyin Odabaş and Mr. İrfan Özcan are authorized for the said formalities. Information can be obtained from them by e-mail (arf@otokar.com.tr) and/or by phone (0264 229 22 44/extension 6200).

3. Use of Shareholders' Right to Information

23 shareholders who attended and got their names entered in the list of present shareholders in the last General Meeting were informed about financial and administrative matters. During the year, an Investor Meeting for the Analysts of Intermediary Institutions, which was also attended by the General Manager and Top Executives of the Company, was held. In addition, 15 one-on-one meetings were held by the Finance Department with the Analysts of Intermediary Institutions.

In the web site of the Company, the section of "Relations with Investors" and related links as well as the information for access to the data of the Istanbul Stock Exchange were provided.

Request for appointment of a private auditor has not been regulated in the articles of association of the Company as an individual right. No request has been made by the shareholders in this regard as well. Activities of the Company are audited periodically by the Independent External Auditor appointed by the General Meeting and the Auditors elected by the General Meeting as well as the Internal Audit Unit within the organization of the Company.

4. Information about the General Meeting

Only the Annual General Meeting was held during 2011. Majority of the shareholders attended the General Meeting. In addition, representatives of the written and visual media, representatives of various intermediary institutions and entities as well as persons who wanted to attend the General Meeting as audience were allowed to attend the General Meeting.

Call to the General Meeting is made by the Board of Directors in accordance with the provisions of the Turkish Commercial Code, the Capital Market Law and the articles of association of the company. As soon as the Board of Directors has taken resolution to convene the General Meeting, disclosures are made to the İstanbul

Stock Exchange and the Capital Market Board to inform the public.

In addition, the place and agenda of the General Meeting, any draft amendments to the articles of association and the form of proxy are advertised in 2 daily newspapers circulating across Turkey at latest 21 days before the General Meeting. The notice states where the financial statements for the respective period as audited by the independent auditor are available for inspection.

To ask questions and to express their opinions on the issues at the General Meetings held under the supervision of a representative of the Ministry of Industry and Commerce is the most natural rights of the shareholders. Accordingly, the Chairing Board ensures in accordance with the procedures that the shareholders of the Company can use their right to ask questions, to make recommendations as regards to the issues in the agenda, and to make speech about the recommendations they make at the General Meeting.

Minutes of the General Meeting are available at our web site. In addition, the minutes are available at the head office of the company for a review by the shareholders. One copy of the minutes is given to the requesting shareholders.

The article 4 of the Articles of Association of the Company, titled "Objective and Subject", the activities that can be carried out are cited. In the absence of a resolution taken after amendment of this article by the General Meeting, the Company may not engage in any business as it wishes. Matters such as merger, acquisition or division are resolved by the General Meeting upon the proposal of the Board of Directors. As mentioned in the relevant article of the Articles of Association as approved by the General Meeting, the Company may purchase, sell, build and lease real property of any kind, may accept or give real property mortgage and may create any other real rights on real properties. By this opportunity, you can access to the last version of the Articles of Association, including the aforesaid article, at our web site at www.otokar.com.tr.

You can have access to all Minutes and lists of present shareholders of the General Meetings by years at the Head Office of the Company as well as the Minutes of the General Meetings of the last 5 years at our web site.

5. Voting Rights and Minority Rights

There isn't a privilege in the articles of association as regards to the use of the voting rights at the Company.

Voting rights are used in accordance with the provisions concerning the representation and method of casting of vote at the General Meeting (article 18 of the Articles of Association). Regulations of the Capital Market Board regarding using of votes by proxy are observed.

There isn't any provision in the Articles of Association of the Company concerning the representation of the minority shareholders in the management and the method of using of cumulative votes.

6. Profit Distribution Policy and Timing of Profit Distribution

The Company distributes profit in accordance with the provisions of the Turkish

Commercial Code, the Capital Market Legislation, the Tax Legislation and the other relevant laws and regulations, as well as the articles of the Articles of Association concerning the profit distribution.

In the determination of profit distribution, the long term strategy of the group, the capital requirements of the company and its subsidiaries and affiliates, the investment and financing policies, the profitability, and the cash position are taken into account.

In principle, by taking the net profit in the period stated in the financial statements issued in accordance with the Capital Market Legislation and subjected to independent audit as the basis, minimum 50% of the "distributable profit in the period" calculated in accordance with the Capital Market Legislation and the other relevant laws and regulations is distributed in cash or as gratis shares of stock.

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

The dividend to be distributed pursuant to the resolution of the General Meeting can determined as either wholly in cash or wholly as gratis shares or partly in cash and partly as gratis shares.

Profit distribution is completed at latest by the end of the fifty month following the respective account period if it is made in cash or by the end of the sixth month following the respective account period if it is made as grates shares.

Pursuant to the profit distribution policy, the dividend is distributed equally to all shares outstanding as of the respective account period.

Distribution is carried out in accordance with the article 24 of the articles of association of the Company.

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

YEAR	ISSUED CAPITAL (TL)	% OF DIVIDEND BY ISSUED CAPITAL	AMOUNT OF DIVIDEND DISTRIBUTED (TL)
FROM THE PROFIT OF 2006	24.000.000	%125,00	30.000.000
FROM THE PROFIT OF 2007	24.000.000	%125,00	30.000.000
FROM THE PROFIT OF 2008	24.000.000	%30,00	7.200.000
FROM THE PROFIT OF 2009	24.000.000	%85,00	20.400.000
FROM THE PROFIT OF 2010	24.000.000	%62,50	15.000.000

7. Transfer of Shares

The articles of association of the Company do not contain any practices which make transfer of shares by shareholders freely difficult and any provisions which restrict transfer of shares.

SECTION II - DISCLOSURE TO PUBLIC AND TRANSPARENCY

8. Company Information Policy

Otokar pursuits an information policy which aims at provision of accurate, complete and understandable information on a timely manner in order to keep the public informed efficiently, transparently and continuously. Otokar aims at creating an efficient and open communication platform by uniformly sharing its vision and objective target, past performance and expectations with the public, the relevant authorized entities, the existing and potential investors and the shareholders and by announcing its financial information to the public in accordance with the generally accepted accounting principles and the provisions of the Capital Market Law, with the exception of trade secrets.

In all its practices relevant with the public disclosure, Otokar complies with the Capital Market Legislation and the regulations of the İstanbul Stock Exchange and seeks to implement the most efficient communication policy in accordance with the Corporate Governance Principles of the Capital Market Board.

Communication of the Company with the media is carried out by the Corporate Communication Unit. Information can be obtained from Mrs. Beril Aksoy Gönüllü by e-mail (kyl@otokar.com.tr) and/or by phone (0216 489 29 50/extension 268).

The unit of the Company which is in charge of informing the public is the Financial Affairs and Shareholder Relations Unit. Information and documents deemed necessary 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 (0264 229 22 44/ extension 6200.)

9. Special Situation Disclosures

The Company made 17 special situation disclosures during 2011. There wasn't any situation about which the Capital Market Board and the Istanbul Stock Exchange demanded additional explanation. Since the Company has not been listed in any exchange in abroad, the Company is not required to make special situation disclosure to any party other than the Capital Market Board and the Istanbul Stock Exchange. Since the Special Situation Disclosures were made on a timely manner as required by the Law, the Capital Market Board didn't impose any sanction on the Company.

10. Web Site of the Company and its Content

The Company has an active and up-to-date Internet site. The web site of the Company contains miscellaneous comprehensive information needed about the Company. Updated as developments occur, the web site contains an "investor relations" section containing the minimum information required by the Capital Market Board. The Activity

Report of the Company can be obtained in print as well as reviewed at the web site of the Company at www.otokar.com.tr.

11. Disclosure of Ultimate Majority Shareholder(s) in Real Person

In the shareholding structure of the Company, there isn't any known shareholder who owns more than 5% of the shares of stock of the Company, other than the majority shareholders Koç Holding A.Ş. and Ünver Holding A.Ş.

The members of the Board of Directors, the top management and the shareholders who directly or indirectly own more than 5% of the shares of stock of the Company disclose their transactions on the capital market instruments and stocks of the Company and the outcomes of such transactions to the public. There isn't any special situation which may affect the investor.

12. Disclosure of the Persons who are capable of Insider Trading to the Public

Persons who have access to information which may affect the value of the capital market instruments of the Company are the members of the Board of Directors and the auditors as well as the Top Executives of the Company. By this opportunity, the names of the members of the current Board of Directors, that is Mr. Kudret Önen, Mr. Halil İbrahim Ünver, Mr. Osman Turgay Durak, Mr. Alpay Bağrıaçık, Mr. Ali Tarık Uzun, Mr. Ahmet Serdar Görgüç, Mr. Taylan Bilgel and Mr. Tuğrul Kudatgobilik, the names of the members of the Board of Auditors, that is Mr. Mehmet Metin Utkan and Mr. Mehmet Apak, and the names of the top executives, that is Mr. Hüseyin Odabaş, Mr. Ali Rıza Alptekin, Mr. Murat Ulutaş, Mr. H. Basri Akgül and Mr. Mustafa Bakırcı, can be disclosed as the list of persons in such position.

In ensuring the balance between transparency and protection of the interest of the Company, great importance is given to paying attention by all employees to the rules regarding the use of the information learned from within.

Information learnt in the course of employment, belonging to the Company, not desired by the Company to be known by persons other than who require such information, and qualified as trade secret is deemed 'Company Information'.

All employees protect the company information during and after employment at Otokar A.Ş., do not use such information directly or indirectly and sign a letter of undertaking for protection of the information.

SECTION III - STAKEHOLDERS

13. Information of Stakeholders

Stakeholders related with the Company are invited to meetings on matters concerning them when necessary or informed by means of telecommunication.

14. Participation of Stakeholders in Management

Participation of the stakeholders in the improvement works on administrative matters, and the applications by means which the stakeholders can express their ideas and make evaluations in this regard actively are carried out in accordance with the procedures developed within the body of the production plant. Systematic meetings and training programs, such as EFQM model, self-assessment meetings open to participation of all white and blue collar employees, open-door meetings, etc. as well as surveys, like "working life assessment questionnaire", which are based on total quality philosophy and aiming at increasing of productivity, by means of which both the employees and the suppliers and customers can express their requirements, are carried out in accordance with the HR policies. From dealer network meetings to factory visits of shareholders, many activities targeting every group, seeking to raise the influence on the society, are organized and carried out. Furthermore, there is a system in place by means of which the customer requirements are tracked through the sales and dealer network and reflected to the management and by means of which necessary arrangements are made accordingly and necessary feedback is given.

15.Human Resources Policy

Under the human resources policy of the Company, criteria applicable to recruitment and promotion mechanisms have been established in writing. As the Human Resources Department, our aim is to continuously develop the competencies of our man power and to protect our permanent superiority in the global competition environment by sticking to the principles of

- Correct person for the correct job
- Equal pay for equal work; differentiation according to performance
- Recognition and appreciation of success
- Equal opportunity for everybody.

Operation of the human resources systems established to this end is defined by procedures which are communicated to all employees.

Human resources policy of the Company has been established and is being implemented. Issues such as recruitment policies, career planning, improvement and training policies for the employees established within this framework are dealt with under the Personnel Regulation. While there are various committees established to carry out the relations with the employees, no representative has yet been selected and appointed. In harmony with the Human Resources policies introduced by Koç Group of Companies, works are being carried out, and the rights and working conditions of both white collar and blue collar employees have been guaranteed so as to ensure that no employee is subjected to any discrimination or ill treatment. No complaint has been received in this regard during the period.

16. Information about the Relations with the Customers and the Suppliers

In the marketing and sale of goods and services, customer satisfaction is our primary and indispensable target. Customer satisfaction is regularly reported and tracked.

All measures and actions are taken to ensure customer satisfaction in the marketing and sale and after the sale of the goods and services of the Company. Requirements of the customers from our product purchased by him are met rapidly and the customer is informed. Quality standards and high quality warranties are ensured. Both the principles and policies toward the suppliers and the criteria of customer satisfaction for products and services are regularly measured and tracked by the concerned units within the organization of the Company.

17. Social Responsibility

Within the scope of social works targeting both the region where the factory is located and the general public, activities are organized according to the criteria of corporate social responsibility and influence on the society. Necessary detailed information about the works carried out in this context during the period is given in the Annual Report. No adverse notice was received during the period on account of damage caused to the environment. There are records in place, mainly the environmental impact reports, concerning our activities.

SECTION IV - BOARD OF DIRECTORS

18. Structure, Formation and Independent Members of the Board of Directors

The current Board of Directors of the Company is formed by
Mr. Kudret Önen as Chairman,
Mr. Halil İbrahim Ünver as Vice Chairman,
Mr. Osman Turgay Durak as Member,
Mr. Alpay Bağrıaçık as Member of the Audit Committee,
Mr. Ali Tarık Uzun as Member of the Audit Committee,
Mr. Ahmet Serdar Görgüç as Member and the General Manager,
Mr. Taylan Bilgel as Member
Mr. Tuğrul Kudatgobilik as Member.

Mr. Ahmet Serdar Görgüç takes part in the Board of Directors as executive member. Following the General Meeting by which the members of the Board of Directors are elected, the Chairman and the Vice Chairman are elected by the resolution of the Board regarding the segregation of duties. If any vacancy occurs in the Board of Directors during the period, the provisions of the article 315 of the Turkish Commercial Code are applied.

In respect of conduct of businesses falling into the subject of the company by the Chairman and members of the Board of Directors personally or on behalf of others and in respect of their investment in companies engaged in such businesses, approval is obtained from the General Meeting in accordance with the articles 334 and 335 of the Turkish Commercial Code.

19. Qualifications of the Members of the Board of Directors

Chairman and Members of the Board of Directors are elected so as to impart influence and efficiency at the utmost level. The Board of Directors has been formed by persons meeting such qualifications and having the required competency for the management by taking into account the matters addressed in the Corporate Governance Principles. Care is given that the persons elected as Members of the Board of Directors have been so equipped as to have the knowledge expected from the executives meeting the qualifications required from these persons.

20. Mission, Vision and Strategic Targets of the Company

Vision:

Otokar develops its own technology and preserves the local and national identity characteristics in its products and targets continuity in the satisfaction of the customers, the employees and the shareholders through the total excellency philosophy.

Mission:

Main mission of Otokar is to design, manufacture and market commercial vehicles and miscellaneous defense industry products as products having competitive power globally in line with the expectations of the customers.

Strategic Targets:

- By achieving a profitability of minimum 15% to our equities and by increasing the value of our shares of stock, to grow by 15% in average over certain periods;

- To focus on the manufacturing of the products about which we are assertive and have international competitive power;

- To invest in technology with the aim of becoming the leader or the second in the industries we are in;

- To raise our brand power and to dominate the technology in the industries we are in;

- To raise the share of exports in our revenues by increasing our exports and overseas operations.

The strategic targets established in line with the vision and mission of the Company are evaluated by the Board of Directors. Values pertaining to our mission and vision which have been established by the Top Management and approved by the Board of Directors are given in the Annual Report. In the establishment and implementation of the strategic targets, the works conducted by the concerned units are presented by the Top Management to the Board of Directors and monitored. By evaluating the performance in the previous year as part of reviewing of the annual activities, the Board of Directors compares the targets of the Top Management for the current and takes resolutions accordingly.

21. Risk Management and Internal Control Mechanism

Pertaining to the financial and administrative activities of the Company, a risk management and internal control organization has been established, of which operation and efficiency in line with the relevant capital market regulations are monitored by the Finance Department and the Internal Audit Department.

Financial statements of the Company are audited by the Audit Committee formed by the Members of the Board of Directors. In addition, the audit function is carried out by the auditors appointed by the General Meeting pursuant to the Turkish Commercial Code.

The Company carries out its activities as subject to the audit made by the Presidency of Audit Group which performs its function by reporting to the Board of Directors of Koç Holding A.Ş., one of the majority shareholders of the Company, which audit includes every kind of financial control and risk analysis.

22. Principles of Activity of the Board of Directors

Issues or agendas pertaining to the resolutions of the Board of Directors are arranged and prepared periodically or in line with the needs arisen. The number of meetings of the Board of Directors varies depending on the needs arisen. The Board of Directors took 42 resolutions in the last three years (2009-2011). The meeting of the Board of Directors is essentially called and held as the businesses of the Company so require. Although there isn't a special secretariat established to facilitate the communication, the Finance Department prepares the agenda, writes the resolutions and monitors the outcome of the resolutions of the Board of Directors. Opposition to the resolutions of the Board of Directors is noted on the same resolution. Any questions asked and answers given to such questions in taking of the resolutions are noted in the resolutions.

Agenda of the meetings of the Board of Directors is established by notification by the top management of the Company to the members of the Board of Directors of the issues which must be taken imperatively by the Board of Directors pursuant to the articles of association of the Company. Apart from this, the agenda of the meeting is established also by notification by any member of the Board of Directors of the matter of taking of a resolution on a specific issue to the top management of the Company.

Issues wished to be discussed by the Board of Directors are gathered and compiled by the Finance Department, so that the agenda of the meeting of the Board of Directors is established.

Finance Director of Otokar A.Ş. has been commissioned to establish the agenda of the meeting of the Board of Directors of Otokar A.Ş., to prepare the resolutions of the Board of Directors taken in accordance with the provision of the article 330/II of the Turkish Commercial Code, to notify and communicate with the members of the Board of Directors.

Different views expressed and reasons for opposite votes cast during the meetings of the Board of Directors are written in the respective resolution. However, since no such opposite or different view has been expressed recently, no disclosure has been made to the public in this regard.

23.Ban of Executing Transaction and Competition with the Company

Members of the Board of Directors may not execute transactions and compete with the Company. In such cases which may lead to conflict of interest, necessary measures are taken for the enforcement of the ban in accordance with the statutory regulations.

24. Ethical Rules

The Company conducts the necessary works continuously toward observation and application of the ethical rules in the general sense and publish them in its web site. As part of the statutory regulations, the generally accepted ethical rules are complied with.

As new regulations applicable to the employees, stakeholders and information policy of the Company are issued, they will be announced to the public.

25. Number, Structure and Independency of Committees Formed at the Board of Directors

There is a committee in charge of audit, established for the purpose of fulfillment of the duties and responsibilities of the Board of Directors in a soundly manner.

Mr. Alpay Bağrıaçık and Mr. Ali Tarık Uzun are members of this committee which has been established for the purpose of monitoring of financial matters, periodic review of financial statements and their footnotes and submission of the Independent External Audit Report to the approval of the Board of Directors.

The Company has not yet established a Corporate Governance Committee under the Corporate Governance Principles. Action will be taken in this regard in accordance with the legislation and the regulations to be issued by the Capital Market Board.

26. Financial Rights Provided to the Board of Directors

Rights provided to the members of the Board of Directors are decided by the General Meeting. The shareholders approved at the General Meeting dated 15.03.2011 payment of monthly remuneration to the members of the Board of Directors.

Apart from the remuneration determined by the General Meeting, no benefit is provided to the Chairman and Members of the Board of Directors. No program based on performance or rewarding is carried out in respect of the Board of Directors.

In addition, no money was lent, no loan was made available, no benefit designated as loan was provided through a third person and no guarantee or surety was given to any Member of the Board of Directors and any Top Executive during the period.

Otokar

www.otokar.com

Otokar Otomotiv ve Savunma Sanayi A.Ş.

Head quarters: Aydınevler Mah. Dumlupınar Cad. No: 24 A Blok Küçükyalı 34855 İstanbul-Türkiye
T: +90 216 489 29 50 F: +90 216 489 29 67

Factory: Atatürk Cad. No: 9 Arifiye 54580 Sakarya-Türkiye
T: +90 264 229 22 44 F: +90 264 229 22 42

Koç