



**WE
CAN**

ANNUAL REPORT

2014

Otokar

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WE CAN

This is how we set off in 1963, saying, “We can...” We believed that we could introduce vehicles for modern mass transportation to our country, that we could manufacture the first intercity buses, saying “We can...” Whatever our country needs, we can... We said, “I can only exist if my country exists”. We believed we could design and produce Turkey's first armoured military vehicles. This passion paved the way to many firsts, inspiring us to produce the first electrical powered bus in the country, and Turkey's main battle tank. We travelled far, delivering our brand, our vehicles to over 60 countries in five continents. We took responsibility, and invested, created employment, and added value.

We always safeguarded our clients, business partners, and employees.

Dreams and ideas for a better future, our desire to succeed, the love of our country, all empowered us. Driven with this strength, we are determined to achieve, overcome any and all challenges, and to pursue innovation.

We achieved, we can, we will...

Otokar

Independent Auditor's Report on the Annual Report of the Board Of Directors



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

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Otokar Otomotiv ve Savunma Sanayi A.Ş. ("the Company") for the year ended December 31, 2014.

The responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the preparation and fair presentation of the annual report consistent with the financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Company's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Company's financial statements there on which auditor's report dated February 13, 2015 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Company will not be able to continue as a going concern in the foreseeable future.

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

Erdem Tecer, SMMM
Partner

March 3, 2015
İstanbul, Turkey

Our Vision

We preserve the local and national identity of our products by developing our technology in-house, and aim to provide continued satisfaction for our clients, employees, and shareholders with our total excellence philosophy.

Our Mission

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





**WWE
CAN**

About Us

“Even if everyone gives up, we do not.”

Mustafa V. Koç, Koç Holding Chairman of the Board of Directors



552,000 m²

Plant area

We operate in a plant, spread on a vast area in Arifiye, Sakarya.

Our greatest success lies in our competence to transform our ideas into products through our design, engineering and R&D capabilities with the help of our proactive approach.

As Turkey's leading manufacturer of commercial vehicles and defence industry products, we have been offering our clients solutions that can be customized to their needs with our technologies, designs and applications since 1963. We are a part of Koç Group, operating at our plant in Arifiye, Sakarya with a workforce of almost 2,100 employees.

In addition to buses, light trucks and semi-trailers in the commercial vehicles segment, we also manufacture various tactical wheeled and tracked armoured vehicles and turret systems for the defence industry.

We were founded in 1963, at a time when important industrialization and modernization initiatives were under way in Turkey, and manufactured the country's first intercity buses. Merging with Koç Group in 1976, we resolved to specialize in different segments of the industry in addition to vehicles for mass transportation.

Manufacturing Turkey's first tactical wheeled armoured vehicle in the 1990s was another pioneering initiative for us. Today, we continue to maintain our leading position in the Turkish defence industry as the largest private capital defence industry company.

We have now become a company specializing in the design, development and system integration of all kinds of vehicles and platforms in the field of ground vehicles for the defence industry. We manufacture tactical wheeled and tracked armoured vehicles and turret systems with owned intellectual property rights, and we also export defence industry products to over 30 countries.

The main battle tank "Altay", which we as prime contractor have designed and developed, is a project where national capabilities and resources have been utilized to meet the requirements of the Turkish Armed Forces. Thanks to



“Altay”, a design, prototyping and qualification project, Turkey has not only created a main battle tank and obtained intellectual property rights, but also gained the infrastructure to design the most complicated ground vehicle system.

We carry the widest product range in the Turkish bus segment with an offering that includes up to 12-metre buses in different lengths and passenger capacities suitable for urban, intercity and tourism transportation. Meanwhile our work on alternative fuelled buses continues; and we have already manufactured Turkey’s first hybrid bus and electric bus.

Our portfolio also includes various categories like curtainsider semi-trailers, refrigerated trailers, container carriers, and tanker semi-trailers manufactured in international standards for the logistics sector. In addition to manufacturing Turkey’s first ADR-certified tanker semi-trailer for hazardous material transportation, we offer safe and hygienic solutions

for food transportation with refrigerated trailers.

With the addition of Otokar Atlas, a light truck with 8.5-ton provisional weight capacity manufactured under license, to our range we started operating in the light truck segment in mid-2013.

Our wide product range is in high demand not only in Turkey, but also in foreign markets; and we deliver our vehicles to clients in over 60 countries including Turkey across five continents.

We allocate an important amount of our revenues to research and development. In the last 5 years, four per cent of our revenues on average was allocated to research and development activities. Thanks to our work in 2013, our R&D Centre was named Turkey’s most successful Research & Development facility in the automotive industry. Our R&D Centre, considered one of the most modern test facilities in Turkey and among the few around the world, offers its capabilities to the service of the automotive and defence industries as well.



2,050+

Number of employees

With our 1,436 blue-collar and 618 white-collar employees, we have an experienced and qualified workforce who can use state-of-the-art technology, who are aware of the value and importance of customers and service, open to continuous learning and progress.



60+

Number of countries served

We are a global company serving customers in more than 60 countries across 5 continents.



Certificate and Management Systems

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 27001 Information Security Management System
- ISO 10002 Customer Satisfaction Management System
- AQAP 2110 NATO Quality Assurance Certificate
- Facility Security Certificate with National and NATO Secrecy Degree

Our Competitive Advantages

Products with Otokar-owned intellectual property rights



Independence to develop products to meet market requirements

Publicly traded



**Transparency
Reliability**

Operating in niche markets



Sustainable growth

Global

A global company with 100% local capital, utilizing products with owned intellectual property rights; used in over 60 countries across 5 continents

Largest

Largest private company in the Turkish defence industry

R&D capabilities and flexible production ability



Rapid product development and launch

Capability to offer customized features



Customer satisfaction guarantee

100% locally-owned



Advantage in national projects

Pioneer

Turkey's pioneering supplier of land defence systems

Leader

Market leader in the +25-passenger capacity bus segment in Turkey for the last five years

Our Milestones

1960s

1963

Our company, Otobüs Karoseri Sanayi A.Ş. was established in Bahçelievler, Istanbul.

1964

We manufactured Turkey's first intercity bus under Magirus license.

1967

We manufactured and exported first small buses.

1968

The legendary "Havalı Apollo" buses of the period were manufactured by our company.

1970s

1970

We designed and manufactured minibuses for mass transport.

1976

We joined Koç Group of Companies.

1980s

1980

Turkey's first armoured cash-in-transit vehicle was designed and manufactured by our company.

1984

Our company title was amended as "Otokar Otobüs Karoseri Sanayii A.Ş.".

1987

We started the production of tactical wheeled vehicles under Land Rover Defender license, and we received our first major order.

1990s

1990

Turkey's first tactical wheeled armoured vehicle was manufactured by us, and Turkey's first tactical armoured vehicle was also exported by us.

1995

Our Initial Public Offering was realized.

1997

Our factory was relocated to a 86,000-square metre plant in Sakarya.



2000s

2002

- > We merged with Istanbul Fruehauf A.Ş.
- > We designed and started manufacturing the small bus "Navigo", coming second in market share in the first year of production in Turkey.

2003

We produced Turkey's first ADR-certified tanker.

2004

Our R&D activities were consolidated at our R&D Centre.

2005

- > We added armoured internal security vehicle to our product range.
- > We designed and manufactured our Otokar branded semi-trailer.

2007

We added "Vectio", our bus which was due to become the best selling midrange bus in Turkey for seven consecutive years, to our production line. Turkey's first hybrid bus was manufactured by our company.

2008

- > We were named prime contractor for the modern main battle tank production project to meet the updated requirements of Turkish Armed Forces.
- > We expanded our total production area to 552,000 square metres.

2009

- > We added mine-resistant armoured vehicle "Kaya" and 12-metre city bus "Kent" added to our product portfolio.
- > We received the "Design Turkey Award" and "Busworld Kortrijk Grand Award" in Europe for "Vectio".

2010s

2010

- > Our company title was amended as "Otokar Otomotiv ve Savunma Sanayi A.Ş."
- > We added "Arma 6x6", a multi-wheeled armoured vehicle, to the product range, and received two export orders in the first year.
- > We became the best selling bus brand in Turkey.

2011

- > We received "Jury's Special Award" at the European Coach Week for city bus "Kent".
- > We added armoured combat vehicle "Arma 8x8" to our product range.
- > We displayed full-scale model of the national tank Altay to the public for the first time.
- > We founded our subsidiary, Otokar Europe, in France.

2012

- > We opened Otokar Tank Test Centre.
- > We launched Turkey's first electric bus.
- > We introduced preliminary prototypes of the national tank Altay.
- > We received a 900-bus order from IETT (Istanbul Electricity, Tram and Tunnel Administration) for use in Istanbul.

2013

- > Our light truck production was started.
- > We added Turkey's first authentic tracked armoured vehicle "Tulpar" and armoured personnel carrier "Ural" to our product range.

2014

- > We became Turkey's best selling bus brand for the fifth time.
- > We received ISO 10002 certification for customer satisfaction.
- > Fifteen thousandth "Navigo" came off our production line.
- > Our wheeled armoured vehicle "Ural 4x4" was included in our country's inventory.
- > Our R&D Centre was named the "Most Successful R&D Centre" in automotive industry.
- > Our Electromagnetic Compatibility Test Centre was accredited.

Our activities to achieve customer satisfaction both at our head office and also in eight authorized technical services were recognized by ISO 10002 certification.

Our Areas of Operation

COMMERCIAL VEHICLES

AREAS OF OPERATION



PASSENGER TRANSPORTATION

We carry the widest product range in the Turkish bus segment with an offering that includes up to 12-metre buses in different lengths and passenger capacities suitable for urban, intercity and tourism transportation. Meanwhile our work on alternative fuelled buses continues. As the best selling bus brand in Turkey for the last five years, we have been exporting buses to over 40 countries, and Europe in particular.



CARGO TRANSPORTATION

We are among the leading manufacturers of trailers, semi-trailers, on-truck applications for local and international transportation and logistics sectors.

In the light truck segment, we have been manufacturing Otokar Atlas, a truck with 8.5-ton provisional weight capacity under license, since 2013.

PRODUCTS

BUSES

Tempo, Navigo / Sultan

(Navigo C, Navigo U, Navigo T)

Vectio / Doruk (Vectio C, Vectio U, Vectio T)

Kent (Kent C)

Territo (Territo U)

TRAILERS, SEMI-TRAILERS

Otokar-Fruehauf Curtainsider Semi-Trailer (Tirliner, Speedslider, Mega Speedslider, Euroslider, Huck-a-Pack Semi-Trailer)

Otokar-Fruehauf Refrigerated Semi-Trailer (Iceliner, Iceliner Premium)

Otokar-Fruehauf ADR-certified tanker semi-trailer and on-truck applications (Cylindrical, elliptical, maxi section)

Otokar Ecotir

Otokar Ecoliner

Otokar Plato

Otokar Duet

Otokar Kontena

Otokar Spira

LIGHT TRUCK

Otokar Atlas Long Chassis

Otokar Atlas Short Chassis

MARKET POSITION AND DEVELOPMENTS IN 2014

- > We are the leader of Turkish bus market for the fifth time (+25-passenger capacity bus segment).
- > The fifteen thousandth Navigo came off our production line.
- > We added Vectio's 10-metre version with more passenger capacity to our product range for Turkish market.
- > We offered 25-passenger capacity as standard in Navigo model.
- > We revamped Tempo's interior design.
- > We introduced Vectio electric bus to university students.
- > We launched wheelchair accessible Navigo U, suitable for tourism transportation for the domestic market.

- > We recorded growth in trailer sales quantities, while revenues doubled.
- > We received orders from leading international logistics companies for the semi-trailers we developed for rail transport.
- > The five hundredth Atlas came off our production line.
- > We continued roadshows promoting Atlas across Turkey.

DEFENCE INDUSTRY



We are the leading supplier of land defence systems in the Turkish defence industry as the largest private capital defence industry company. Our products are actively used both in Turkey and also in over 30 allied and friendly countries by their armed forces and security forces.

Our products are manufactured on order basis depending on the intended purpose, capacity and protection levels. Export of all Otokar defence industry products are subject to the requirements of related governments' export license regulations.

We are the prime contractor of the national main battle tank project "Altay".

TACTICAL WHEELED ARMoured VEHICLES

4x4 Tactical Wheeled Armoured Vehicles (Otokar AVP, Ural, Cobra, Cobra II, Kaya, Kaya II, Kale, Discreetly Armoured Station Wagon, Armoured Internal Security Vehicle)

6x6 Tactical Wheeled Armoured Vehicles (Arma 6x6)

8x8 Tactical Wheeled Armoured Vehicles (Arma 8x8)

TRACKED ARMoured VEHICLES

Main Battle Tank (Altay)

Light Tracked Armoured Vehicle (Tulpar)

TURRET SYSTEMS

Mızrak RCT, Keskin RCT, Open Turrets, Internal Security Turret, Üçok, Bozok, Başok

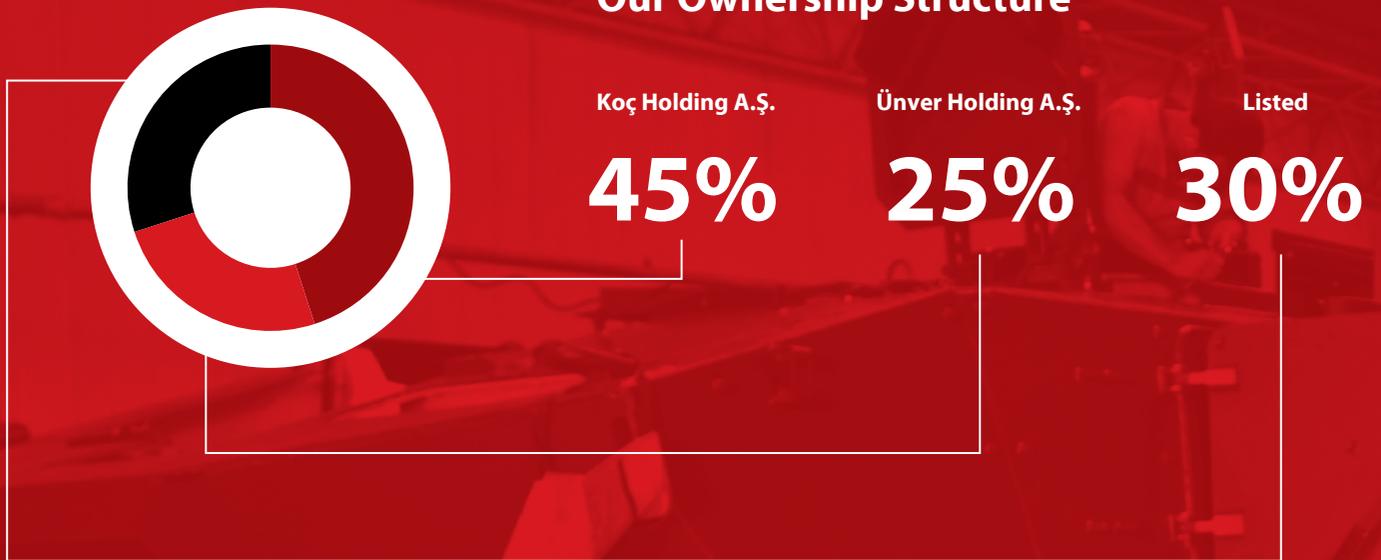


- > We continue to maintain our leading position as the supplier of land systems in the Turkish defence industry as the largest private capital defence industry company.
- > Ural and 5-door Cobra models are included in the Turkish inventory.
- > Two more countries now use Cobra. We received significant orders for Cobra from Turkey and foreign countries.
- > We completed the development tests for Arma 8x8, Ural, Cobra II and Tulpar successfully.
- > We continued the mobility and firing tests on Altay's preliminary prototype, and completed the production of new prototypes.

Key Indicators

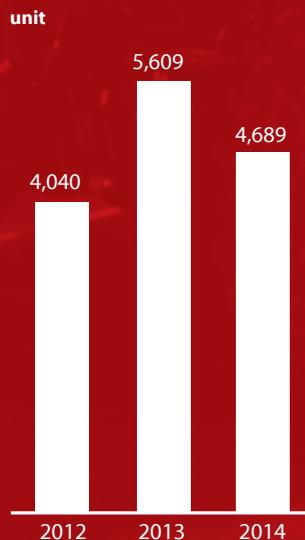
Our ownership is **100%** local

Our Ownership Structure

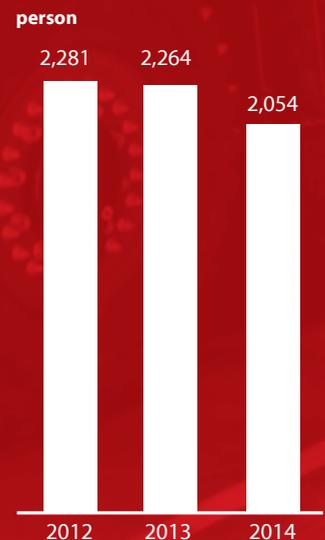


We generate value for Turkey

Production Volume



Number of Employees



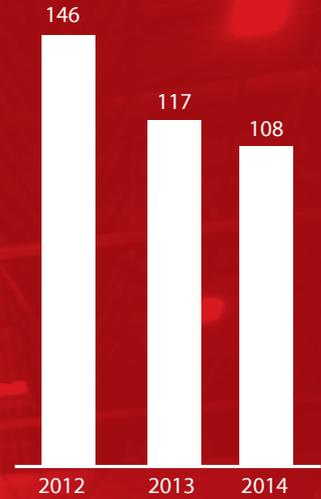
We are a global brand

Otokar branded vehicles used in more than 60 countries in 5 continents

Sales and service network expanded to more than 200 points

Export Revenues

USD million



Sakarya Arifiye Plant

Total Area

> **552,000 m²**

Capacity

> **4,600** Buses

> **2,600** Land Vehicles

> **1,600** Trucks + Light Trucks

> **1,400** Trailers + Semi-trailers

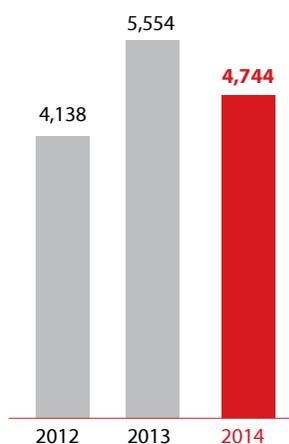
> **900** Tactical Armoured Vehicles

Key Indicators

Summary Financial Information

Sales Volume

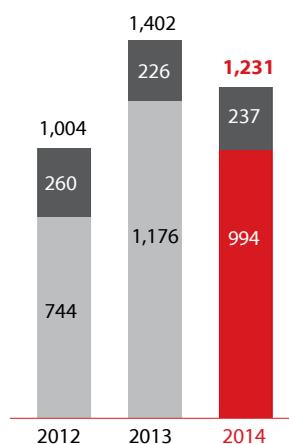
unit



Sales Revenues

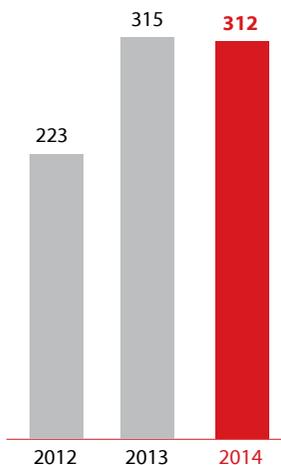
unit

■ Domestic ■ Exports



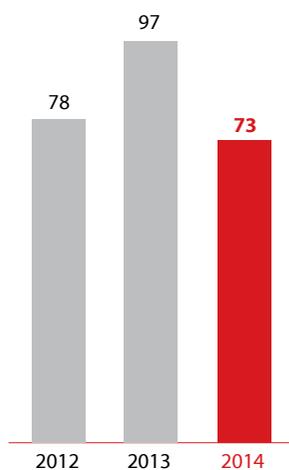
Gross Profit

TL million



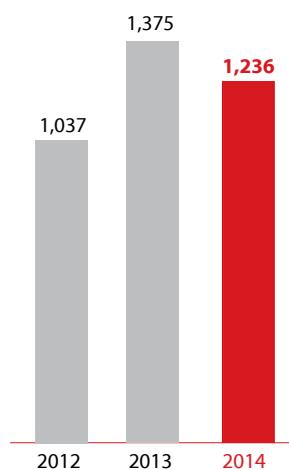
Net Profit

TL million



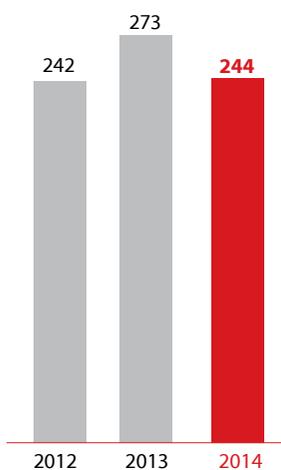
Total Assets

TL million



Shareholders' Equity

TL million



Main Ratios (%)

	2012	2013	2014
Gross Profit Margin	22	22	25
Operating Margin	11	11	10
EBITDA Margin	14	14	14
Pre-Tax Profit Margin	8	8	7
Net Margin	8	7	6

Financial Ratios

Liquidity Ratios	2013	2014
Current Ratio (Current Assets/Short Term Liabilities)	1.19	1.06
Liquidity Ratio (Current Assets-Inventories/Short Term Liabilities)	0.75	0.64
Financial Leverage Ratios	2013	2014
Total Debt to Total Assets Ratio (Short Term Debt + Long Term Debt/Total Assets)	0.80	0.80
Equity/Total Debt Equity/(Short Term Debt + Long Term Debt)	0.25	0.25
Profitability Ratios	2013	2014
Sales Profitability Ratio (Pre-Tax Profit/Net Sales)	0.08	0.07
Return on Assets (Pre-Tax Profit/Total Assets)	0.08	0.07
Return on Equity (Net Profit/Shareholders' Equity)	0.35	0.30

R&D Indicators

3.9%

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

Productivity Indicators

3,050

Number of proposals for projects submitted by employees in 2014 in order to improve productivity

91%

The share of Otokar designed vehicle sales in turnover

43%

Capacity utilization rate

TL 271 million

Total R&D spending over the last 10 years

157

Number of patents and industrial designs owned

Corporate Governance Rating Note

9.20

Message from our Chairman of the Board

“In 2014, we maintained our profitability, thanks in part to our strategic management and efficiency efforts.”



Dear shareholders and stakeholders,

It has been our mission since the day we were founded to meet the expectations of our customers to the best of our abilities. We believed we could achieve what has not been done before, the unthinkable; and we accomplished many firsts. Meeting the demands and expectations required research and development. So we invested in this area, developed our engineering capabilities and established our test centre, one of the few facilities of its kind in Turkey and Europe. We were rewarded for these efforts in 2014, and our R&D Centre was named the “Most Successful R&D Centre” in the automotive industry. Crowning this accomplishment was the accreditation of our “Electromagnetic Compatibility Test Centre”; we are now able to both offer our capabilities to the service of other industries, and to

certify the tests. I am confident that these positive developments will create new opportunities for our company in the coming years.

Looking at our financial results, our revenues in 2014 totalled TL1.2 billion; we sold 4,744 products and our export revenues reached USD 108 million. We continued to contribute to the economy, employing 2,054 people, and paying TL69.5 million in taxes and social security premiums.

As you are aware, we had closed 2013 with a record 40 per cent growth, but had anticipated a decrease in our growth rate due to the return to normalization in the bus market. Despite the decline in our revenues compared to the previous year as reported, our annual growth rate in the last decade averaged 16 percent. We maintained our sustainable growth, which is always a matter of importance and our priority as Otokar.

I am glad to report that we maintained our profitability, thanks in part to our strategic management and efficiency efforts, and posted a net profit of TL73 million in 2014.

Our customer-focused approach was the most important factor in achieving this success. I am proud to inform that we have become the best selling bus brand in Turkey for the fifth consecutive year, thanks to the product development activities guided by the needs of our customers, and to the customer-satisfaction improvement efforts in the bus segment where the market shrank by 66 percent.

2014 was another year when we leveraged the advantages of operating in niche markets. While the bus segment shrank, the growth in the trailer segment and our success in the light truck segment that we recently entered, as well as our on-going and newly developing activities in the

TL 1.2 billion

Total revenue in 2014

We maintained our sustainable growth, which is always a matter of importance and our priority as Otokar.

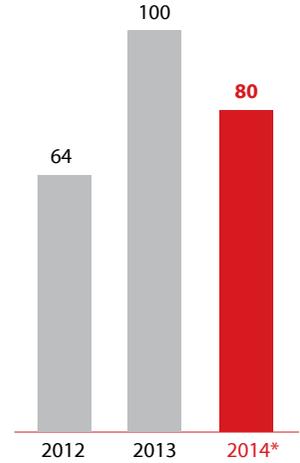
16%

Average growth rate

At the end of 2014, our annual growth rate in the last decade averaged 16 per cent.

Dividend Payments

TL million



* Will be subject to approval at the Annual General Assembly Meeting to be held in March 2015.

“We aim at enhancing our strength in Europe, which is one our target export markets.”

defence industry had a positive impact on our results. Some of the highlights of this year were our young armoured vehicles that are not even one year old being included in Turkey’s inventory, and adding new countries to our clientele.

Tests within the frame of Altay main battle tank project continued as scheduled, and the production of the last two prototypes was completed. I have utmost faith that through this project we will provide excellent service to our country in the coming years, and contribute to placing Turkey among the countries that design and develop their own main battle tanks.

Dear shareholders,

With general elections coming up and the Euro 6 regulations due to come into effect soon, we are anticipating more dynamic domestic market conditions in the commercial vehicles segment than last year. Among our export markets, Europe as our main target continues to recover, and we aim at enhancing our strength in those markets.

We are expanding to different markets in the defence industry, introducing our capabilities and the Otokar brand to new clients. With longer processes involved compared to commercial vehicles, our activities in the defence industry continue, as we develop products to meet the needs and demands of our clients. The fact that the products we develop become part of the clients’ inventories in a short time shows that we are on the right path; the success of our vehicles in United Nations missions is one of our

greatest advantages. I believe that 2015 will be a year of new opportunities, and we will not only continue to serve the armed and security forces of 30 countries across the world, but also as Turkey’s land defence systems manufacturer we will successfully fulfil our share of the task in any project carried out in our country.

I would like to extend my heartfelt gratitude to all our shareholders, customers, employees, business partners and suppliers for their continued support, and wish the very best in 2015.

Kudret Önen

Chairman of the Board of Directors

Board of Directors



Kudret Önen

Chairman of the Board of Directors

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

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



Halil İbrahim Ünver

Vice Chairman of the Board of Directors

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

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



Osman Turgay Durak

Board Member

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

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



Ali Tarık Uzun

Board Member

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

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



Ahmet Serdar Görgüç

Board Member - General Manager

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

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



Tuğrul Kudatgobilik

Board Member

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

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



İsmet Böcügöz

Independent Board Member

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

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

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



Abdulkadir Öncül

Independent Board Member

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

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



Ahmet Nezih Olcay

Independent Board Member

Born in 1947 in Beylerbeyi/Istanbul, Mr. Olcay received his Bachelor's degree in Business Administration from the Istanbul Academy of Economics and Commercial Sciences. Starting his career at Tofaş Türk Otomobil Fabrikası A.Ş. in 1971, he went on to serve as Accounting Department Supervisor, Accounting Manager, Finance Manager, General Manager of Finance, General Manager of Foreign Affairs, Foreign Affairs Group Director, and as Accounting, Finance and Control Group Director with A Group First Level authority, respectively. After working continuously for 36 years at Tofaş Türk Otomobil Fabrikası A.Ş., he retired in 2007. During his term at Tofaş Türk Otomobil Fabrikası A.Ş., Mr. Olcay served on the boards of various Tofaş subsidiaries as Director and Vice Chairman. He then served as General Coordinator, Vice Chairman and later as Chairman of the Board of Directors at Plastiform Sanayi ve Ticaret A.Ş. (2008-2012).

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

Senior Management



Ahmet Serdar Görgüç

General Manager

Serdar Görgüç began his professional career in 1982 at the Koç Holding Automotive Unit as a Project Engineer, and was later appointed to the position of Unit Manager at the R&D Centre. In the same year, he was appointed as the Advanced Projects Design Manager, and served in that position until 1988. Mr. Görgüç worked as the Product Engineering Manager between 1989 and 1995, and as Deputy General Manager of Engineering between 1995 and 2005. He has been serving as the General Manager of Otokar since 2006. Mr. Görgüç graduated from Boğaziçi University, Department of Mechanical Engineering in 1981; he later received a master's degree in Business Administration from Istanbul University in 1983.



Hüseyin Odabaş

Assistant General Manager – Finance

Hüseyin Odabaş began his professional career at Koç Holding in 1989 as a Management Trainee and served as an Audit Expert between 1992 and 1994. He then served as an Accounting Manager at Ormak -a Koç Group Company- between 1994 and 1996 before working as an Accounting Manager at Otokar between 1996 and 2003. He has been serving as Assistant General Manager responsible for Finance since 2003. Mr. Odabaş graduated from the Department of Business Administration at İstanbul University in 1985.



Hasan Basri Akgül

Assistant General Manager - Domestic Market Sales and Marketing

Hasan Basri Akgül began his professional career at Tofaş in 1990 as a Regional Sales Assistant Manager and went on to serve as Regional Sales Manager between 1990 and 1992, Logistics Manager between 1993 and 1997, and Sales Coordinator in 1998. He has been serving as Assistant General Manager at Otokar responsible for Domestic Market Sales and Marketing since 1998. Mr. Akgül graduated from the Department of Mechanical Engineering at Istanbul Technical University in 1984; he later completed a Master's degree in the same discipline from the Boğaziçi University in 1988.



Ali Rıza Alptekin

Assistant General Manager - Production and Procurement

Ali Rıza Alptekin began his professional career at Ford Otosan, a group company, in 1987 as a Product Development Engineer where he served until 1989. Mr. Alptekin then served as Quality Manager at İstanbul Piston ve Pim Sanayi between 1991 and 1993, as a Production Management Manager at Honda Turkey between 1993 and 2000, and as Procurement Director of Manufacturing at Honda UK between 2000 and 2006. He has been serving as the Assistant General Manager responsible for Production and Procurement at Otokar since 2006. Mr. Alptekin graduated from the Department of Mechanical Engineering at Boğaziçi University in 1989; he later completed a master's degree in the same discipline at the University of Clemson in 1991.



Murat Ulutaş

Assistant General Manager – Technical

Murat Ulutaş began his professional career at Ford Otosan in 1992 as Product Development Assistant Manager and then served as Product Development Manager between 2001 and 2004, and as the Project Manager for the PUMA 15 Vehicle project from 2004 to 2005 at the same company. He has been serving as an Assistant General Manager at Otokar responsible for Engineering since 2006. Mr. Ulutaş graduated from the Department of Mechanical Engineering at İstanbul Technical University in 1991; he later went on to complete a Master's degree in the same discipline, also from İstanbul Technical University in 1993.



Mustafa Bakırcı

Assistant General Manager - Main Battle Tank and Armoured Tactical Vehicles

Mustafa Bakırcı began his professional career in 1980 as an R&D Engineer at TÜBİTAK Defence Industry Research and Development Institute before working for Aselsan as an R&D Engineer from 1983 to 1985. Starting his career at Otokar as a Project Engineer in 1985, he then went on to serve as the CAD Specialist between 1987 and 1989, as CAD Chief between 1989 and 1995, as R&D Manager between 1995 and 2006 and as R&D Director from 2006 to 2008. He has been serving as the Assistant General Manager at Otokar responsible for the Main Battle Tank and Armoured Tactical Vehicles since 2008. Mr. Bakırcı graduated from the Department of Mechanical Engineering at the Middle East Technical University in 1979 before completing a master's degree in the same discipline, also from the Middle East Technical University, in 1981.

We achieved...

Highlights of 2014

EMC-EMI Test Centre accredited

Our Electromagnetic Compatibility (EMI/EMC) Test Centre was accredited by Turkish Accreditation Agency in 2014.



Best R&D Centre

Our R&D Centre was named the "Best R&D Centre" in automotive industry in 2013, and we were presented the trophy in 2014 by the Minister of Science, Industry and Technology Fikri Işık.

ISO 10002 certified for Customer Satisfaction

Our activities to achieve customer satisfaction both at our head office and also in eight authorized technical services were recognized by ISO 10002 certification for Customer Satisfaction.

Environment Award by ISO

We came third in the Environment and Energy Awards presented by the Istanbul Chamber of Industry in the "Large Scale Enterprises Environment and Sustainability Management" category.



New vehicles

We promoted the tourism-focused Wheelchair Accessible Navigo U bus with a capacity of carrying up to seven passengers in wheelchairs in the domestic market. We added the 10-metre city bus Vectio C to our commercial vehicles portfolio; and upgraded the Tempo buses developed for personnel transportation to meet the needs of our customers.



New vehicles in the inventory

We received orders for Ural, the tactical wheeled armoured vehicle we launched in 2013, from the domestic market; and Cobra's 5-door version was included in the Turkish inventory.

In 2014, besides our R&D investments we introduced new generations to future technologies. Keeping customer satisfaction in the forefront, we also contributed to Turkey's economy with our production.

Our vehicles in numbers

We exported the one hundredth Vectio bus to Italy. Fifteen thousandth Navigo bus and the five hundredth Atlas came off the production line.

Atlas meets Turkey

Otokar Atlas travelled 7,000 km across Turkey, stopping at 15 cities to meet our customers.



Euro 6 vehicles

We promoted our buses equipped with ecofriendly Euro 6 engines in Europe on a roadshow spanning five countries. The first of these buses started operating in Germany.

Electric bus on campus

We promoted Turkey's first electric bus Vectio Electra on campuses of three universities to introduce new technologies to students. During these visits, Vectio Electra offered free rides on each campus for three days.

New Cobra orders

We received orders for Cobra from domestic and international markets for various United Nations missions and domestic security needs, while two more countries have now been added to Cobra clients.

Tests for Altay continue

We continued to conduct mobility and firing tests on the two preliminary prototypes of main battle tank Altay; and we completed the production of new prototypes in line with the project schedule.

Vehicle development tests

Arma 8x8 105 mm firing tests, Ural desert tests, Cobra II amphibious tests, and Tulpar mobility capability tests were successfully completed.



Our Commercial Vehicles

We are Turkey's best selling bus brand for the last 5 years.

Passenger Transportation Vehicles

In addition to city buses in the passenger transportation vehicles segment, we also design and manufacture buses for personnel and tourism-focused transportation. We are Turkey's best selling bus brand with a comprehensive product portfolio ranging from 7 metres to 12 metres in length. Today Otokar buses carry passengers in over 40 countries.

After showing considerable growth in 2013 mainly due to high-volume procurements by municipalities and the IETT contract in particular, the Turkish bus market shrank as most of the procurements were completed in 2014. The new administrations that came to office after the local elections spent

2014 as an adjustment period and without any significant procurement efforts. Tourism and personnel bus segments displayed a similar performance to the previous year. According to Turkish Automotive Manufacturers Association (OSD) data, Turkish medium size bus market (7-9 metres) and bus market shrank by 24% and 66%, respectively.

Despite the negative indicators, we have become the most preferred bus brand in Turkey in 2014; and we have maintained this successful position for the last five years. Our bus sales in the domestic and foreign markets totalled 2,429 units. This figure represents 29% decrease in bus sales compared to the previous year, which is a reflection of the

2,429

number of buses sold in 2014





high volume orders received the previous year. The IETT contract for 900 vehicles that we were awarded in 2012 was completed for the most part and delivered in 2013. This order, regarded as the largest city bus procurement contract in Europe, contributed significantly to our 2013 sales.

The fifteen thousandth Navigo bus, the first of which was launched in 2002, came off the production line. Navigo maintains its best selling position in the Turkish medium size bus market for the last 7 years. Meanwhile the number of our Vectio buses in Italy reached one hundred.

Demand from Europe, our main export market, has not yet reached previous years' levels in the aftermath of the global economic crisis. Meanwhile we continued to work on developing vehicles in European norms and in line with market expectations. We took our ecofriendly vehicles equipped with Euro 6 emission engines on a roadshow in Bulgaria, Greece, Czech Republic, Croatia and Slovenia, promoting them in various events. Meanwhile, our right-hand drive buses were displayed in the UK for the first time.

In 2014, we exhibited our bus range at Busworld Türkiye and Transist Istanbul shows in Turkey; and at various shows in our main export market Europe including

IAA, Germany, Euro Bus Expo, UK, FIAA, Spain, and Transport Public and Autocar Expo, France. Erbil Autoshow in Iraq was another event where we promoted our buses.

We have also designed and manufactured buses for special purposes; and the Mobile Library and Kızılay (Turkish Red Crescent) Blood Drive Vehicles we built on the Kent bus platform were delivered to their respective owners in 2014.

Urban Passenger Transportation Vehicles

The high demand for city buses in 2013 subsided after the 2014 local elections, resulting in a rather stagnant year in this segment. Free public transportation offered to senior citizens over 65, a policy that was adopted in 2014 in Turkey and offered free rides on all means of urban transport, also contributed to the stagnation in this segment. While this shrinkage in the city bus market reflected on our sales, we still delivered orders to major provinces. In the privately owned city buses segment in Turkey, individual sales stood out but due to the decrease in major city bus contracts compared to the previous year, the share of city bus sales to municipalities and private entities in our total sales dropped significantly in 2014.

The maintenance services offered to the 900 buses currently used by IETT in four garages continued

Our right-hand drive buses were displayed in the UK for the first time in 2014.

15,000

number of Navigo buses manufactured between 2002-2014



99%

Uninterrupted operation rate of Otokar buses serving in IETT fleet

successfully in 2014. The servicing rate of Otokar buses, meaning uninterrupted operation time, exceeded 99 percent. Kent buses logged a sum of 95 million kilometres by the end of 2014; and total 2,200 IETT drivers were trained.

We also continued to work on developing vehicles based on customer feedback and expectations. In response to the demand for vehicles with higher passenger capacity and lower operational costs, we developed the wheelchair-accessible, 10-metre version of Vectio C model. Offering more economy in terms of operation costs compared to the 12-metre version, and higher passenger capacity than small and medium range, Vectio C's new version was very well received in the domestic market, and Anatolia in particular.

Thanks to the Vectio buses we exported to Slovenia, we were included in the fleet of a European capital in 2014.

Vehicles for Personnel Transportation and Tourism

Despite the shrinkage in the urban transportation vehicles market, the personnel and tourism transportation vehicles segment fared at the same levels as the previous year. The share of personnel and tourism transportation vehicles in our bus sales reached 87 per cent in 2014. The demand for our medium size buses, especially in the tourism segment rose; and we also delivered fleets to major customers.

We revamped our Tempo model, which we had developed specifically for personnel transportation and added to our product range the

previous year, in line with customer feedback and expectations. Similarly, customer feedback guided us to offer 29 seats as standard in the Navigo T model.

With the introduction of the "Law to Amend the Disability Act" that enforces companies and individuals, which provide land and tourism transportation, or intercity transportation services, to offer accessible mass transportation to people with disabilities, we launched a bus version for personnel and tourism transportation that enables wheelchair access for the domestic market in 2014. Our wheelchair accessible Navigo U bus, with a capacity of seven wheelchairs, currently operating in Europe offers people with disabilities to travel in their own wheelchairs.





Cargo Transportation Vehicles

We operate in the cargo transportation vehicles segment with semi-trailers for the logistics and transportation industry, and light trucks that we added to our product range in 2013.

Semi-trailers

While the semi-trailer market showed growth in 2014 with the rise in demand for trailers suitable for intermodal transportation, the market was nonetheless negatively affected by the uncertainties in Turkey's southeast border.

By predicting the rise in demand for trailers suitable for intermodal transportation and adding related new products to our range, we were able to meet the demand, increasing our sales and selling total 1,412 trailers in 2014.

Intermodal transport involves the integration of different modes of freight transportation like rail, ship and truck; allowing a semi-trailer to be transported from one point to another without the need for any cargo handling, and in a shorter time. It also minimizes land transport, and contributes to the protection of the environment. In this area, we added the new "Mega Euroslider Huckepack" semi-trailer model to our product range. Thanks to the EN 12642 CODE XL Load Safety Certification for its body structure, our new semi-trailer now offers safer transportation.

Another new addition to our portfolio in 2014 was "Iceliner Premium"; as well as offering high volume for cold-chain transport, this model can also be used for garment transportation with additional apparatus. Furthermore, we expanded our product range to accommodate 45" high-cube and light semi-trailer designs for our container carriers; and we concluded our first fleet sale.

With high volume orders we received from international logistics companies in 2014, we exhibited in the TIREXPO Show, and found the opportunity to meet with our customers and learn about their expectations and requirements. We also maintained our lead position in tanker production in 2014, and proudly became the first Turkish company to be certified by Turkish Standards Institute (TSE) for all sectioned tankers (circular, elliptical, maxi sectioned).

Light Trucks

2014 saw considerable action in the truck segment. The domestic truck market including small and large trucks grew 12 percent. However, production in the light truck segment, in which we operate, showed 24 per cent decrease according to OSD data. Despite this negativity, we recorded significant growth in 2014 with the addition of Otokar Atlas, our 8.5-ton light truck to our product range in June 2013. We sold total 463 Otokar Atlas trucks, and we were happy to complete the production of the five hundredth truck.

The Otokar Atlas roadshow across Turkey we started in 2013 continued, and the tour of 2014 included 15 cities, traveling 7,000 kilometres. Otokar Atlas has been drawing great interest from the market for its strength, load capacity and success, especially in challenging tasks, and we reinforced its dealer network as well.



Defence Industry

We are Land Defence Systems House of Turkey.

With defence industry products used in over 30 countries in 5 continents, today we are Turkey's largest private capital defence company. As the manufacturer of Turkey's land defence systems, we design, develop, and manufacture products to meet the expectations and requirements of our clients, with an offering that includes tactical wheeled and tracked armoured vehicles ranging from 3/4 tons to 60 tons, as well as turret systems.

We added two vehicles to our product range in 2014, which were firsts in the Turkish inventory. We also have two new countries as clients, and we are expanding our export markets. While we kept receiving orders for our current product range, we continued to develop and to conduct tests on new products. "Main Battle Tank Altay" project is moving along according to plan.

We continued to promote our defence industry products in various markets. For this purpose we exhibited in shows in countries like Bahrain, Colombia, France, Indonesia, and South Africa, displaying the capabilities of our products.

In addition to supplying Turkish Armed Forces and security forces vehicles, we export to friendly and allied countries' armed forces approved by the Turkish Ministry of Defence. Like the other exporters in the field of defence industry, all our sales are made with the information and permission of the Ministry of Defence.

Tactical Wheeled Vehicles

Clients satisfied by the performance of our vehicles keep placing new orders. Cobra has already been included in the inventory of over 15 countries and we received a

new order for Cobras to be used in the United Nations missions by the peacekeeping forces.

We now have two new countries as clients for Cobra, our world-renowned and unrivalled in its class vehicle. The 5-door version of Cobra that we developed to meet the demands and requirements of our clients was included in the Turkish Armed Forces inventory in 2014 as well.

The developments and tests on Cobra II, which offers more volume and higher level of protection compared to Cobra continued; and we completed the desert and amphibious tests of Cobra II in 2014.

Our tactical wheeled armoured vehicle Ural 4x4 that was added to our product range the previous year was included in the inventory of the internal security forces and started

30+

Number of countries using Otokar defence industry products





to be used in 2014. Meanwhile the desert tests of the vehicle planned for export markets were successfully completed.

Our armoured combat vehicle Arma 8x8, designed completely by Turkish engineers as a modular structure suitable for different missions, passed the firing tests with high calibre weapon system 105 mm successfully.

2014 was also the year when we exported to the Americas for the first time; and we delivered 4x4 tactical wheeled vehicles to a South American country.

Tracked Armoured Vehicle

The mobility capability tests of Tulpar, Turkey's first tracked armoured combat vehicle, continued to meet the clients' demands for different mobility capabilities and mission profile requirements.

Main Battle Tank Altay

Stage III Prototype Development and Qualification as the last stage in "Turkey's Main Battle Tank Altay" project, which we carry out as the primary contractor, continued according to the planned schedule. We also conducted mobility and firing tests on the first two preliminary prototypes throughout 2014.

We completed the production of the tank prototype PV1, which will be tested by the Land Forces Command and the Ministry of Defence Undersecretariat for Defence Industries for mobility capabilities and strength qualification; as well as the tank prototype PV2 to be used in firepower qualification tests. We prepared the tanks for system qualification and acceptance tests. Once the qualification tests for PV1 and PV2 commence, we will accelerate our preparations for serial production. Our goal is to complete

Phase I of the project carried out under our primary contract in 2015.

Altay is expected to add great momentum to Turkish defence industry in terms of design, development and production with the investments, qualified workforce and technical experience involved in the project. Altay is created using state-of-the-art technologies, making it the most modern main battle tank in the world.

Turret Systems

The land defence systems we design and manufacture include turret systems ranging from 7.62 mm to 30 mm. We worked on further developing the products we had added to our range back in 2013, and carried out development tests on our remote controlled turret system Başok in 2014.



Turkey's National Main Battle Tank Altay

We assumed the design and development of "Turkey's National Main Battle Tank Altay" project as primary contractor in 2009. It is planned as two different phases; namely Phase I: "Conceptual Design and Prototype Production", and Phase II: "Serial Production". Altay, which we have designed according to the technical and tactical demands of the Turkish Armed Forces, stands out with its superior firepower and marksmanship skill, high mobility and durability. Upon completion of the project, all design and intellectual property rights will be owned by Turkey, without any limitations. We are the primary contractor for main battle tank Altay's design and prototyping process.

We research & develop

We develop products according to our customers' requests and needs.

Our R&D Activities

Our R&D spending reached TL43.5 million in 2014 while our work in 2013 was recognized by the Ministry of Science, Industry and Technology as the Most Successful R&D Centre in automotive. We also became the first Turkish company to be certified by Turkish Standards Institute (TSE) for all sectioned tanker production (circular, elliptical, maxi-section).

Our Electromagnetic Compatibility (EMI/EMC) Test Centre was accredited by Turkish Accreditation Agency in 2014 certifying that it complies with TS EN ISO/IEC 17025:2012 standards, as well as all relevant regulations and communiqués.

This centre has also started offering its capabilities as an independent accreditation centre for the R&D work of local and foreign automotive and defence industries.

This past year, our improvement activities toward future needs continued. Along with over 20 stakeholders from 8 countries, we actively took part in the EU-funded CoMoSeF (Cooperative Mobility Services of the Future) project that aims to develop applications and architecture, which will be required to create the services of the future for intelligent traffic systems. The project's objective is to define and obtain the information to increase

TL 43.5 million

R&D spending in 2014





traffic safety and fluency, and support traffic management through communication between the pilots, other vehicles and roadside units.

We hosted the mid-term review event of the project in 2014, and prepared our Territo bus for the project as well.

We offer the testing capabilities of our R&D Centre to the use of different industries and companies, and we rent out our centre. At the International ATS (Automotive Testing Show) in Bursa on November 19-20, 2014 we promoted our recently accredited EMC/EMI laboratory and also informed

visitors about the capabilities of the Otokar Test Centre, considered one of the most advanced testing centres in Turkey and Europe. The Otokar Test Centre area houses a climate controlled Test Chamber with Dynamometre, the one and only of its kind in Turkey, and among the top few in Europe; Turkey's highest capacity hydraulic road simulator; one of the world's best state-of-the art and Turkey's largest Electromagnetic Compatibility Test Centre; mine testing equipment and ballistic laboratories.

Our product development work continued in 2014 as we added the 83-passenger capacity,

10-metre long city bus Vectio C to our product range to meet the customers' demands and needs. We redesigned the popular personnel transportation bus model Tempo. In the semi-trailer segment Iceliner Premium that allows carriage of different types of cargo in the same vehicle, Mega Euroslider Huckepack for intermodal transport, 45" high-cube and light semi-trailer designs for container carriage were included in our product range. Thanks to the EN 12642 CODE XL "Load Safety Certification" for Huckepack semi-trailers we manufacture, we can offer safer carriage.



We offer the testing capabilities of our R&D Centre which was chosen the Most Successful R&D Centre in the automotive sector, to the use of different industries and companies.

We value

We aim to create value for our customers and business partners.

Our Clients

Our projects that focus on customer satisfaction, that develop after sales strategies and set the bar higher for service standards in the industry increased in 2014 with the addition of ISO 10002 certification that enables systemization of customer satisfaction and standardization of related activities. Along with our company, eight of our authorized technical services were ISO 10002 certified, which is a system that as a whole provides guidelines for the companies to respond to customer demands, and to address such demands in the best possible manner. Otokar authorized services became the first to be awarded this certification in the commercial vehicles segment in Turkey.

We developed a special project in partnership with suppliers to track and ensure faster delivery to spare parts dealers and technical services, and to respond more rapidly to our customers while we improved efficiency and customer satisfaction.

We also keep on improving communication tools for closer contact with users by measuring the satisfaction levels of our customers and business partners. In 2014 our website was refreshed with user-friendly design and content, while we opened social media accounts to enable users to access up-to-date information about our commercial and defence industry products, and to communicate with us faster.

We hosted numerous potential local and foreign buyers and clients at our plant, and found the opportunity to inform them about our products and learn about their expectations and needs.

Our Shareholders

One of our key principles and objectives is to create continuous value for our shareholders. We hold meetings, conferences, and teleconferences with local and foreign corporate or individual investors, as well as existing and prospective local and international shareholders for this purpose. In line with transparency principles, we inform investors and shareholders about our activities.

We constantly measure the satisfaction of our clients and business partners, placing great emphasis on communication to ensure closer contact with the users.



We are efficient

“Our people do.”

Izzet Ünver, *Founder of Otokar*

Efficiency

In 2014, we focused on the topics of costs, quality, delivery terms, local customers' satisfaction and the environment to improve our efficiency in production and supply. We developed 186 different projects for these purposes, and gained significant time and cost advantages through these projects.

In addition to our work in the field of production, we carried out a special project in 2014 to ensure that deliveries of spare parts to end-users are faster and trackable. The implemented projects and adjustments improved delivery of orders, leading to better communication especially with our business partners, and increased internal and external customer satisfaction.

The Otokar Suggestion and Reward System that we carry out to reward employees for their efficiency-increasing suggestions received 3,050 suggestions on topics ranging from improvements to better efficiency; and 33 employees were rewarded for their input. As we have done in the previous years, we participated in The Most Successful Koç Employees Award System with several projects. Among the total 88 projects submitted by 20 companies, we received the “Most Successful Koç Employees Award” for three projects. Our award-winning projects were “Otokar Energy Hunters Project” in the Adding Value to Life category, “Elimination of Boiler Pump Breakdown” in the Creating Customer Satisfaction category, and “A Different Approach to Efficiency in Bus Production” in the Making a Difference category.

3,050

Number of proposals submitted to Otokar Suggestion and Reward System

OUR AWARD-WINNING PROJECTS

Otokar Energy Hunters Project

Adding Value to Life Category

This project was developed by the “Energy Hunters Project Group”, which the bus production line workers formed, with the aim of leaving a more sustainable planet to future generations by reducing energy and water use. The team visualized and eliminated the air leaks along the bus production line, creating awareness. A similar approach was applied to water wasted by letting faucets run.

Elimination of Boiler Pump Breakdown Project

Creating Customer Satisfaction Category

The project eliminated the cause at the root of the problems experienced in the heater pump line of the city buses, and prevented possible future problems. The project extended the life of the heater pump and created cost advantage.

A Different Approach to Efficiency in Bus Production

Making a Difference Category

The project team analysed the on-going practices, and started entering the vehicles to the bus line in reverse, reducing the walking time in production.



We care

"I can only exist if my country exists."

Vehbi Koç, Founder of Koç Group

Sustainability

We comply with the United Nations Global Principles, and carry out our activities for the environment, human resources, suppliers and social responsibility within the frame of policies and procedures we have determined. More detailed information about our sustainability efforts can be found in the Otokar Sustainability Report (please visit our website to access the report).

Environment

Our successful activities for the environment as part of the policies and systems we adopt were recognized in 2014; and we took third place in the 14th Environment and Energy Awards presented by the Istanbul Chamber of Industry in the category of "Large Scale Enterprises Environment and Sustainability Management".

The developments and improvements we achieved in 2014 brought significant savings. The procurement of thinner recycling equipment decreased the amount of cellulosic thinner that went to waste. Improvements brought on by the "Human Resources Online Reporting System" and other applications in administrative affairs resulted in significant economy on paper use.

Environmental controls and trainings continued last year too. In addition to greenhouse gas reduction efforts, we provided information about greenhouse gasses through trainings. To increase consciousness about the environment and energy consumption, five subcontractors were supervised in 2014; and 280 students in five elementary and high schools were educated to raise awareness in children.

In addition to the trainings provided by Otokar's Ekokar Environment Club within the frame of June 5 World Environment Day activities, a drawing contest with the theme "What do you do for the environment with your family?" was organized for the children of our employees.

In the fall of 2014, we partnered with Turmepa to organize a Coastal Cleanup Day, which 100 Otokar employees joined. We collected 187.5 kg of waste during the cleanup at Sapanca Gölbaşı Park (Sapanca Lake), and delivered them to Arifiye Municipality.

Human Resources

We provided 40,921 man-hours of training to our employees, our most important assets in 2014, resulting in 7.3% increase in total training





40,921

Man-hours of training

time compared to the previous year. Training time per person averaged 18.3 hours.

Employment decreased 9% in total compared to the previous year, and we ended 2014 with 1,436 blue-collar and 618 white-collar employees, 2,054 in total. In line with our focus on research and development activities, total number of employees at our R&D Centre reached 482.

The training courses we launched in 2013 in partnership with İşkur offering 50% employment guarantee continued. We provided 39 people with the opportunity to attend Auto-Body Paint courses in 2014, and hired 21 people on contract.

In addition to offering interning opportunities within the frame of University-Industry Collaboration projects, we gave total 123 seniors in industrial vocational high schools internship opportunities as part of the National Education (Industrial Vocational High Schools) – Industry Collaboration project.

To ensure that human resources processes reach all of our employees better, we appointed a “Human Resources Representative” in each department, allowing our employees to communicate their suggestions and requests to the Human Resources Department faster.

We organized a number of social events to improve the motivation levels and communication within the company in 2014. Some of these events include the Otokar Family Day, film showings for the children of our employees, Otokar Sharing Conferences held within the company, dinners for directorates, and iftar dinners in Ramadan.

We also organized various sports events like May 19 Youth Day Run, soccer and bowling tournaments within the company. We participated in the 24th Koç Group Sports Festival where we won first prize in the Veterans Football League, and third prize in Women’s Tennis League.

The intra-company clubs formed to support the employees’ areas of interest and social life carried out many activities throughout 2014, like basic and advanced sailing training, participation in the ODTÜ Robot Competition, photography tour to Yedigöller region, Ski trip to Kartalkaya, and hiking at Sülüklügöl. Otokar Women’s Club was also founded in 2014 and commenced its activities after the sub-working groups were formed.

Improvements and controls for Occupational Health & Safety (OHS) continued; and 317 people received Pre-Employment OHS Training, and 1,210 employees were given 12-hour Refresher Courses for OHS.

7.3%

Increase in total training time in 2014

18.3 hours

Average training time per employee



728 suppliers

456 local + 272 foreign

Supply

The successful partnerships with our suppliers within the frame of our procurement policies continued; and as of end 2014 we are working with 456 local and 272 foreign suppliers, totaling 728. The development of our suppliers is very important to us. We also guide them for research and development, carrying out joint product development efforts.

Corporate Social Responsibility

We aim to support the development of the society that we are a part of in areas like education, culture and health; and in addition to the corporate activities we undertake, we also assist the volunteering efforts started with the initiative of our employees.

To contribute to the education of the young population, to introduce university students with the modern technologies in the automotive industry, and to enable them to experience these technologies, we took Turkey's first electric bus Vectio Electra, designed and manufactured by Otokar, to the campuses of Istanbul University, Yıldız Technical University and Istanbul Technical University in December. While Vectio Electra offered free rides to the students in the campus, we introduced the technology of the bus at the booths we set up. We provided information to 3,480 people directly, carried 7,855 passengers on Vectio Electra, and

travelled 476 km. We also hosted seniors from Afyon Kocatepe University Bus Driver Program at our plant for the same purpose.

Our social responsibility activities continued within the frame of "For My Country" project carried out by Koç Group. In addition to newly hired employees and trainees, bus drivers were also given "The Right Approach to People with Disabilities" training in partnership with Sakarya Metropolitan Municipality. The number of people who received awareness training from Otokar volunteers since 2012 reached 2,290.

Yet another activity in the same project was the basic photography and techniques training that Otokar Photography Club gave to the members of Sakarya Yenihayat Disabled Sports Club. Following the event, all the participants took photographs in the park featuring different compositions. We supported Düşler Akademisi (Dreams Academy) by purchasing the products that young people with disabilities handcrafted. Again, as part of the "For My Country" campaign, we sponsored the first national No Limits Sports event, the Physically Disabled Table Tennis Turkey Championship in Sakarya in 2014. 64 physically disabled athletes from 12 provinces competed in the tournament.





We aim to support the development of the society that we are a part of in areas like education, culture and health.

Some projects that were launched in previous years continued; we organized a blood drive in collaboration with Kızılay, as a continuance of the “Blood Drive for My Country” project that started in 2010, and donated 188 units of blood.

We supported projects that were launched by our volunteering employees. We donated books, toys and stationery to schools in need, and to Keser Village Elementary School in Sorgun, Yozgat, through our employees and in partnership with Arifiye District National Education Directorate.

We also continued to support the sports activities in the region of our plant; and sponsored Arifiye Üzeyir Garih Middle School Girls Handball

Team for their participation in the National Semi-Finals. We were also among the sponsors of the International Türk Telekom Juniors Basketball Tournament organized in Sakarya in February with the participation of athletes from 16 countries.

Always ready to take action, the Otokar Natural Disasters Search and Rescue Team (ODAK) improved their skills in 2014 with various trainings ranging from operating equipment to rescuing vehicles on the terrain. The team members were trained on search and rescue techniques of the Disaster and Emergency Management Authority (AFAD), and operating the search and rescue equipment used in rubbles; and they participated in drills.

Vectio Electra on Campus

3,480

booth visitors

7,855

passengers



We will

We will carry on contributing to technological developments and a better life.

Our plans for the future

The general elections of 2015 are expected to create activity in the city bus market. Due to the mandatory Euro 6 emission levels to be enforced by 2016, the demand is most likely to increase earlier as a result of the anticipated rise in vehicle costs and prices; and more activity especially in the city bus, and personnel and tourism transportation bus markets is foreseen.

As intermodal transport gains prominence in the logistics sector, demand for semi-trailers suitable for rail transport may be positively affected while the demand for refrigerated semi-trailers for perishable food transportation

may increase in line with new regulations and heightened awareness. As Otokar brand gains wider recognition in the light truck segment, this area will offer new opportunities.

The fact that local manufacturers become preferred suppliers in line with the prominence of national projects in the defence industry is regarded as a positive development for Turkey's defence industry. We are ready to fulfil our part in national projects like the "Main Battle Tank Altay", which we have undertaken as primary contractor, and similar endeavours. We also work on various projects in international markets and promote our vehicles in different countries.

Our goal for 2015 is to enhance customer satisfaction among our existing clients, and to acquire new clients.

We are aiming to continue with our projects in fields like environment and education to contribute to the society. Our objective is also to provide contribution to technological developments and a better life by offering our engineering and testing capabilities to the use of different industries through our R&D Centre, named "Turkey's Most Successful Automotive R&D Centre".



CORPORATE GOVERNANCE

Meeting Agenda

Agenda of the Annual General Assembly Meeting of Otokar Otomotiv ve Savunma Sanayi A.Ş. on March 26, 2015

1. Opening and election of the Chairmanship Committee
2. Presentation for discussion and approval of the Annual Report of the Company for the year 2014 as prepared by the Board of Directors
3. Presentation of the summary of the Independent Audit Report for the 2014 fiscal year
4. Presentation for discussion and approval of the Financial Statements of the Company for the 2014 fiscal year
5. Release of each member of the Board of Directors from liability for the affairs of the Company in 2014
6. Approval, approval with modifications, or disapproval of the Board of Directors' proposal prepared in accordance with the Company's profit distribution policy and pertaining to the date and issuance of profit distribution
7. Resolution on the number of the members of the Board of Directors and their terms of office, and election of the members of the Board of Directors in accordance with the resolved number and election of the independent members of the Board of Directors
8. Presentation to the shareholders and approval by the General Assembly, of the "Remuneration Policy" for the members of the Board of Directors and the Senior Executives and the payments made thereof pursuant to the Corporate Governance Principles
9. Resolution of the monthly gross salaries to be paid to the members of the Board of Directors
10. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Board regulations.
11. Presentation to the shareholders, of the donations made by the Company in 2014, and resolution of an upper limit for donations to be made in 2015
12. Pursuant to Articles 395 and 396 of the Turkish Commercial Code and CMB regulations, authorization of the shareholders with management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree; and presentation to the shareholders, of the transactions carried out thereof in the year 2014 pursuant to the Corporate Governance Communiqué of the Capital Markets Board
13. Wishes and opinions

Members of the Board of Directors and Committees

Board of Directors	Title	Beginning	Ending
Kudret Önen	Chairman	28.03.2014	26.03.2015
Halil İbrahim Ünver	Vice Chairman	28.03.2014	26.03.2015
Osman Turgay Durak	Member	28.03.2014	26.03.2015
Ali Tarık Uzun	Member	28.03.2014	26.03.2015
Ahmet Serdar Görgüç	Member	28.03.2014	26.03.2015
Tuğrul Kudatgobilik	Member	28.03.2014	26.03.2015
İsmet Böcügöz	Independent Member	28.03.2014	26.03.2015
Abdulkadir Öncül	Independent Member	28.03.2014	26.03.2015
Ahmet Nezih Olcay	Independent Member	28.03.2014	26.03.2015

Executive Committee	Title	Beginning	Ending
Kudret Önen	Chairman	25.05.2012	26.03.2015
Ahmet Serdar Görgüç	Member	25.05.2012	26.03.2015

Audit Committee	Title	Beginning	Ending
İsmet Böcügöz	Chairman	26.04.2012	26.03.2015
Abdulkadir Öncül	Member	26.04.2012	26.03.2015

Corporate Governance Committee	Title	Beginning	Ending
İsmet Böcügöz	Chairman	25.05.2012	26.03.2015
Ali Tarık Uzun	Member	25.05.2012	26.03.2015
Hüseyin Odabaş	Member	27.06.2014	26.03.2015

Risk Management Committee	Title	Beginning	Ending
Abdulkadir Öncül	Chairman	11.07.2012	26.03.2015
Kudret Önen	Member	11.07.2012	26.03.2015

- Clauses pertaining to the Board of Directors have been resolved in accordance with articles 11, 12 and 13 of the Articles of Association, and pursuant to the provisions of the Turkish Commercial Code.
- The principles of remuneration of Board of Directors and senior executives have been put in writing; and the "Remuneration Policy" prepared for this purpose has been included in annual reports and the Company's corporate website (www.otokar.com.tr).
- The compensations provided to senior executives in 2014 have been included in Note 27 of the financial statements for the 2014 fiscal year.
- Detailed information on committees and their operating principles have been provided in the Corporate Governance Principles Compliance Report included in the annual report and the Company's corporate website (www.otokar.com.tr).
- Pursuant to Board of Directors resolution no. 2015/07 dated February 27, 2015, Board of Directors has been informed about the activities of the Board Committees.
- During 2014, Executive Committee has met 12 times, Audit Committee 8, Corporate Governance Committee 7, and Risk Management Committee 7 times, respectively. The meetings have been held with the attendance of all committee members.

CVs of the Candidates for the Board of Directors

Ali Yıldırım Koç (Board of Directors Candidate)

Born in 1967, Ali Y. Koç graduated from Rice University with a Bachelor's degree in Business Administration, and received his MBA degree at Harvard Business School.

He participated in the Management Trainee Program of American Express Bank (1990–1991), and later worked as an Analyst at Morgan Stanley Investment Bank (1992–1994). He went on to hold various senior positions at Koç Holding such as Business Development Coordinator and President of the Information Technology Group (1997–2006). He was the President of the Corporate Communications and Information Technology Group (2006–2010), and appointed as a member of Koç Holding Board of Directors on January 30, 2008.

Ali Y. Koç has no executive responsibilities in accordance with the CMB Corporate Governance Principles, and he is not an independent member. Ali Y. Koç, whose appointments in the last decade have been stated above, currently serves on the Boards of Directors of some Group companies.

Halil İbrahim Ünver (Board of Directors Candidate)

See Page 20 Board of Directors' CVs

Osman Turgay Durak (Board of Directors Candidate)

See Page 20 Board of Directors' CVs

Levent Çakıroğlu (Board of Directors Candidate)

Levent Çakıroğlu received his Bachelor's degree in Business Administration from Ankara University's School of Political Sciences and his Master's degree from Illinois University.

He began his career in 1988 as a Junior Accountant at the Ministry of Finance, and later worked as Accountant (1991-1997). After teaching at Bilkent University as Part-time Lecturer (1997-1998), he was appointed as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. He joined Koç Holding as Finance Group Coordinator in 1998. He served as CEO of Koçtaş (2002-2007), and Migros (2007-2008). He was appointed as the CEO of Arçelik in 2008. Levent Çakıroğlu has been serving as the CEO of Arçelik as well as Koç Holding Durable Goods Group President since 2010.

Levent Çakıroğlu was appointed as Deputy CEO of Koç Holding on February 17, 2015, and he will take over the CEO post following the Koç Holding A.Ş. General Assembly on March 31, 2015.

Levent Çakıroğlu has no executive responsibilities in accordance with the CMB Corporate Governance Principles, and he is not an independent member. Çakıroğlu, whose appointments in the last decade have been stated above, currently serves on the Boards of Directors of some Group companies.

Kudret Önen (Board of Directors Candidate)

See Page 20 Board of Directors' CVs

Ahmet Serdar Görgüç (Board of Directors Candidate)

See Page 20 Board of Directors' CVs

İsmet Böcügöz (Independent Member Candidate)

See Page 21 Board of Directors' CVs

Abdulkadir Öncül (Independent Member Candidate)

See Page 21 Board of Directors' CVs

Ahmet Nezih Olcay (Independent Member Candidate)

See Page 21 Board of Directors' CVs

Declarations of Independence of the Board of Directors Candidates

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

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

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

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

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

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

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

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

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

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

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



İsmet Böcügöz



Abdulkadir Öncül



Ahmet Nezih Olcay

Remuneration Policy

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

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

A fixed remuneration is determined for all Members of the Board at the Annual General Assembly Meeting of the Company each year.

Additional payment is provided to Executive Members of the Board in accordance with the policy established for the Senior Management.

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

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

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

The remuneration of Senior Management consists of two components; fixed and performance based payments.

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

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

Bonus Base: Bonus bases are updated at the beginning of each year. They vary depending on the work volume of the positions of the senior managers. When updating the bonus bases, the bonus policies for senior management applied in the market are taken into account.

Performance of the Company: The performance of the Company is determined at the end of the year by measuring the financial and operational targets (market share, exports, international operations, productivity, etc.) assigned to the Company at the beginning of each year. In setting out its targets, the Company ensures that the success is sustainable and incorporates improvements over the previous years.

Individual Performance: Targets related to employees, customers, processes, technology and long term strategy are taken into account along with the targets of the Company in measuring an individual's performance. In line with the performance of the Company, the principle of achieving a long term sustainable improvement in areas besides financial areas is observed in measuring individual performance.

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

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

Board of Directors Report

Board of Directors Report of Otokar Otomotiv ve Savunma Sanayi A.Ş. for the Period 01.01.2014-31.12.2014

Dear Shareholders,

Our Company presents to the Annual General Assembly and the public its non-consolidated financial reports regarding its activities in 2014, prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards, which were implemented by the Public Oversight Accounting and Auditing Standards Authority (KGK) pursuant to Capital Market Board's (CMB) "Communiqué on the Principles of Financial Reporting in Capital Markets", numbered II-14.1. Appendices and comments related to these standards were also considered in preparing financial tables.

Members of the Board of Directors, their terms of office and authority limits resolved at the Annual General Assembly Meeting on March 28, 2014 are listed below:

Board of Directors	Title	Begins	Ends
Kudret Önen	Chairman	28.03.2014	26.03.2015
Halil İbrahim Ünver	Vice Chairman	28.03.2014	26.03.2015
Osman Turgay Durak	Member	28.03.2014	26.03.2015
Ali Tarık Uzun	Member	28.03.2014	26.03.2015
Ahmet Serdar Görgüç	Member	28.03.2014	26.03.2015
Tuğrul Kudatgobilik	Member	28.03.2014	26.03.2015
İsmet Böcügöz	Independent Member	28.03.2014	26.03.2015
Abdülkadir Öncül	Independent Member	28.03.2014	26.03.2015
Ahmet Nezh Olcay	Independent Member	28.03.2014	26.03.2015

Clauses pertaining to the Board of Directors have been resolved in accordance with articles 11, 12 and 13 of the Articles of Association, and pursuant to the provisions of the Turkish Commercial Code.

Committees formed under the Board of Directors in accordance with the Corporate Governance Communiqué of the Capital Markets Board, and their members are listed below:

Committee	Chairman	Member
Audit Committee	İsmet Böcügöz	Abdülkadir Öncül
Executive Committee	Kudret Önen	Ahmet Serdar Görgüç
Risk Management Committee	Abdülkadir Öncül	Kudret Önen
Corporate Governance Committee	İsmet Böcügöz	Ali Tarık Uzun, Hüseyin Odabaş

Capital and Ownership Structures

As of December 31, 2014, the registered capital ceiling is TL100 million, while the issued capital stands at TL 24 million.

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

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

The remaining shares, at a nominal value of TL7,322,306 representing 30.51% of our Company's capital, consist of listed shares and shares held by other shareholders.

Our Company has a wholly-owned affiliate titled “Otokar Europe SAS”, established and registered in France on August 18, 2011 to organize export activities and increase exports with a fully paid in capital of EUR 100,000 (TL239,280).

Amendments to the Articles of Association

No amendments have been made to the articles of Association at the Annual General Assembly on March 28, 2014.

Dividends Distributed in the Last Three Years and Their Percentages

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

Period	%
2011	200.00
2012	266.67
2013	416.67

The entire dividend pertaining to the 2013 accounting period was paid to our shareholders in cash, starting from April 4, 2014.

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

Automotive Industry and Otokar

Otokar operates in the commercial vehicles segment of the automotive industry with a product range that consists of minibuses, medium size buses and buses used in mass transportation and personnel transportation, as well as various 4x4 off-road vehicles and tactical wheeled armoured vehicles for defence industry. Additionally, the Company manufactures trailers and semi-trailers under the brand name Otokar-Fruehauf, and light trucks under Atlas brand for the transportation and logistics industry.

The Main Contract for Stage I Turkish Main Battle Tank Design and Prototype Production within the frame of the “Modern Tank Production with National Capabilities Project” (Altay Project) was signed between Otokar and the Undersecretariat for Defence Industries on July 29, 2008.

After completing the project’s concept design and detailed design phases, and moving on to the “Prototype Production and Qualification” phase in 2013, prototype production activities have been carried out in 2014.

Of the two tank prototypes to be delivered to the Undersecretariat for Defence Industries (SSM), the production of PV1 has been completed, and prior to System Qualification and Acceptance Tests, currently the functional tests are being conducted. The production of the second prototype PV2 has also been completed, and the tank will be ready for tests once the fire control system is optimized.

The first version of the ALTAY Tank Serial Production Specifications Document was submitted to SSM in June 2013, and currently discussions with SSM about the details continue.

The Market - Sales – Production

The developments observed in the industry during 2014 can be summarized as follows, based on OSD (Automotive Manufacturers Association) data:

- Transportation vehicles production increased 4% in January-December 2014 compared to the same period of 2013, totaling 1,170,000 units, while automobile production rose 16%, and totalled 733,439 units.

However, transportation vehicles market shrank 10% in 2014 and total 807,486 units were sold.

Production developments in 2014 compared to the same period of the previous year are listed below in vehicle categories:

- Light commercial vehicle segment
 - 6% decrease in minibuses
 - 2% increase in midi-buses
 - 12% decrease in pickups
- Heavy commercial vehicles segment
 - 23% decrease in buses
 - 3% increase in large size trucks
 - 24% decrease in small size trucks

The sales showed 1% decrease in the local production light vehicles while the decline in imported light transportation vehicles was recorded at 9% in the January- December 2014 period.

The market share of imports in this period was 46%.

Production and Sales

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

	2014		2013		Change (Units)		Change %	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Small Buses	2,078	1,975	2,699	2,792	(621)	(817)	(23)	(29)
Buses	406	454	1,224	1,251	(818)	(797)	(67)	(64)
4x4 Off-Road Vehicles	70	67	127	127	(57)	(60)	(45)	(47)
Armoured Tactical Vehicles	353	368	428	404	(75)	(36)	(18)	(9)
Trailers	1,423	1,417	769	768	654	649	85	85
Ligth Trucks	359	463	362	212	(3)	251	(1)	118
TOTAL	4,689	4,744	5,609	5,554	(920)	(810)	(16)	(15)

The revenues in 2014 reported in the non-consolidated financial statements prepared in accordance with the applicable regulations show approximately 12% decrease compared to the same period of the previous year.

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

	2014 (TL)	2013 (TL)	Change %
Domestic Sales	994,226,341	1,175,900,196	(15)
International Sales	237,407,431	225,652,738	5
Total	1,231,633,772	1,401,552,934	(12)

Our international sales totalled USD 108,403,361 in 2014 (2013: USD 117,458,384), with a 19% share (2013: 16%) in total turnover.

Our total capacity utilization in 2014 was 43% (2013: 51%).

Otokar owes its growth to its proprietary products with owned design and intellectual rights, and developed using the Company's own engineering, research, and development capabilities. Our company expands its product range every year, introducing new models as a result of the R&D activities. Having identified its strategies as expanding with new products, growing in the Defence Industry and increasing the share of exports in revenues, Otokar continues to work toward these goals.

Investments

Otokar continued its investments in 2014 with the previously started "Otokar R&D Centre" investments, making a crucial decision in the area of research and development with a view to achieving its rapid growth target with vehicles for which the intellectual rights are owned by Otokar.

Total investments amounted to approximately USD 4.7 million at the end of 2014.

Administrative Activities

The names and positions of the senior executives of our Company in 2014 are listed below:

Name - Last Name	Position
Ahmet Serdar Görgüç	General Manager
Hüseyin Odabaş	Assistant General Manager - Finance
Ali Rıza Alptekin	Assistant General Manager - Production and Supply
Murat Ulutaş	Assistant General Manager - Technical
Hasan Basri Akgül	Assistant General Manager - Sales and Marketing
Mustafa Bakırcı	Assistant General Manager - Main Battle Tank and Armoured Tactical Vehicles

As of December 31, 2014 our Company has 2,054 employees in total (2013: 2,264). Of these employees, 618 (2013: 640) are administrative and office personnel, and 1,436 (2013: 1,624) are factory workers. No incidents of disputes or labour movements were observed during the year.

Our Company is subject to the Collective Labour Agreement signed between the Turkish Metal Workers Union and MESS (Turkish Employers' Association of Metal Industries) on December 15, 2014, and which came into force as of September 1, 2014.

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

Our Company's Corporate Governance Rating rose from 86.44 (8.64) in 2013 to 91.99 (9.20) in 2014.

Financial Results

Our Company presents to the public its 2014 non-consolidated financial statements, which have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards that were implemented by the Public Oversight Accounting and Auditing Standards Authority (POA) pursuant to Capital Market Board's (CMB) "Communiqué on the Principles of Financial Reporting in Capital Markets", numbered II-14.1. Appendices and comments related to these standards were also considered in preparing financial tables.

The financial tables, notes and ratios showing the results of our activities in 2014 are also presented for your information.

The revenues of our company as of end 2014 totalled TL1,231,633,772 while we posted TL312,105,372 in gross sales profit.

According to the financial statements prepared in accordance with Turkish Financial Reporting Standards, and pursuant to CMB regulations, our Company set aside a depreciation provision of TL46,195,954 and posted a profit of TL81,783,848 before tax, and a net profit of TL72,771,198 after deducting TL9,012,650 in taxes.

In our Annual General Assembly on March 28, 2014, the upper limit for donations to be made by the company in 2014 was set at TL3,000,000. In 2014 our Company provided tax-deductible donations and aid amounting to TL1,859,414 to foundations and associations for charitable purposes.

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

In accordance with the Profit Distribution Proposal attached herein we present to your approval that;

- our shareholders, shareholders in unlimited taxpayer status and shareholders in limited taxpayer status, who earn profit share through a business unit or a permanent representative in Turkey be paid TL3.33333 gross=net cash dividend per one share with the nominal value of TL1.00 at the rate of 333.33%;
- other shareholders be paid TL2.83333 net cash dividend per one share with the nominal value of TL1.00 at the rate of 283.33%;
- and that the beginning date of payment of the dividends amounting to TL80,000,000 be Thursday, April 4, 2015.

We have submitted an overview of the operations in 2014 and the generated results for your information.

Dear Shareholders,

We, as the Board of Directors have completed our office term today. The new members of the Board of Directors will be elected in this assembly. We would like to express our gratitude for your confidence, courtesy, and assistance throughout our office term.

İstanbul, March 3, 2015



Kudret Önen
Chairman

Profit Distribution Policy

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

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

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

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

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

Profit Distribution Proposal

Profit Distribution Proposal for the Accounting Period 01.01.2014-31.12.2014

According to our non-consolidated financial statements pertaining to the 01.01.2014-31.12.2014 accounting period, prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (TMS/TFRS) pursuant to Capital Market Board's (CMB) "Communiqué on the Principles Financial Reporting in Capital Markets", numbered II-14.1, a "Non-consolidated Net Profit" of TL72,771,198 has been posted. Our profit distribution proposal, taking into account our long-term corporate strategy, the capital requirements of our Company, investments and financing policies, and profitability and cash position, is presented below. In line with the resolution reached at the Annual General Assembly, the dividend payment will start on April 2, 2015.

Otokar Otomotiv ve Savunma Sanayi A.Ş. Profit Distribution Statement 2014 (TL)

1. Paid-in/Issued Capital			24,000,000
2. Total Statutory Reserves (based on Statutory Records)			38,958,147
Information concerning any privileges provided in the articles of association regarding profit distribution			
		According to CMB	According to Statutory Records
3	Profit for the Period	81,783,848	53,388,231
4	Taxes Payable (-)	9,012,650	4,461,395
5	Net Profit for the Period (=)	72,771,198	48,926,836
6	Losses in Previous Years (-)		
7	Primary Statutory Reserve (-)		
8	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	72,771,198	48,926,836
9	Donations made during the year (+)	1,859,414	
10	Net distributable profit for the period plus donations, on which the primary dividend is calculated	74,630,612	
11	Primary Dividend to Shareholders		1,200,000
	- Cash	37,315,306	
	- Bonus Shares		
	- Total		
12	Dividend Paid to Holders of Preferred Shares		
13	Other Dividend Paid - to Board Members - to employees - to parties other than stakeholders		
14	Dividend Paid to Holders of Dividend Right Certificate		
15	Interim Dividend to Shareholders	28,949,419	43,388,033
16	Secondary Statutory Reserve	6,506,473	4,338,803
17	Statutory Reserves		
18	Special Reserves		
19	EXTRAORDINARY RESERVES		
20	Other Funds Proposed to be Distributed - Retained Earnings	13,735,275	35,411,967
21	Secondary Statutory Reserve Allocated from Other Funds Proposed to be Distributed	1,373,527	3,541,197

Dividend Ratio Table

	Group	Total Dividend Distributed (TL)		Total Dividend Distributed/Net Distributable Profit for the Period	Dividend Per Share at Par Value of 1 TL	
		Cash (TL)	Bonus (TL)	Ratio (%)	Amount (TL)	Ratio (%)
Gross	-	80,000,000	0	110%	3.33333	333.333
	TOTAL	80,000,000	0	110%	3.33333	333.333
Net	-	68,000,000	0	93%	2.83333	283.333
	TOTAL	68,000,000	0	93%	2.83333	283.333

Corporate Governance Principles Compliance Report

DECLARATION OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

Otokar Otomotiv ve Savunma Sanayi A.Ş. (Company) acts with utmost diligence to comply with the “Capital Markets Board Corporate Governance Principles” issued by the Capital Markets Board (CMB), and carries out its operations in accordance with all applicable laws and regulations, and corporate governance principles. Our company has adopted the equality, transparency, accountability and responsibility principles of corporate governance.

As an indication that the Company has significantly adapted to corporate governance principles and that its efforts toward full compliance with corporate governance principles will increase and continue, the Company’s corporate governance rating has been increased to 91.99 (9.20 over 10) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., as announced in our material disclosure on March 19, 2014.

Reviewed using CMB’s new methodology based on “Corporate Governance Principles” introduced in January 2014, in accordance with CMB’s (Capital Markets Board) Communiqué on “The Principles Regarding Rating Activity in Capital Markets and Rating Agencies”, and within the frame of BIST’s Corporate Governance Index Ground Rules, the results are provided below under the main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors.

Main Headings	Weight	Rating
Share Holders	0,25	95.24
Public Disclosure and Transparency	0,25	91.33
Stakeholders	0,15	97.10
Board of Directors	0,35	87.94
Total	1,00	91.99

Corporate Governance Rating Report can be found at our corporate website www.otokar.com.

While compliance with the mandatory principles of the Corporate Governance Communiqué numbered II-17.1 applicable in 2014 was fully accomplished, compliance with the non-mandatory principles was achieved to a great extent. While full compliance with the non-mandatory principles is not part of the objectives, due to the challenges encountered in the implementation of some principles, on-going discussions in Turkey and internationally regarding compliance with certain principles, and the failure of the current market and corporate structure to comply with such principles in a proper fashion, full compliance has not been achieved. We are working on the principles not yet implemented and we plan to apply them once the administrative, legal and technical infrastructure for the effective governance of our company has been completed. The following sections detail, for each principle, the comprehensive efforts being made in our company within the framework of corporate governance principles, the principles with which compliance has not yet been achieved and, if any, conflicts of interest that stem from them.

Most important activities in the area of Corporate Governance in 2014 focused primarily on compliance with the Capital Markets Law that includes new regulations about CMB’s corporate governance principles and the communiqués issued based on this Law. The amendments required in the articles of association for compliance with the new Turkish Commercial Code and the Capital Markets Law have been completed, and the Board of Directors and its committees have been formed in accordance with the provisions of the Corporate Governance Communiqué. The committees formed under the board of directors are functioning effectively. The remuneration policy for the board of directors and senior management was established and announced at the General Assembly. The information that must accompany the disclosure document to be submitted to the General Assembly includes such standard documents as those indicating preferred shares, voting rights and organizational changes, as well as the CVs of Board of Directors membership nominees, the remuneration policy for Board Members and other information that is required to be disclosed, all of which were provided to our investors three weeks prior to the General Assembly. In addition, the Company’s website and annual report were reviewed and revisions required to comply with the principles were made.

We will continue our endeavours to ensure full compliance with the Principles in light of the developments in legislation and general practice.

The Corporate Governance Principles below among the non-mandatory principles have not been fully complied with for reasons explained above. Detailed information on this issue is provided in the following sections.

Principle not fully complied with	Reason for non compliance	Conflict of interest
<p>1.5.2. Minority rights may be defined in the articles of association for shareholders holding less than one twentieth of the capital of the corporation. The scope of minority rights may be enlarged in the articles of association.</p>	<p>Minority rights for shareholders holding less than one twentieth of the capital have not been defined in the articles of association, and the rights within the frame of general provisions in the legislation have been defined.</p>	<p>None.</p>
<p>4.3.9. Corporation shall determine a target rate provided that it is not less than 25% and a target time for membership of women in the board of directors and form a policy for this target. The Board of directors shall annually evaluate the progress in respect to achieving this target.</p>	<p>A target rate and time for membership of women in the board of directors has not yet been determined, and the issue is currently being reviewed.</p>	<p>None.</p>
<p>4.4.7. Members of the board of directors shall allocate a reasonable time for the business of the corporation. In cases where the member of the board of directors is a manager or board member in another corporation or renders consultancy services to another corporation, in principal this situation should not cause a conflict of interest and the member shall not hinder his/her duty in the corporation. Within this context, external duties that the member conducts shall be conditional on certain rules or become limited. The external duties conducted by the member of the board of directors and the grounds thereof shall be submitted for the shareholders' information, by distinguishing either such corporation is intragroup or out of the group, together with the agenda item regarding election, at the General Assembly in which the election is discussed.</p>	<p>Members of the board of directors, due to their significant contributions to the Board of Directors with their professional experience in the industry, have not been limited in terms of conducting external duties.</p>	<p>None.</p>
<p>4.5.5. It shall be noted that any member of the board of directors shall not have a duty in more than one committee.</p>	<p>Some board members serve on more than one committee. However, the said members facilitate communication and increase the opportunities for cooperation between committees handling related subjects.</p>	<p>None.</p>
<p>4.6.5. Remunerations provided for members of the board of directors and executives and all other benefits provided shall be disclosed via the annual report to the public. Principally, public disclosure shall be made on the basis of the persons.</p>	<p>Remunerations provided to the board of directors and the senior management are included in the notes to our financial statements and disclosed to the public through our annual report. However such information is not disclosed on the basis of the persons but as the total of remunerations provided to board members and senior management consisting of the general manager and assistant general managers.</p>	<p>None.</p>

SECTION I - SHAREHOLDERS

1.1 Shareholder Relations Unit

At Otokar Otomotiv ve Savunma Sanayi A.Ş., the Investor Relations Department is responsible for conducting relations with the shareholders following the cooperation between related units. The department is responsible for providing information to the shareholders and prospective investors, while not disclosing any confidential information or trade secrets, and without causing any inequality of information while ensuring a two-way dialog between the Company's management and the shareholders.

Its main activities include:

- Promoting the Company to individual and institutional investors in Turkey and abroad, providing information to potential investors and shareholders, and meeting the information needs of analysts and specialists working in these institutions,
- Answering questions and meeting the needs of the shareholders,
- Informing shareholders and potential investors of macro and micro developments through investor meetings,
- Providing the most accurate, swiftest and complete information by regularly updating the website, annual report, investor presentations, investor bulletins and such means of communication,
- Carrying out all kinds of public disclosure activities as required by the regulations, such as financial reporting and disclosing of special situations to the public, and also other functions related to public disclosure within the scope of the Company's disclosure policy,
- Ensuring that the Annual General Assembly is held in accordance with applicable regulations, articles of association, and other internal regulations,
- Recording voting results and informing shareholders of the reports which contain voting results through the minutes of the Annual General Assembly,
- Preparing documents which may be used by shareholders, and publishing such documentation on the Company's website three weeks prior to the Annual General Assembly,
- Ensuring that dividends are paid to the shareholders,
- Providing a two-way flow of information by playing the role of an interlocutor between shareholders and the Company's senior management,
- Monitoring any amendments to the legislation and laws, and ensuring that they are implemented by the Company,

Investor Relations Department has held 63 one-to-one meetings, 37 of which were abroad, and 19 teleconferences with analysts from stockbrokerage companies, and local and foreign investors in 2014. The department has attended 2 investors' conferences abroad and organized roadshows to 2 countries. They have also participated in two Power Lunches and met with total 25 investors.

Investor Relations Department has prepared a report on their activities in 2014, and presented it to the Corporate Governance Committee and the Board of Directors.

To carry out the duties set forth in article 11 of CMB's Corporate Governance Communiqué numbered II-17, Assistant General Manager for Financial Affairs Hüseyin Odabaş has been appointed as department head, with Financial Affairs Manager İrfan Özcan, Finance Manager Doğan Seçkinler and Corporate Governance Specialist Hatice Gülşah Mutlu as officers, and Hüseyin Odabaş has been appointed as a member of the Corporate Governance Committee in the Board Meeting on June 27, 2014. Finance Manager Doğan Seçkinler and Corporate Governance Specialist Hatice Gülşah Mutlu both hold Capital Market Activities Advanced Level Licenses and Corporate Governance Rating Specialist Licenses.

Contact information for the Investor Relations Department are provided below:

Hüseyin Odabaş (Assistant General Manager - Finance)

Phone: +90 264 229 22 44

email: hodabas@otokar.com.tr

İrfan Özcan (Financial Affairs Manager)

Phone: +90 264 229 22 44

email: iozcan@otokar.com.tr

Doğan Seçkinler (Finance Manager)

Phone: +90 0264 229 22 44

email: dseckinler@otokar.com.tr

Hatice Gülşah Mutlu (Corporate Governance Specialist)

Phone: +90 264 229 22 44

email: gmutlu@otokar.com.tr

1.2 Exercise of Shareholders' Rights to be Informed

The Company does not carry out any discrimination among shareholders in terms of accessing and inspecting information; and all information, excluding trade secrets, is shared by the shareholders. The Investor Relations Unit replies to all questions, while not disclosing confidential information and trade secrets, by phone or in writing, after consulting with the most informed persons in the Company about the matter. As stated in section 2.1 of this report, all kinds of information and explanations, which might affect shareholder rights, are available on the Company's website.

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

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

1.3 General Assembly Meetings

One Annual General Assembly Meeting was held on March 28, 2014 with 51% attendance at Divan Istanbul Elmadağ, Asker Ocağı Cad. No:1 Şişli – Istanbul. The General Assembly Meeting, aiming to encourage wider participation by the shareholders, was held at a location where the shareholders are numerically in majority, in a manner not to allow any inequalities among the shareholders and to ensure attendance with minimum costs.

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

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

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

The Company announces any required documents related to the agenda items prior to the Annual General Assembly to the public, and abides by legal processes and legislation in all announcements. Within the scope of the Annual General Assembly Agenda, the Annual Report, Financial Statements, Corporate Governance Compliance Report, Dividend Distribution Proposal, Independent Auditor's Report, and the new and old versions of the amended Articles of Association are made available for the inspection of shareholders at the Company's Headquarters and on the website, three weeks prior to the Annual General Assembly. In addition, a detailed explanation is included in the information document about each and every agenda item. Investors are also provided with further information regarding the Annual General Assembly, as set out by the Principles.

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

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

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

The shareholders have not proposed any addendum to the agenda. All the questions directed by the shareholders to the General Assembly were answered by the Chairman of the Board of Directors and Senior Management of the Company. There were no questions left unanswered.

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

In the Annual General Assembly held in 2014, shareholders were informed of the donations and aid made in 2013 on a separate agenda item. The limit for donations in 2014 was set at TL 3,000,000 for 2014. The company does not yet have a policy in place for donations and aids.

1.4 Voting Rights and Minority Rights

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

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

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

1.5 Dividend Rights

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

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

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

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

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

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

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

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

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

Years	Capital (TL)	% of Dividend by Issued Capital	Amount of Distributed Dividend (TL)
From 2009 Profit	24,000,000	85.00%	20,400,000
From 2010 Profit	24,000,000	62.50%	15,000,000
From 2011 Profit	24,000,000	200.00%	48,000,000
From 2012 Profit	24,000,000	266.67%	64,000,000
From 2013 Profit	24,000,000	416.67%	100,000,000

1.6 Transfer of Shares

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

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

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

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

2.1 The Company’s Corporate Website and its Content

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

2.2 Annual Report

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

SECTION III - STAKEHOLDERS

3.1 Informing Stakeholders

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

The Company aims to inform not only its shareholders but all stakeholders by allowing their attendance at Annual General Assemblies as well as through information on our website, annual reports, press releases, and all other practices carried out within the scope of the Company's disclosure policy. Important announcements, changes in management and press releases are issues in our intranet on which our employees have access in the Company.

Moreover, the Corporate Communication Unit publishes a magazine titled "Otokar Hattı" which is followed by the Company's employees, dealers and customers. The E-bulletin named "Otokar'da Bu Ay" is published within the company, which aims to share all the important news concerning Otokar with the Company's employees. Relations with dealers are maintained at the highest level through meetings and visits with general or regional dealers.

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

3.2 Participation of Stakeholders in the Management

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

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

3.3 Human Resources Policy

Within the scope of our Company's human resources policy, recruitment and promotion criteria are set out in written form. The Human Resources policy adheres to the principles of;

- The right person for the right job
- Equal pay for equal work; differentiation according to performance
- Recognition and appreciation of success
- Equal opportunities for everyone

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

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

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

3.4 Ethical Rules and Social Responsibility

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

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

SECTION IV - BOARD OF DIRECTORS

4.1 The Structure and Formation of the Board of Directors

The following table provides an overview of the current non-executive Board Members except our General Manager Ahmet Serdar Görgüç as defined in the CMB Corporate Governance Principles.

BoD Name Surname	Position Regarding Independence	Date Appointed	Duty Term	Assignments in BoD and Committees	Duties Outside Company
Kudret Önen	Non Independent Member	28.03.2014	1 Year	Chairman of the Board of Directors, Chairman of the Executive Committee, Member of the Risk Management Committee	Koç Holding A.Ş. - Management
Halil İbrahim Ünver	Non Independent Member	28.03.2014	1 Year		Ünver Holding A.Ş. - Chairman of the Board of Directors
Osman Turgay Durak	Non Independent Member	28.03.2014	1 Year		Koç Holding A.Ş. - Management
Ali Tarık Uzun	Non Independent Member	28.03.2014	1 Year	Member of the Corporate Governance Committee	Koç Holding A.Ş. - Management
Ahmet Serdar Görgüç	Non Independent Member	28.03.2014	1 Year	Member of the Executive Committee	Otokar Otomotiv ve Sav. San. A.Ş. - Management
Tuğrul Kudatgobilik	Non Independent Member	28.03.2014	1 Year		
İsmet Böcügöz	Independent Member	28.03.2014	1 Year	Chairman of the Audit Committee, Chairman of the Corporate Governance Committee	
Abdulkadir Öncül	Independent Member	28.03.2014	1 Year	Chairman of the Risk Management Committee, Member of the Audit Committee	
Ahmet Nezih Olcay	Independent Member	28.03.2014	1 Year		

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

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

The duties of the Nomination Committee and the Compensation Committee in the Company are carried out by the Corporate Governance Committee.

A total of three nominees for independent members were submitted to the Corporate Governance Committee in 2014. Declarations to become a nominee and the CV's of these individuals shall be evaluated in the meetings of the Corporate Governance Committee and the Board of Directors meetings on February 28, 2014. All of these individuals are determined as nominees to be independent members. All independent board members submitted their declarations of independence to the Corporate Governance Committee. During the 2014 activity period, there were no situations, which contravened their independence.

We believe that achieving diversity in the Board of Directors in terms of knowledge, experience and perspectives will provide positive contribution to the Company's activities and enhance the effective functioning of the Board of Directors. Our assessment efforts to determine a target rate for membership of women in the Board of Directors as a means of having diverse views represented in the Board continue.

4.2 Operating Principles of the Board of Directors

Issues or agendas requiring the resolution of the Board of Directors are arranged and prepared periodically or whenever the need arises. Therefore, the number of Board meetings may vary according to such needs. The Board of Directors drew up 19 resolutions in 2014. Independent board members participated in meetings. The Board convenes for meetings whenever the operations of the Company so require. Although there is no dedicated secretariat established to facilitate communication, the Finance Department prepares the meeting agenda, records the resolutions, and monitors the outcome of resolutions.

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

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

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

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

Board Members and senior executives of our Company are covered by an "Executive Responsibility Insurance" policy.

While overseeing the Company's activities, the Board of Directors assesses the potential for any conflicts of interests; and if such potential exists the board evaluates its repercussions for the company, and reaches necessary resolutions to act in the best interest of the company. In addition to ensuring that provisions are complied with in related parties' transactions, Board of Directors also assesses potential risks for misconduct and diligently addresses the transactions of related parties.

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

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

The committees' operating principles and fields of activity are determined by the Board of Directors, and disclosed to the public. The heads of the committees are appointed from among the independent Board members, while all the members of the Audit Committee consist of independent Board members.

The committees document all of their activities and keep records. The committees hold meetings as frequently as deemed necessary for working effectively and as defined by their operating principles; and they report the information and results of their work to the board of directors.

Members who serve on more than one committee facilitate communication and increase the opportunities for cooperation between committees handling related subjects. The Board of Directors believes that it has obtained the expected benefit from the committee's work.

Operating principles of the committees are posted on the corporate website.

Audit Committee

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

During the Board of Directors Meeting dated April 22, 2014, it was resolved that the Audit Committee would be composed of 2 independent members, with İsmet Böcügöz appointed as the head, and Abdulkadir Öncül appointed as member of the committee.

In 2014, the Audit Committee submitted to the Board of Directors a written report of its views on the choice of independent auditor, its assessments of annual and interim financial statements to be disclosed to the public in terms of their truth, accuracy, and compliance with the accounting principles adopted by the Company as well as the decisions made during Committee meetings held during the year.

Corporate Governance Committee

The Corporate Governance Committee was established following the Board of Directors resolution dated May 25, 2012 to monitor the Company's compliance with the Corporate Governance Principles, to evaluate corporate governance practices and the Corporate Governance Compliance Report, and to oversee the work of the investor relations department. The Committee examines the reasons for cases of no implementation of some of the principles, and makes recommendations to the Board of Directors for the improvement of practices.

In their meeting dated April 22, 2014, the Board of Directors reached the decision that the Corporate Governance Committee would be composed of two members and that İsmet Böcügöz, who is an independent member, and Ali Tarık Uzun would be appointed as the head and as a member of the committee, respectively.

To carry out the duties set forth in CMB's Corporate Governance Communiqué numbered II-17.1 and as resolved in the board meeting on June 27, 2014, Investor Relations Department has been formed and Assistant General Manager for Financial Affairs Hüseyin Odabaş has been appointed as department head, and as a member of the Corporate Governance Committee.

Risk Management Committee

In our Company's Board of Directors Meeting dated July 11, 2012, it was resolved to establish the Risk Management Committee, which would work on early detection of risks that could pose a threat to the Company's presence, development and continuity, and on applying necessary measures to tackle these risks in order to ensure compliance with article 378 of Law 6102 of the Turkish Commercial Code, which entered force in July 2012. During the Board of Directors Meeting dated April 22, 2014, it was decided that the committee would be composed of two members, with Abdulkadir Öncül, who is an independent member, and Kudret Önen to be appointed as the head and as a member of the committee, respectively. The committee convenes at least six times a year.

Executive Committee

The Executive Committee was established in our Company's Board of Directors meeting dated May 25, 2012 with the purpose of increasing the effectiveness of Board of Directors by ensuring effective coordination between the Board of Directors and the administrative structure, to ensure effectiveness of investment in fields that are relevant to the Company's strategic targets and in business development. In the Board of Directors meeting dated April 22, 2014, Kudret Önen was appointed as the Chairman of the committee, and Ahmet Serdar Görgüç as member.

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

4.4 Risk Management and the Internal Control Mechanism

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

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

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

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

4.5 The Company's Strategic Goals

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

The Board of Directors of the Company manages and represents the Company through its strategic decisions, taking into consideration particularly long-term interests in light of keeping the Company's risk-growth-profits balance at the most appropriate level through a rational and cautious risk management approach.

The Board of Directors determines the Company's strategic goals, identifies the human and financial resources needed to achieve them, and oversees the performance of management.

Strategic Goals

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

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

4.6 Remuneration of the Board of Directors

Payments and benefits offered to the Board of Directors and senior executives, as well as the criteria for determining such remuneration, are detailed in our Company's "Remuneration Policy regarding Board Members and Senior Managers", which was presented to the shareholders on the Company's website as part of the "Information Document", three weeks prior to our Annual General Assembly held on March 28, 2014. This was then approved at the Annual General Assembly and entered effect. This policy disclosed to the public on the corporate website and with the annual report will be included in the agenda of the General Assembly Meeting on March 26, 2015, presented to the shareholders for discussion. Total remuneration paid to the Board Members and Senior Managers is evaluated annually by the Corporate Governance Committee and the Board of Directors.

Remunerations provided to the board of directors and the senior management as stated in the notes to our financial statements are not disclosed on the basis of the persons but as the total of remunerations provided to board members and senior management consisting of the general manager and assistant general managers.

The Company does not get involved in transactions that might lead to conflicts of interest such as extending loans to members of the Board of Directors or executives, or providing collateral on their behalf.

Risk Management And Risk Management Committee Activities

a. Risk Management

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

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

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

Potential future risks related to sales, productivity, revenue generating capabilities, profitability, debt/equity ratio and similar topics are also assessed and managed as part of our risk policy.

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

Financial Risks

Major financial risks include foreign currency risks, liquidity risks, credit risks, interest risks, and receivables risks.

Foreign Currency Risk: Managed using derivative transactions within the limits determined by the Group by following updated foreign currency positions to avoid exchange rate risks.

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

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

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

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

Strategic Risks

Strategic Risks are structural risks that may prevent the company from reaching its short, medium or long term strategies as one of the most important factors in preparing for the future. These risks are related to products, customers, competitors, the brand, the market, industry, management and any changes in management.

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

Operational Risks

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

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

Legal Risks

Legal risks and opportunities are followed by the management and legal advisors in terms of compliance with applicable laws, regulations and standards. The legal conformity (HUY) test and contract supervision system (LERIMAN) are applied in line with the Group's practices.

b. Activities of the Risk Management Committee

Pursuant to the resolution of the Board of Directors meeting of Otokar Otomotiv ve Savunma San. A.Ş., on July 11, 2012, a Risk Management Committee has been formed to ensure that article 378 of the Turkish Commercial Code, Law No. 6102, that came into effect on July 1, 2012 is complied with; that the committees formed under the Board of Directors function effectively; and to predetermine any risks, which may undermine the Company's presence, growth and continuity, to take the necessary measures to address such risks, and to carry out risk management. The committee is chaired by independent Board member, Mr. Abdulkadir Öncül, while the other member of the committee is Board member Mr. Kudret Önen.

The operating principles of the committee are announced on our Company's website. The committee holds at least 6 meetings each year.

The committee has met 7 times in 2014. The committee evaluates the Company's principles for the Risk Management System and Risk Reporting, examines Risk Reports prepared periodically and expresses its views on measures that are deemed necessary to address areas where there is non-compliance with the limits stipulated in the Risk Management System. Reporting activities and the committee's assessments are recorded as minutes of the meeting, and duly presented to the Board of Directors.

c. Internal Control System and Internal Audits

The objectives of the Internal Control System established within the Company are to maintain objectivity and independence in all operations, to add value to the company, to ensure that the company's operations are in compliance with the strategies and goals, as well as regulations, to contribute to the realization of the company's key objectives, principles and targets, and to improve effectiveness and productivity.

The Internal Control System is composed of standards, job descriptions, authorization processes, policies and written procedures defined in the workflows.

The Internal Control System is periodically reviewed by the Internal Audit Group for effectiveness. Within the organizational structure, the Internal Audit Group is directly reporting to the General Manager to ensure independency.

Financial tables and statements are inspected by the Audit Committee, and the Internal Audit Group; and audited by the independent audit company Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited).

Otokar Otomotiv ve Savunma Sanayi A.Ş. has not been subjected to special and public audit in 2014.

Report on Affiliated Companies

2014 Report on Affiliated Companies

The report, which explains our relations with major shareholders within the scope of Turkish Commercial Code (TTK) article 199 was approved in Board of Directors meeting, held on 27th February, 2015. The result of the report is below:

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

The following was expressed in the report which was prepared by Otokar Otomotiv ve Savunma Sanayi A.Ş.'s Board of Directors on 27th February, 2015: "The Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.Ş. reached the conclusion that, in all transactions conducted in 2014 between Otokar Otomotiv ve Savunma Sanayi A.Ş. and its majority shareholder, as well as its subsidiaries, the transactions were either completed or the required measures were taken, and, in cases where the Company refrained from taking the required measures, due consideration was provided based on all facts and conditions known to the Company's Board at the time, and, in this context, that there were no measures taken, or which were refrained from, that could harm the Company, and, accordingly, there were no transactions or measures that require balancing."

Legal Disclosures

Report Period

01.01.2014-31.12.2014

Company Title

Otokar Otomotiv ve Savunma Sanayi A.Ş

Trade Registry / Number

İstanbul /83467

Ownership Structure and Capital Distribution

Registered Capital Ceiling : TL 100,000,000

Paid-in Capital : TL 24,000,000

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

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.

Headquarters Address

Aydınevler Mah. Dumlupınar Cad.

No: 58 A Blok 34854 Küçükyalı İstanbul

Factory Address:

Atatürk Cad. No: 6

54580 Arifiye Sakarya

Phone

+90 216 489 29 50

Website

www.otokar.com

Preferential Shares and Voting Rights of Shares

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

Organizational Changes within the Year

There were no significant organizational changes within the year.

Legal Action Taken Against the Company

There was no important legal action taken against the company.

Legislative Changes that Could Affect the Company's Activities Significantly

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

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

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

Private and Public Audits in 2014

None.

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

None.

Implementations of Resolutions of the Annual General Assembly Meeting

The resolutions reached at the Annual General Assembly Meeting, dated 28th March, 2014, have been implemented.

Extraordinary General Assembly Meetings Held During the Year

None.

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

None.

REPORTS AND FINANCIAL STATEMENTS



Report by the Committee Responsible from Audit

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

We have convened to examine and provide opinions concerning the unconsolidated financial tables pertaining to the period between 1 January - 31 December, 2014 which was prepared by Otokar Otomotiv ve Savunma Sanayi A.Ş. management and which comply with the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TMS/TFRS) and formats determined by the CMB in accordance with the Capital Market Board's communiqué entitled "Financial Reporting in Capital Market Communiqué" numbered II.14.1, and the independent auditor's report, which was prepared by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited).

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

Within the scope of information submitted to us and as a result of our evaluations, we reached the view that the nonconsolidated financial statements pertaining to the 1 January-31 December, 2014 period complied with the accounting principles that the company follows, correctly and in practice. We submit these financial statements for the approval of the Board of Directors.

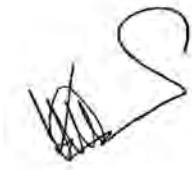
Sincerely,

Istanbul, February 13, 2015

The Committee Responsible for the Audit



İsmet Böcügöz
Board Member



Abdulkadir Öncül
Board Member

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Independent Auditors' Report on the Financial Statements



Güney Bağımsız Denetim ve SMMM A.Ş.
Eski Büyükdere Cad. Orjin Maslak
No: 27 Maslak, Sarıyer 34398
İstanbul - Türkiye

Tel: +90 (212) 315 30 00
Faks: +90 (212) 230 82 91
www.ey.com
Ticaret Sicil No: 479920 - 427502

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

We have audited the accompanying balance sheet of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi (the Company) as at 31 December 2014 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance on whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide 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 at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 13, 2015.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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



Erdem Tecer, SMMM
Partner

February 13, 2015
Istanbul, Turkey

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Statement of Financial Position as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

		Current period	Prior period
		(Audited)	(Audited)
	Notes	December 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	4	44.527.697	8.884.174
Trade receivables	8	268.230.380	399.220.867
- Due from related parties	27	50.877.972	71.374.049
- Trade receivables, third parties	8	217.352.408	327.846.818
Other receivables	9	958	2.524
Inventories	10	264.162.428	297.797.165
Derivative financial instruments	7	1.726.888	-
Prepaid expenses	17	78.996.994	74.985.116
Current income tax assets	25	2.106.718	-
Other current assets	17	12.306.871	17.053.925
Total current assets		672.058.934	797.943.771
Non-current assets			
Trade receivables	8	140.255.060	192.938.324
Other receivables	9	101.585	58.112
Estimated earnings in excess of billings on uncompleted contracts	11	129.854.389	93.597.289
Financial investments	5	239.280	239.280
Property, plant and equipment	12	112.260.055	120.842.623
Intangibles	13	141.447.509	126.292.737
Deferred tax asset	25	39.335.574	43.338.020
Total non-current assets		563.493.452	577.306.385
Total assets		1.235.552.386	1.375.250.156

The accompanying policies and explanatory notes on pages 81 through 136 form an integral part of these financial statements.

Statement of Financial Position as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

		Current period (Audited)	Prior period (Audited)
	Notes	December 31, 2014	December 31, 2013
Liabilities			
Current liabilities			
Short term financial liabilities	6	29.751.877	138.276.975
Short term portion of long term financial liabilities	6	45.915.500	2.686.797
Derivative financial liabilities	7	-	1.231.950
Trade payables	8	81.523.996	102.434.509
- Due to related parties	27	10.320.537	13.154.537
- Trade payables, third parties	8	71.203.459	89.279.972
Employee benefit obligations	17	17.106.197	19.143.540
Other payables	9	16.383.024	10.819.100
Deferred income	17	263.802.421	288.689.497
Government incentives and grants	14	2.033.845	1.467.624
Current income tax liabilities	25	-	7.043.047
Short term provisions	15	176.376.805	95.999.670
Other current liabilities	17	2.025.403	1.615.447
Total current liabilities		634.919.068	669.408.156
Non-current liabilities			
Financial liabilities	6	273.846.971	332.047.500
Government incentives and grants	14	7.162.947	7.055.794
Long term provisions		30.785.378	26.957.401
- Provision for employee benefits	16	26.351.029	20.616.223
- Other provisions	15	4.434.349	6.341.178
Deferred income	17	44.510.646	66.511.725
Total non-current liabilities		356.305.942	432.572.420
Shareholders' equity			
Parent Company's equity			
Paid-in share capital	18	24.000.000	24.000.000
Inflation adjustment on equity items	18	52.743.030	52.743.030
Restricted reserves	18	38.958.147	29.078.147
Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss	18	(5.264.855)	(3.551.453)
Retained earnings	18	61.119.856	74.438.113
Net income for the year	18	72.771.198	96.561.743
Total shareholders' equity		244.327.376	273.269.580
Total liabilities		1.235.552.386	1.375.250.156

The accompanying policies and explanatory notes on pages 81 through 136 form an integral part of these financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

**Profit or Loss and Other Comprehensive Income Statement
for the Year ended December 31, 2014**

(Convenience translation of financial statements originally issued in Turkish)

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

		Current period	Prior period
		Audited	Audited
	Notes	January 1 – December 31, 2014	January 1 – December 31, 2013
Net sales	19	1.231.633.772	1.401.552.934
Cost of sales (-)	19	(919.528.400)	(1.086.542.059)
Gross profit		312.105.372	315.010.875
Marketing, sales and distribution expenses (-)	20	(132.494.804)	(118.705.403)
General administrative expense (-)	20	(39.819.107)	(38.480.120)
Research and development expenses (-)	20	(28.658.352)	(25.796.799)
Other operating income	22	87.200.968	101.332.808
Other operating expense (-)	22	(76.415.130)	(75.374.133)
Operating profit		121.918.947	157.987.228
Income from investment activities		55.898	306.498
Expenses from investment activities(-)		-	-
Operating income before financial expense		121.974.845	158.293.726
Financial income	23	14.467.603	3.007.922
Financial expense (-)	24	(54.658.600)	(53.053.328)
Income before tax		81.783.848	108.248.320
Tax income/expense			
- Tax expense for the year (-)	25	(4.581.854)	(43.676.005)
- Deferred tax income/ (expense)	25	(4.430.796)	31.989.428
Net income		72.771.198	96.561.743
Actuarial gains/loss on defined benefit plans		(2.141.752)	(1.281.279)
Tax effect		428.350	256.256
Other comprehensive income/ (expense) after tax		(1.713.402)	(1.025.023)
Total comprehensive income		71.057.796	95.536.720
Earnings per share (kr)	26	0,303	0,402

The accompanying policies and explanatory notes on pages 81 through 136 form an integral part of these financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Statement of Changes in Equity for the Year ended December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss Actuarial gains/loss on defined benefit plans	Retained earnings	Net income for the year	Total shareholders' equity
Balance at January 1, 2013 previously reported	24.000.000	52.743.030	22.798.147	(2.526.430)	66.441.516	78.276.597	241.732.860
Transfer to retained earnings	-	-	-	-	78.276.597	(78.276.597)	-
Transfer to restricted reserves	-	-	6.280.000	-	(6.280.000)	-	-
Dividend paid	-	-	-	-	(64.000.000)	-	(64.000.000)
Net profit for the period	-	-	-	-	-	96.561.743	96.561.743
Other comprehensive income/ (expense)	-	-	-	(1.025.023)	-	-	(1.025.023)
Total comprehensive income	-	-	-	(1.025.023)	-	96.561.743	95.536.720
Balance at December 31, 2013	24.000.000	52.743.030	29.078.147	(3.551.453)	74.438.113	96.561.743	273.269.580
Balance at January 1, 2014	24.000.000	52.743.030	29.078.147	(3.551.453)	74.438.113	96.561.743	273.269.580
Transfer to retained earnings	-	-	-	-	96.561.743	(96.561.743)	-
Transfer to restricted reserves	-	-	9.880.000	-	(9.880.000)	-	-
Dividend paid	-	-	-	-	(100.000.000)	-	(100.000.000)
Net profit for the period	-	-	-	-	-	72.771.198	72.771.198
Other comprehensive income/ (expense)	-	-	-	(1.713.402)	-	-	(1.713.402)
Total comprehensive income	-	-	-	(1.713.402)	-	72.771.198	71.057.796
Balance at December 31, 2014	24.000.000	52.743.030	38.958.147	(5.264.855)	61.119.856	72.771.198	244.327.376

The accompanying policies and explanatory notes on pages 81 through 136 form an integral part of these financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Cash Flow Statement for the Year ended December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

		(Audited)	(Audited)
		Current period	Prior period
	Notes	January 1 – December 31, 2014	January 1 – December 31, 2013
Cash flows from operating activities			
Income before taxes		81.783.848	108.248.320
Adjustments to reconcile income before taxes to net cash flows from operating activities:			
Depreciation and amortization	12,13	46.195.954	40.447.945
Provision for retirement pay liability	21	6.224.424	3.340.044
Provision for impairment for inventories	10, 21	190.285	(311.216)
Warranty provision expenses	15, 21	23.001.911	28.233.403
Gain on sale of property, plant and equipment		(55.898)	(306.498)
Loan interest expense	24	42.069.785	33.686.402
Unrealised foreign exchange (income) / loss incurred from borrowings		(2.073.200)	13.353.300
Demand deposit interest income	23	(1.461.384)	(322.326)
Provision for doubtful receivables	8, 22	565.838	2.309.088
Forward transactions, net		(11.467.741)	19.225.508
Operating profit before changes in operating asset and liabilities		184.973.822	247.903.970
Trade and other receivables		183.066.006	(310.388.076)
Estimated earnings in excess of billings on uncompleted contracts		(36.257.100)	(32.272.243)
Inventories		33.444.452	(44.852.962)
Other current assets		795.755	62.895.322
Trade payables		(20.910.513)	17.407.911
Other liabilities, provisions and other current liabilities		39.771.888	86.102.406
Realized gain from forward transactions, net		8.508.903	(20.186.570)
Income taxes paid		(13.792.197)	(36.632.958)
Warranties paid	15	(25.642.981)	(20.812.684)
Employee termination benefits paid	16	(3.570.127)	(2.164.300)
Net cash (used in)/provided by operating activities		350.387.908	(53.000.184)
Cash flows from investing activities			
Cash paid for acquisition of property, plant and equipment	12	(8.773.400)	(14.008.492)
Cash paid for acquisition of intangible assets	13	(44.438.216)	(50.329.976)
Proceeds from sale of property, plant and equipment		499.356	2.215.686
Net cash used in investing activities		(52.712.260)	(62.122.782)
Cash flows from financing activities			
Proceeds from bank borrowings		262.582.894	352.349.508
Repayments of bank borrowings		(389.251.873)	(186.193.000)
Interest payments		(36.824.530)	(26.377.939)
Interest received		1.461.384	322.326
Dividends paid		(100.000.000)	(64.000.000)
Net cash (used in) / provided by financing activities		(262.032.125)	76.100.895
Net (decrease)/increase in cash and cash equivalents		35.643.523	(39.022.071)
Cash and cash equivalents at the beginning of the year	4	8.884.174	47.906.245
Cash and cash equivalents at the end of the year	4	44.527.697	8.884.174

The accompanying policies and explanatory notes on pages 81 through 136 form an integral part of these financial statements.

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

1. Organization and nature of operations

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

The Company operates in the automotive industry and off road vehicles, armoured vehicles, minibuses, midibuses and autobuses, trailers, semi-trailers, light truck and cross-country comprises the majority of its production. The number of the personnel in the Company is 2.054 (December 31, 2013 - 2.264).

The registered addresses of the Company are as follows:

Headquarters:

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

Factory:

Atatürk Cad. No: 6
54580 Arifiye / Sakarya

The Company has a subsidiary named “Otokar Europe SAS” with a capital of Euro 100.000, established on August 18, 2011 for the purpose of organizing export activities and increasing export sales. Since “Otokar Europe SAS” operations does not materially affect the financial statements, it has not been subject to consolidation and has been presented at historical cost value. (Note 5)

Financial statements have been authorized for issue by the Board of Directors of the Company on February 13, 2015 and signed by Ahmet Serdar Görgüç, General Manager and Hüseyin Odabaş, Financial Vice General Manager on behalf of Board of Directors of the Company. Although there is no such intention, the Company Management and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The Company conducts part of its business transactions with the Koç Holding A.Ş. and related parties. There are certain related parties which are both customers and vendors of the Company. The Company is registered to the Capital Market Board (“CMB”) and its shares are listed on the Borsa İstanbul (“BIST”), previously Istanbul Stock Exchange (“ISE”) since 1996. As of December 31, 2014, the shares listed on the BIST are 27,11% of the total shares.

As of December 31, 2014, 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.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

2. Basis of presentation of financial statements

2.1 Basis of presentation

The financial statements of the Company have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676.

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

The financial statements have been prepared from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards as prescribed by POA. The adjustments are mainly related with deferred taxation, retirement pay liability, prorata and useful life depreciation adjustment of fixed assets, accounting of provisions, construction accounting for tank project and discount of receivables and payables.

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

Functional and presentation currency

Functional and presentation currency of the Company is TL.

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

2.2 Comparative information and reclassifications in prior period financial statements

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

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 consistent 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.

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

2. Basis of presentation of financial statements (continued)

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.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

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

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

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

TFRS Interpretation 21 Levies

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

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

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

2. Basis of presentation of financial statements (continued)

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

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

TFRS 10 Consolidated Financial Statements (Amendment)

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

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the 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, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

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

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

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

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

2. Basis of presentation of financial statements (continued)

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

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

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

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

Annual Improvements to TAS/IFRSs

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to “Annual Improvements - 2010–2012 Cycle” and “Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

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

TFRS 3 Business Combinations

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

TFRS 8 Operating Segments

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

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

2. Basis of presentation of financial statements (continued)

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

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

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

TAS 24 Related Party Disclosures

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

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

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

Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

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

TAS 40 Investment Property

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

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

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

2. Basis of presentation of financial statements (continued)

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

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

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39),

Or

- Using the equity method

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

2. Basis of presentation of financial statements (continued)

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

ALTERNATIVE 1: In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

2. Basis of presentation of financial statements (continued)

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 deductible temporary differences. For the year ended December 31, 2014, since the Management believed the -indicators demonstrating that the Company will have taxable profits in the foreseeable future- are reliable, deferred tax asset has been recognized.
- c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates).
- d) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle.
- e) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, and their individual performances after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.
- f) Inventory price lists after discount is used to calculate impairment for inventories. In such cases that sales price cannot be predicted, inventory aging and physical status are considered together with technical personnel’s opinion. If anticipated expected net realizable value is less than the cost, impairment for the difference is provided for.
- g) When allocating provision for legal risks, the probabilities of failure in the cases and the possible liabilities to be arisen in the case of failure are evaluated by the management through being counseled by legal advisors of the Company. The management determines the amount of the provisions based on their best estimates.
- h) The Company has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the Financial Statements as of December 31, 2014

(Convenience translation of financial statements originally issued in Turkish)

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

2. Basis of presentation of financial statements (continued)

2.6 Summary of significant accounting policies

Revenue recognition

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

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

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

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

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

Construction contract activities

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

Contract costs include all direct material and labour costs and those indirect costs related to contract performance, such as indirect labour, 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.

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2. Basis of preparation financial statements (continued)

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

Related parties

- a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (i) Entity and Company are member of same group.
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) 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.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Inventories

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

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

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

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

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2. Basis of preparation financial statements (continued)

Property, plant and equipment

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

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

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

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

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

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

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

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.

Notes to the Financial Statements as of December 31, 2014

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2. Basis of presentation of financial statements (continued)

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 expected useful life which is 5 years by straight-line method effective from the start of the production.

Investment, research and development incentives

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

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

Income taxes

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

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in Turkey. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax. A provisional tax accrual is recognized in the financial statements for current taxation. Current tax charge is calculated over operational results considering the effects of disallowable and exemptions.

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2. Basis of preparation financial statements (continued)

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

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

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

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

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

Long-term employee benefits

(a) Defined benefit plans:

Retirement pay liability

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

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

(b) Defined contribution plans:

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

Foreign currency transactions

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

Notes to the Financial Statements as of December 31, 2014

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2. Basis of preparation financial statements (continued)

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' labour 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.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Notes to the Financial Statements as of December 31, 2014

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2. Basis of presentation of financial statements (continued)

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.

Notes to the Financial Statements as of December 31, 2014

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2. Basis of preparation financial statements (continued)

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

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

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

Trade payables

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

Borrowings

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

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

Derivative financial instruments

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

Impairments in financial assets

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

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2. Basis of preparation financial statements (continued)

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.

Notes to the Financial Statements as of December 31, 2014

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2. Basis of preparation financial statements (continued)

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

Impairment of non-financial assets

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

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

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

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

Borrowing costs

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

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

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

Offsetting

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

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

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

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Notes to the Financial Statements as of December 31, 2014

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3. Segment reporting

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

4. Cash and cash equivalents

	December 31, 2014	December 31, 2013
Cash at banks		
- Demand deposits	415.875	1.921.397
- Time deposits	42.551.560	4.071.425
Cheques and notes received	1.519.333	2.862.136
Other	40.929	29.216
	44.527.697	8.884.174

As of December 31, 2014, TL 927.560 of total time deposits amounting to TL 42.551.560 is in foreign currency and effective interest rate of time deposits amounting to TL 927.560 that are in foreign currency is annually 0,5% and the maturity is 2 days. Effective interest rate of remaining time deposits which are originally amounting to TL 41.624.000 is annually 10,98% and the maturity is 2 day.

(As of December 31, 2013, TL 1.321.425 of total time deposits amounting to TL 4.071.425 is in foreign currency and effective interest rate of time deposits amounting to TL 1.321.425 that are in foreign currency is annually 4,21% and the maturity is 2 days. Effective interest rate of remaining time deposits which are originally amounting to TL 2.750.000 is annually % 6 and the average maturity is 2 day.)

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

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

5. Financial investments

The Company has a subsidiary named "Otokar Europe SAS" with paid in capital of Euro 100.000(TL 239.280), established on August 18, 2011, in France for the purpose of organizing export activities and increasing export sales. Since "Otokar Europe SAS" operations does not materially affect the financial statements, it has not been subject to consolidation and has been presented at historical cost value.

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6. Financial liabilities

December 31, 2014			
	Maturities	Interest rate (%)	TL
Short-term bank borrowings (*)			
Denominated in TL(**)	January 2, 2015 – January 5, 2015	0,00	524.367
Denominated in Euro	January 2, 2015	3,11-3,17	29.227.510
Total			29.751.877
Payments of the long-term bank borrowings and interest accruals (*)			
Denominated in TL	March 11, 2016 – October 17, 2016	8,05-11,73	2.375.726
Denominated in Euro	February 9, 2015	2,04	43.539.774
Total			45.915.500
December 31, 2014			
	Maturities	Interest rate (%)	TL
Long-term bank borrowings (*)(**)			
Denominated in TL	March 11, 2016 – September 29, 2017	8,82-11,73	230.794.141
Denominated in Euro	June 29, 2016	3,66	43.052.830
Total			273.846.971

(*) Bearing fixed interest rate

(**) Weighted average maturity days of long-term borrowings are 661.

(***) Interest free loan for the SSI payment

December 31, 2013			
	Maturities	Interest rate(%)	TL
Short-term bank borrowings (*)			
Denominated in TL	January 2, 2014 - July 25, 2014	11,36	32.048.744
Denominated in Euro	January 2, 2014	2,59-2,64	106.228.231
Total			138.276.975
Payments of the long-term bank borrowings and interest accruals (*)			
Denominated in TL	January 26 ,2015 – June 3 ,2016	8,36-11,90	2.326.037
Denominated in Euro	February 9, 2015	2,04	360.760
Total			2.686.797
December 31, 2013			
	Maturities	Interest rate (%)	TL
Long-term bank borrowings (*)(**)			
Denominated in TL	January 26, 2015 – June 3, 2016	8,36-11,90	288.000.000
Denominated in Euro	February 9,2015	2,04	44.047.500
Total			332.047.500

(*) Bearing fixed interest rate

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

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

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Notes to the Financial Statements as of December 31, 2014

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7. Derivative financial instruments

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

	Contract amount	Contract maturity	Fair values Assets
December 31, 2014:			
Forward transactions	137.947.680	January 8, 2015 – February 5, 2015	1.726.888
Short-term derivative financial instruments	137.947.680		1.726.888
Total derivative financial instruments	137.947.680		1.726.888
December 31, 2013:			
Forward transactions	170.169.265	January 9, 2014 – February 13, 2014	(1.231.950)
Short-term derivative financial instruments	170.169.265		(1.231.950)
Total derivative financial instruments	170.169.265		(1.231.950)

8. Trade receivables and payables**Trade receivables**

	December 31, 2014	December 31, 2013
Trade receivables, net	132.684.387	247.876.807
Notes receivables, net	107.194.793	101.931.133
	239.879.180	349.807.940
Less: provision for doubtful receivables	(22.526.772)	(21.961.122)
Other short-term trade receivables	217.352.408	327.846.818
Trade receivables from related parties (Note 27)	50.877.972	71.374.049
Short-term trade receivables	268.230.380	399.220.867
Long-term trade receivables, net	125.884.462	178.669.298
Long-term notes receivable, net	14.370.598	14.269.026
Long-term trade receivables	140.255.060	192.938.324

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

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8. Trade receivables and payables (continued)

Guarantees received for trade receivables

Receivables of the Company mainly relate to the sales to the minibuss and bus dealers, trailer sales and military vehicle sales. As of December 31, 2014, the total trade receivable from dealers amounting to TL 60.016.673 (December 31, 2013 - TL 47.451.597), after provision reserved for

doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 126.993.500 (December 31, 2013 - TL 115.753.500). The Company manages its credit risk for the remaining receivables through policies and procedures as explained in the Credit Risk section of Note 28.

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

December 31, 2014	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	152
1- 5 year past due(*)	174.176
Over 5 year past due	-
Total	174.328
Amount secured with guarantee (1)	173.035
December 31, 2013	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due(*)	275.818
Over 5 year past due	-
Total	275.818
Amount secured with guarantee (1)	275.818

(1) Pledges on trailers.

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

The movement of the provision for doubtful receivables for the year ended December 31, 2014 and December 31, 2013 are as follows:

	December,31 2014	December,31 2013
January 1	21.961.122	19.747.448
Collections	(188)	(95.414)
Additional provision (Note 22)	565.838	2.309.088
As of December 31	22.526.772	21.961.122

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

	December 31, 2014	December 31, 2013
Trade payables, net	70.978.759	89.077.102
Notes payables, net	224.700	202.870
Short-term trade payables	71.203.459	89.279.972
Trade payables to related parties (Note 27)	10.320.537	13.154.537
Short-term trade payables	81.523.996	102.434.509

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

9. Other receivables and payables**Other short-term receivables**

	December 31, 2014	December 31, 2013
Due from personnel	958	2.524
Total	958	2.524

Other long-term receivables

	December 31, 2014	December 31, 2013
Deposits and guarantees given	101.585	58.112
Total	101.585	58.112

Other short-term payables

	December 31, 2014	December 31, 2013
Other miscellaneous payables	16.383.024	10.819.100
Total	16.383.024	10.819.100

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10. Inventories

	December 31, 2014	December 31, 2013
Raw material	93.535.860	126.204.804
Work-in-process	16.423.428	3.974.688
Finished goods	33.518.461	42.478.530
Merchandise	50.425.115	43.191.637
Goods in transit	71.754.321	83.251.978
(*) Impairment for inventories (-)	(1.494.757)	(1.304.472)
Total	264.162.428	297.797.165

(*) TL 1.356.002 of impairment is related to finished goods (December 31, 2013 - 1.049.500) and TL 138.755 is related to merchandises (December 31, 2013 - 254.972). The impairment has been accounted under cost of sales account.

The movements of impairment for inventories in 2014 are as follows:

	December 31, 2014	December 31, 2013
January 1, 2014	(1.304.472)	(1.615.688)
Provision/ Provision no longer required (Note 21)	(190.285)	311.216
December 31, 2014	(1.494.757)	(1.304.472)

11. Costs and billings on uncompleted contracts and other payables

Receivable from uncompleted contracts is to TL 129.854.827 as of December 31, 2014 (December 31, 2013 – TL 93.597.289) after netting with short term advance taken.

As of December 31, 2014, the short term advances taken by the Company related with on-going projects which amounts to TL 113.014.910 was included in deferred revenues in the financial statements (December 31, 2013 – TL 232.113.373). Rest of the amount TL 130.933.443 which is included in deferred income is composed of other advance taken from customer (December 31, 2013 – TL 36.402.368) and other payables as amounting to TL 19.854.068 (December 31, 2013 – TL 20.173.756).

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12. Property, plant and equipment

For the year ended December 31, 2014, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2014	Additions	Disposals	Transfers	December 31, 2014
Cost:					
Land	37.456.746	-	-	-	37.456.746
Land improvements	11.309.351	22.539	-	289.976	11.621.866
Buildings	60.170.668	-	-	-	60.170.668
Machinery, equipments and installations	111.943.555	2.304.508	(6.344.057)	485.060	108.389.066
Motor vehicles	7.957.194	1.660.100	(448.192)	-	9.169.102
Furniture and fixtures	31.761.624	2.259.922	(121.110)	668.471	34.568.907
Leasehold improvements	2.734.585	27.581	-	79.599	2.841.765
Construction in process	1.778.321	2.498.750	-	(1.921.941)	2.355.130
	265.112.044	8.773.400	(6.913.359)	(398.835)	266.573.250
Accumulated depreciation:					
Land improvements	4.654.789	1.522.158	-	-	6.176.947
Buildings	29.073.222	2.818.009	-	-	31.891.231
Machinery, equipments and installations	86.240.277	7.852.167	(6.286.816)	-	87.805.628
Motor vehicles	4.071.036	752.826	(86.379)	-	4.737.483
Furniture and fixtures	18.760.344	3.202.956	(96.706)	-	21.866.594
Leasehold improvements	1.469.753	365.559	-	-	1.835.312
	144.269.421	16.513.675	(6.469.901)	-	154.313.195
Net book value	120.842.623				112.260.055

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12. Property, plant and equipment (continued)

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

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

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12. Property, plant and equipment (continued)

For the years ended December 31, 2014 and 2013, the allocation of depreciation and amortization expenses of property, plant and equipment and intangibles has been as follows:

	December 31, 2014	December 31, 2013
Research and development expenses	27.832.162	23.503.078
Costs related to uncompleted contracts	7.754.889	7.002.752
Cost of goods sold	5.604.003	5.681.297
Development projects in process	1.903.383	1.742.078
General administrative expenses	1.477.713	1.333.315
Selling and marketing expenses	1.118.856	736.227
Depreciation on outstanding inventories	504.948	449.198
Total	46.195.954	40.447.945

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

	December 31, 2014	December 31, 2013
Machinery, equipment and installations	63.645.564	65.632.260
Motor vehicles	2.588.360	2.588.360
Furniture and fixtures	12.398.162	12.135.350
Leasehold improvements	1.122.862	1.120.006
Total	79.754.948	81.475.976

13. Intangible assets

For the year ended December 31, 2014, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2014	Additions	Transfers	December 31, 2014
Cost:				
Other intangible assets	12.289.381	842.494	398.835	13.530.710
Development costs	147.369.338	-	38.709.656	186.078.994
Development projects in process	35.639.826	43.595.722	(38.709.656)	40.525.892
	195.298.545	44.438.216	398.835	240.135.596
Accumulated amortization:				
Other intangible assets	8.371.380	1.850.116	-	10.221.496
Development costs	60.634.428	27.832.163	-	88.466.591
	69.005.808	29.682.279		98.688.087
Net book value	126.292.737			141.447.509

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13. Intangible assets (continued)

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

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

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

	December 31, 2014	December 31, 2013
Other intangible assets	6.812.786	6.131.494
R&D expenses (amortized)	26.784.388	5.848.347
Total	33.597.174	11.979.841

14. Government grants and incentives

	December 31, 2014	December 31, 2013
Short term	2.033.845	1.467.624
Long term	7.162.947	7.055.794
Total	9.196.792	8.523.418

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

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15. Provisions, contingent assets and liabilities**Provisions – short term**

	December 31, 2014	December 31, 2013
Provision for other costs	153.473.113	76.011.181
Warranty provision	18.180.739	18.914.980
Foundation employer's share of social security premium	2.925.000	-
Provision for license costs	1.264.726	735.433
Provision for legal cases	100.000	127.838
Other	433.227	210.238
Total	176.376.805	95.999.670

Provisions – long term

	December 31, 2014	December 31, 2013
Warranty provision	4.434.349	6.341.178
	4.434.349	6.341.178

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.

	December 31, 2014	December 31, 2013
January 1	76.011.181	208.617.007
Additional provision/payment,net	67.226.997	(124.345.166)
Foreign exchange valuation	10.234.935	(8.260.660)
As of December 31	153.473.113	76.011.181

Warranty provision

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

	December 31, 2014	December 31, 2013
January 1	25.256.158	17.835.439
Additional provision (Note 21)	23.001.911	28.233.403
Realized payments	(25.642.981)	(20.812.684)
As of December 31	22.615.088	25.256.158

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15. Provisions, contingent assets and liabilities (continued)

Provision for license costs

The movements of provision for license costs are as follows:

	December 31, 2014	December 31, 2013
January 1	735.433	894.634
Increase	1.934.544	717.851
Realized	(1.405.251)	(877.052)
As of December 31	1.264.726	735.433

Commitments and contingencies

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

Guarantees given by the Company	December 31, 2014	December 31, 2013
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	846.743.403	796.640.829
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation.	-	-
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations.	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
Total	846.743.403	796.640.829

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

	December 31, 2014		December 31, 2013	
	Original currency	TL	Original currency	TL
USD	236.106.385	547.507.096	274.909.369	586.739.066
EUR	38.486.835	108.559.815	40.592.173	119.198.916
SAR	-	-	22.000.000	12.519.320
TL	190.676.492	190.676.492	78.183.527	78.183.527
		846.743.403		796.640.829

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15. Provisions, contingent assets and liabilities (continued)

	December 31, 2014	December 31, 2013
Guarantee letters given		
Under secretariat of Ministry of Defence (*)	462.293.181	421.597.311
Other	384.450.222	375.043.518
	846.743.403	796.640.829

Letters of guarantees

a) Guarantees given as of December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014	December 31, 2013
Bank letters of guarantee (*)	846.743.403	796.640.829
	846.743.403	796.640.829

(*) Bank letter of guarantee amounting to TL 458.062.131 are given to Under Secretariat of Ministry of Defence within the scope of Altay Project. (December 31, 2013 – TL 421.597.311)

b) Guarantee received as of December 31, 2014 and 2013 as follows;

	December 31, 2014	December 31, 2013
Bank letters of guarantee (**)	346.144.591	331.750.195
Guarantee notes	24.410.289	37.121.748
Mortgages received	842.000	842.000
Guarantee cheques	6.548.000	280.000
	377.944.880	369.993.943

(**) Bank letters of guarantee amounting to TL 156.811.967 are obtained from the sub-contractors for Altay Project (December 31, 2013 - TL 146.570.489).

Contingent assets

The tax case related to the unused R&D deductions related to 2010 has concluded in favor of the Company and TL 2.923.627 has been refunded to the Company. In connection with the same matter, the Company has filed law suits for 2011, 2012 and 2013 and legal process is at the appeal stage. The expected refunds are TL 3.963.320 for 2011; TL 6.821.730 for 2012; and TL 20.922.191 for 2013.

16. Employee benefits

	December 31, 2014	December 31, 2013
Provision for retirement pay liability	20.969.191	16.173.142
Provision for vacation pay liability	5.381.838	4.443.081
Total	26.351.029	20.616.223

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16. Employee benefits (continued)

Reserve for retirement pay

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

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

The amount payable consists of one month's salary limited to a maximum of TL 3.448 for each year of service as of December 31, 2014 (December 31, 2013 - TL 3.254).

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

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

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

	December 31, 2014	December 31, 2013
Net discount rate (%)	3,50	4,78
Turnover rate to estimate the probability of retirement (%)	2,59	2,66

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, 2014	December 31, 2013
January 1	16.173.142	13.716.119
Interest expense	1.463.669	1.241.308
Current year provision	4.760.755	2.098.736
Actuarial loss	2.141.752	1.281.279
Payments	(3.570.127)	(2.164.300)
As of December 31	20.969.191	16.173.142

Provision for vacation pay liability

The movements of reserve for vacation pay are as follows:

	December 31, 2014	December 31, 2013
January 1	4.443.081	3.313.961
Net increase (Note 21)	938.757	1.129.120
As of December 31	5.381.838	4.443.081

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17. Prepaid expenses, deferred revenue, other assets and liabilities**a) Prepaid expenses:**

	December 31, 2014	December 31, 2013
Advances given	75.972.542	70.119.607
Prepaid expenses	3.024.452	4.865.509
Total	78.996.994	74.985.116

b) Other current assets:

	December 31, 2014	December 31, 2013
Value added tax receivables	11.466.073	16.242.267
Other	840.798	811.658
Total	12.306.871	17.053.925

c) Deferred income:

	December 31, 2014	December 31, 2013
Deferred maintenance revenues (*)	19.378.209	20.173.756
Other deferred revenues (**)	475.859	-
Advance taken	243.948.353	268.515.741
Deferred income-short term	263.802.421	288.689.497
Deferred maintenance revenues (*)	44.510.646	66.511.725
Deferred income-long term	44.510.646	66.511.725

(*) Deferred repair maintenance income for sold vehicles via agreements signed.

(**) Deferred revenues regarding the goods sold invoices having shipment date of 2015.

d) Employee benefit obligations:

	December 31, 2014	December 31, 2013
Payable to personnel	9.237.281	10.450.853
Social security premium payables	3.753.058	3.393.459
Taxes and funds payable	4.115.858	5.299.228
Total	17.106.197	19.143.540

e) Other short term liabilities:

	December 31, 2014	December 31, 2013
Taxes and funds payables	1.544.485	827.468
Deferred special consumption tax	92.889	447.325
Other	388.029	340.654
Total	2.025.403	1.615.447

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18. Shareholders' equity

Share Capital

As of December 31, 2014 and 2013, the principal shareholders and their respective shareholding percentages are as follows:

Shareholders	December 31, 2014		December 31, 2013	
	TL	%	TL	%
Koç Holding A.Ş.	10.722.750	44,68	10.722.750	44,68
Ünver Holding A.Ş.	5.954.944	24,81	5.954.944	24,81
Other	7.322.306	30,51	7.322.306	30,51
Total	24.000.000	100,00	24.000.000	100,00
Inflation adjustment on equity items	52.743.030		52.743.030	
Total	76.743.030		76.743.030	

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

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

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

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

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

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18. Shareholders' equity (continued)

As of December 31, 2014, 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 72.771.198 (December 31, 2013 – TL 96.561.743) and TL 61.119.856 (December 31, 2013 – TL 74.438.113), respectively. Current year net income of the Company in statutory books is TL 48.745.799 (December 31, 2013 – TL 201.282.157), other reserves to be distributed as dividend (without being subject to additional taxation) is TL 170.262.048 (December 31, 2013 – TL 79.228.287). In addition, in statutory books there is TL 16.224.790 inflation adjustment and TL 14.170.387 other capital reserves that are subject to taxation if they are distributed. After deduction of first legal reserves, current year net profit in statutory books is TL 48.745.799 (December 31, 2013 – TL 201.282.157). As of report date, there is no decision of dividend distribution related to 2014.

In accordance with the Communiqué, as of December 31, 2014 and December 31, 2013, the details of equity, based on which the dividend will be distributed is as follows:

	December 31, 2014	December 31, 2013
Paid-in share capital	24.000.000	24.000.000
Inflation adjustment on equity items	52.743.030	52.743.030
Restricted reserves	38.958.147	29.078.147
Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss	(5.264.855)	(3.551.453)
Retained earnings		
- Extraordinary reserves	50.169.773	63.488.030
- Inflation adjustments on legal reserves	10.950.083	10.950.083
Net income for the year	72.771.198	96.561.743
Total shareholders' equity	244.327.376	273.269.580

As of December 31, 2014 and 2013, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

	December 31, 2014		
	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24.000.000	52.743.030	76.743.030
Legal reserves	38.958.147	10.950.083	49.908.230
Total	62.958.147	63.693.113	126.651.260
	December 31, 2013		
	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24.000.000	52.743.030	76.743.030
Legal reserves	29.078.147	10.950.083	40.028.230
Total	53.078.147	63.693.113	116.771.260

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18. Shareholders' equity (continued)

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

	December 31, 2014	December 31, 2013
Legal reserves	38.958.147	29.078.147
Extraordinary reserves	170.262.048	79.228.287
Total	209.220.195	108.306.434
Dividends distributed during the year based on previous year's net income per statutory financial statements	100.000.000	64.000.000
Dividend paid per share (kuruş)	0,417	0,267

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

19. Sales and cost of sales

Net sales

	January 1 – December 31, 2014	January 1 – December 31, 2013
Domestic sales	996.239.221	1.176.612.836
Export sales	237.408.664	225.504.622
Gross sales	1.233.647.885	1.402.117.458
Less: sales discounts and sales returns	(2.014.113)	(564.524)
Net sales	1.231.633.772	1.401.552.934

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

	January 1 – December 31, 2014	January 1 – December 31, 2013
Commercial vehicle	584.579.551	789.456.300
Armoured vehicle	368.352.294	349.489.205
Other sales (*)	278.701.927	262.607.429
	1.231.633.772	1.401.552.934

(*) TL 173.638.752 of this amount is related to revenues of uncompleted contracts (2013 – TL 151.849.248).

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19. Sales and cost of sales (continued)

Cost of sales

	January 1 – December 31, 2014	January 1 – December 31, 2013
Cost of finished goods sold	866.659.479	1.031.647.409
Cost of merchandise sold	52.868.921	54.894.650
Cost of sales	919.528.400	1.086.542.059

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

	January 1 – December 31, 2014	January 1 – December 31, 2013
Marketing, sales and distribution expenses	132.494.804	118.705.403
General administrative expenses	39.819.107	38.480.120
Research and development expenses	28.658.352	25.796.799
Total operating expenses	200.972.263	182.982.322

21. Expenses by nature

	December 31, 2014	December 31, 2013
Cost of raw material and consumption goods	738.218.024	868.105.029
Change in finished goods and work-in-process	(3.488.671)	24.895.539
Cost of merchandises sold	52.868.921	54.894.650
Depreciation and amortization expense	43.787.623	38.245.632
Personnel expenses	140.876.679	142.885.391
Operational expenses	28.590.764	25.407.956
Administrative expenses	28.263.200	26.171.566
Warranty reserve expense (Note 15)	23.001.911	28.233.403
Exhibition and fair expenses	8.600.627	7.822.089
Transportation, distribution and storage expenses	12.703.060	10.465.057
Advertisement and promotion expenses	2.463.092	2.118.237
Provisions of impairment for inventories (Note 10)	190.285	(311.216)
Other expenses	44.425.148	40.591.048
Total	1.120.500.663	1.269.524.381

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21. Expenses by nature (continued)

The breakdown of personnel expenses is as follows:

	January 1 – December 31, 2014	January 1 – December 31, 2013
With respect to the account:		
Cost of sales and inventories on hand	72.274.288	79.297.998
Costs related to uncompleted contracts	22.150.288	19.791.207
Capitalized development expenditures	21.512.662	20.035.036
General administrative expenses	19.287.015	19.295.905
Marketing, sales and distribution expenses	25.941.164	22.305.499
Research and development expenses	1.223.925	2.194.781
	162.389.342	162.920.426
By nature:		
Wages and salaries	117.961.866	122.502.421
Social security premiums	21.100.702	20.613.487
Other social benefits	16.163.593	15.335.354
Provision for retirement pay liability (Note 16)	6.224.424	3.340.044
Provision for vacation pay liability (Note 16)	938.757	1.129.120
	162.389.342	162.920.426

22. Other operating income / expenses

	January 1 – December 31, 2014	January 1 – December 31, 2013
Other operating income		
Foreign exchange gain from trade receivable/ payables	40.947.942	73.320.858
Forward transaction income	20.631.246	11.860.256
Maturity difference income	17.822.903	11.250.490
Incentive income	1.165.442	839.682
Other	6.633.435	4.061.522
Total	87.200.968	101.332.808
Other operating expense		
Foreign exchange loss from trade receivable/ payables	(63.369.553)	(41.765.324)
Forward transaction expenses	(9.163.505)	(31.085.765)
Provision for doubtful receivables	(565.838)	(2.309.088)
Provision for foundation employer's share of social security premium	(2.925.000)	-
Other	(391.234)	(213.956)
Total	(76.415.130)	(75.374.133)

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23. Financial income

	January 1 – December 31, 2014	January 1 – December 31, 2013
Interest income from time deposits	1.461.384	322.326
Foreign exchange gains on deposits	3.267.519	2.443.596
Foreign exchange gains on bank borrowings	9.738.700	242.000
Total	14.467.603	3.007.922

24. Financial expense

	January 1 – December 31, 2014	January 1 – December 31, 2013
Interest expense on bank borrowings	(42.069.785)	(33.686.402)
Foreign exchange losses on deposits	(2.981.715)	(5.771.626)
Foreign exchange losses on bank borrowings	(9.607.100)	(13.595.300)
Total	(54.658.600)	(53.053.328)

25. Tax assets and liabilities

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

In Turkey, the corporation tax rate is 20% (2013 - 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one 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.

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25. Tax assets and liabilities (continued)

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations.

The aforementioned law has been enacted as of April 1, 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments. Research and development incentives shall be calculated over the total expenditures made in 2014 and 2013.

As a result of its research and development expenditures made in 2014 amounting to TL 35.561.875 (2013 – TL 40.528.378), the Company has utilized research and development incentives at 100% deduction without any withholding tax. The Company has an R&D centre certificate.

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

	December 31, 2014	December 31, 2013
Income tax payable	4.642.432	43.641.898
(-) Prepaid tax	(6.749.150)	(36.598.851)
Income tax payable/ (receivable), net	(2.106.718)	7.043.047

The breakdown of total tax expense for the years ended December 31, 2014 and 2013

	January 1 – December 31, 2014	January 1 – December 31, 2013
Current tax charge	(4.581.854)	(43.676.005)
Deferred tax income		
Tax charged to profit for the period	(4.430.796)	31.989.428
Tax charged to other comprehensive income/expense	428.350	256.256
Total tax expense	(8.584.300)	(11.430.321)

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

	January 1 – December 31, 2014	January 1 – December 31, 2013
Profit before tax	81.783.848	108.248.320
Income tax charge at effective tax rate 20%	(16.356.770)	(21.649.664)
Effect of exemptions and incentives	7.480.147	9.377.679
Other differences	(136.027)	585.408
Total tax expense	(9.012.650)	(11.686.577)

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25. Tax assets and liabilities (continued)

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

	Cumulative temporary differences		Deferred tax assets/(liability)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Property, plant and equipment	(10.686.872)	(12.975.519)	1.343.920	886.191
Intangibles	(24.037.595)	(20.553.326)	(4.807.519)	(4.110.665)
Deferred financial expense	(483.877)	(501.791)	(96.775)	(100.358)
Inventories	1.549.110	1.373.503	309.822	274.701
Warranty provision	22.615.088	25.256.158	4.523.018	5.051.232
Reserve for retirement pay	20.969.191	16.173.142	4.193.838	3.234.628
Deferred financial income	14.148.535	18.051.122	2.829.707	3.610.224
Other provisions	9.358.416	6.948.144	1.871.684	1.389.629
Deferred maintenance income	63.888.855	86.685.481	12.777.771	17.337.095
Adjustment for percentage of completion method on construction projects	73.915.663	71.706.219	14.783.133	14.341.244
Other	8.034.875	7.120.489	1.606.975	1.424.099
Deferred tax asset			39.335.574	43.338.020

The movement of deferred tax asset for the years ended December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
January 1	43.338.020	11.092.336
Deferred tax income		
Tax charged to profit for the period	(4.430.796)	31.989.428
Tax charged to other comprehensive income/expense	428.350	256.256
	39.335.574	43.338.020

26. Earnings per share

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

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

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

	December 31, 2014	December 31, 2013
Net income attributable to shareholders (TL)	72.771.198	96.561.743
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (kuruş)	0,303	0,402

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27. Related party disclosures

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

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

Due from related parties	December 31, 2014	December 31, 2013
Ram Dış Ticaret A.Ş. (1) (*)	38.705.221	63.946.381
Otokar Europe SAS (3)	11.434.239	6.566.672
Ford Otosan A.Ş. (2)	731.483	32.773
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	7.029	740.510
Aygaz A.Ş. (1)	-	73.609
Koç Üniversitesi (1)	-	12.850
Other (1)	-	1.254
Total	50.877.972	71.374.049

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

Due to related parties	December 31, 2014	December 31, 2013
Ram Dış Ticaret A.Ş. (1)	3.472.371	6.691.466
Zer Merkezi Hizmetler A.Ş. (1)	2.347.607	2.273.182
Koç Holding A.Ş. (2)	1.571.510	74.846
Setur Servis Turistik A.Ş. (1)	464.983	732.046
Opet Fuchs Madeni Yağ A.Ş. (1)	408.031	280.439
Eltek Elek. Enerji İth. İhr. Top. Tic. A.Ş. (1)	392.345	372.365
Divan Turizm İşletmeleri A.Ş. (1)	356.386	1.124
Ram Sigorta Arac. Hz. A.Ş.(1)	342.279	202.176
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	313.039	1.573.987
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	223.877	235.919
Akpa Dayanıklı Tük. Paz. A.Ş.(1)	200.402	271.553
Setair Hava Taşımacılığı ve Hizm. A.Ş. (1)	104.849	-
Opet Petrolcülük A.Ş. (1)	84.853	91.401
Koçtaş Yapı Marketleri A.Ş. (1)	24.140	353.820
Other (1)	13.865	213
Total	10.320.537	13.154.537

(1) Related parties of parent company

(2) Shareholder

(3) The Company's subsidiary not in scope of consolidation

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27. Related party disclosures (continued)

ii) Major sales and purchase transactions with related parties:

Product sales and service revenue	January 1 – December 31, 2014	January 1 – December 31, 2013
Ram Dış Ticaret A.Ş. (1) (*)	168.169.474	186.982.566
Otokar Europe SAS (3)	20.934.006	10.381.427
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	5.329.327	7.705.890
Ford Otosan A.Ş.(2)	180.456	785
Aygaz A.Ş. (1)	93.938	563.274
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	551	128.000
RMK Marine (1)	485	257
Arçelik A.Ş. (1)	-	122.850
Yapı veKredi Bankası A.Ş.(1)	-	1.050.000
Total	194.708.237	206.935.049

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

Purchase of property, plant and equipment	January 1 – December 31, 2014	January 1 – December 31, 2013
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. (1)	1.451.331	3.114.231
Zer Merkezi Hizmetler A.Ş. (1)	415.419	42.534
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	65.563	237.371
Arçelik A.Ş. (1)	29.481	14.508
Koçtaş Yapı Marketleri A.Ş. (1)	14.831	123.955
Ark İnşaat A.Ş.(1)	-	695.039
Total	1.976.625	4.227.638

Inventory purchased	January 1 – December 31, 2014	January 1 – December 31, 2013
Zer Merkezi Hizmetler A.Ş. (1)	15.982.698	15.965.345
Ram Dış Ticaret A.Ş. (1)	3.764.118	12.169.043
Akpa Dayanıklı Tük.Paz. A.Ş. (1)	2.557.507	3.866.486
Opet Fuchs Madeni Yağ A.Ş. (1)	2.110.127	1.684.629
Opet Petrolcülük A.Ş. (1)	1.929.808	1.645.668
Koçtaş Yapı Marketleri A.Ş. (1)	659.433	1.613.674
Türk Traktör ve Ziraat Makineleri A.Ş. (1)	342.036	551.629
Ford Otosan A.Ş.(2)	38.091	-
Arçelik A.Ş. (1)	6.255	8.908
Total	27.390.073	37.505.382

(1) Related parties of parent company

(2) Shareholder

(3) The Company's subsidiary not in scope of consolidation

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27. Related party disclosures (continued)

Services purchased	January 1 – December 31, 2014	January 1 – December 31, 2013
Ram Dış Ticaret A.Ş. (1)	9.303.902	8.311.633
Setur Servis Turistik A.Ş. (1)	4.478.977	5.695.965
Eltek Elek.Enerji İth.İhr.Top.Tic.A.Ş. (1)	4.003.560	3.310.214
Koç Holding A.Ş. (2)	3.778.564	2.026.246
Otokar Europe SAS (3)	3.110.024	2.559.423
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	1.943.049	1.277.242
KoçSistem Bilgi ve İletişim Hizm. A.Ş. (1)	1.026.339	966.033
Divan Turizm İşletmeleri A.Ş. (1)	352.158	84.994
Koç Üniversitesi (1)	170.738	182.248
Setair Hava Taşımacılığı ve Hizm. A.Ş. (1)	164.704	88.760
Vehbi Koç Vakfı Amerikan Hastanesi (1)	76.473	37.621
Koç Topluluğu Spor Kul. Der. İkt. İşl. (1)	32.147	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (1)	29.852	27.687
Ram Sigorta Aracılık Hz. A.Ş. (1) (*)	10.882	51.773
Other (1)	6.676	283.963
Total	28.488.045	24.903.802

(*) It includes paid and accrued premium as of December 31, 2014 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, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş. (1)		
- Demand deposits	78.461	1.680.822
- Time deposits	1.353.000	2.750.000
Total	1.431.461	4.430.822

Checks and notes in collection	December 31, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş. (1)	24.644.202	33.393.531
Total	24.644.202	33.393.531

1) Related parties of parent company

(2) Shareholder

(3) The Company's subsidiary not in scope of consolidation

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27. Related party disclosures (continued)

Borrowings	January 1 – December 31, 2014	January 1 – December 31, 2013
Yapı ve Kredi Bankası A.Ş. (1)	122.670.359	47.093.434
Total	122.670.359	47.093.434

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

Interest income	January 1 – December 31, 2014	January 1 – December 31, 2013
Yapı ve Kredi Bankası A.Ş. (1)	227.077	253.108
Total	227.077	253.108

Foreign exchange gains	January 1 – December 31, 2014	January 1 – December 31, 2013
Yapı ve Kredi Bankası A.Ş. (1)	10.816.751	743.129
Total	10.816.751	743.129

Interest expense	January 1 – December 31, 2014	January 1 – December 31, 2013
Yapı ve Kredi Bankası A.Ş. (1)	5.308.650	867.470
Total	5.308.650	867.470

Foreign exchange loss	January 1 – December 31, 2014	January 1 – December 31, 2013
Yapı ve Kredi Bankası A.Ş. (1)	7.827.910	6.846.590
Total	7.827.910	6.846.590

(1) Related parties of parent company

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27. Related party disclosures (continued)

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

	January 1 – December 31, 2014	January 1 – December 31, 2013
Exchange gain from trade receivables and payables		
Ram Dış Ticaret A.Ş. (1)	11.631.730	3.889.529
Otokar Europe SAS (3)	800.030	257.949
Other (1)	10.852	2.331
Total	12.442.612	4.149.809
Exchange loss from trade receivables and payables		
Ram Dış Ticaret A.Ş. (1)	2.561.864	1.602.397
Otokar Europe SAS (3)	199.283	4.568
Other (1)	30.360	12.289
Total	2.791.507	1.619.254

(1) Related parties of the parent Company

(3) The Company's subsidiary not in scope of consolidation

Benefits provided to executives

Salaries and similar benefits provided to the executive management by the Company for the year ended December 31, 2014 amounted to TL 9.867.303 (2013 - TL 11.649.528). Executives are composed of board of directors members, general manager and assistants of general manager.

28. Nature and level of risks arising from financial instruments

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

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Company mainly arises from trade receivables. The Company manages this risk that may arise from its dealers or from other customers by restricting the credit limits determined for the dealers according to 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).

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

December 31, 2014	Receivables			
	Trade receivables	Other receivables(3)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	408.485.440	76.075.085	42.967.435	-
- Maximum risk secured by guarantee (2)	(148.988.470)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	404.379.148	76.075.085	42.967.435	-
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	174.328	-	-	-
D. Net book value of impaired assets	3.931.964	-	-	-
- Overdue (gross book value)	26.458.736	-	-	-
- Impairment (-) (Note 8)	(22.526.772)	-	-	-
- Net value under guarantee	3.931.964	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-

December 31, 2013	Receivables			
	Trade receivables	Other receivables(3)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	592.159.191	70.180.242	5.992.822	-
- Maximum risk secured by guarantee (2)	(133.604.494)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	589.412.307	70.180.242	5.992.822	-
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-
C. Net book value of assets overdue but not impaired	275.818	-	-	-
D. Net book value of impaired assets	2.471.066	-	-	-
- Overdue (gross book value)	24.432.188	-	-	-
- Impairment (-) (Note 8)	(21.961.122)	-	-	-
- Net value under guarantee	2.471.066	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-

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

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

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

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

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, 2014 and December 31, 2013, maturities of gross trade payables and financial liabilities are as follows:

December 31, 2014

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	349.514.348	379.331.017	46.772.914	45.676.425	286.881.678	-
Trade payables	81.512.930	82.003.959	81.779.259	224.700	-	-
Expected maturities						
Expected maturities	Book value	Total expected cash outflow (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Employee benefit obligations	17.106.197	17.106.197	17.106.197	-	-	-
Other payables	16.383.024	16.383.024	16.383.024	-	-	-
Other short term liabilities	2.025.403	2.025.403	2.025.403	-	-	-
Expected maturities (or maturities per agreement)						
Expected maturities (or maturities per agreement)	Book value	Total cash outflow expected / per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Derivative financial liabilities (net)						
Derivative cash inflows	1.726.888	1.726.888	1.726.888	-	-	-
Derivative cash outflows	(137.947.680)	(137.947.680)	(137.947.680)	-	-	-

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

December 31, 2013

Maturities per agreements	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	473.011.272	529.670.314	110.194.540	58.582.085	360.893.689	-
Trade payables	102.434.509	102.936.822	102.733.952	202.870	-	-
Expected maturities						
Expected maturities	Book value	Total expected cash outflow (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Employee benefit obligations	19.143.540	19.143.540	19.143.540	-	-	-
Other payables	10.819.100	10.819.100	10.819.100	-	-	-
Other current liabilities	1.615.447	1.615.447	1.615.447	-	-	-
Expected maturities (or maturities per agreement)						
Expected maturities (or maturities per agreement)	Book value	Total cash outflow expected / per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Derivative financial liabilities (net)	(1.231.950)	(1.231.950)	(1.231.950)	-	-	-
Derivative cash inflows	168.937.315	168.937.315	168.937.315	-	-	-
Derivative cash outflows	(170.169.265)	(170.169.265)	(170.169.265)	-	-	-

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.

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

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

		Table of foreign currency position			
		December 31, 2014			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	157.673.175	1.490.821	53.636.019	813.379
2a.	Monetary financial assets (including cash, bank accounts)	78.275.263	32.100.834	1.359.816	280
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	26.552	4.304	5.875	-
4.	Current assets (1+2+3)	235.974.990	33.595.959	55.001.710	813.659
5.	Trade receivables	140.250.969	-	49.722.044	-
6a.	Monetary financial assets	129.854.389	55.998.270	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	93.433	19.200	17.340	-
8.	Non-current assets (5+6+7)	270.198.791	56.017.470	49.739.384	-
9.	Total assets(4+8)	506.173.781	89.613.429	104.741.094	813.659
10.	Trade payables	(19.937.556)	(3.702.607)	(3.638.931)	(302.341)
11.	Financial liabilities	(72.767.284)	-	(25.797.598)	-
12a.	Monetary other liabilities	(303.024.062)	(129.627.109)	(862.112)	-
12b.	Non-monetary other liabilities	(19.854.068)	-	(7.038.702)	-
13.	Current liabilities (10+11+12)	(415.582.970)	(133.329.716)	(37.337.343)	(302.341)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(43.052.830)	-	(15.263.173)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	(44.510.646)	-	(15.780.000)	-
17.	Non-current liabilities (14+15+16)	(87.563.476)	-	(31.043.173)	-
18.	Total liabilities (13+17)	(503.146.446)	(133.329.716)	(68.380.516)	(302.341)
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(5.501.182)	45.234.300	(38.500.000)	(500.000)
19a.	Hedged total assets amount	104.893.818	45.234.300	-	-
19b.	Hedged total liabilities amount	(110.395.000)	-	(38.500.000)	(500.000)
20.	Net foreign currency asset/(liability) position (9+18+19)	(2.473.847)	1.518.013	(2.139.422)	11.318
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	67.272.064	(43.739.791)	59.156.065	511.318
22.	Total fair value of financial instruments used for foreign currency hedging	1.726.888	45.234.300	(38.500.000)	(500.000)
23.	Export	237.407.431	53.727.121	43.704.487	932.582
24.	Import	333.953.059	85.651.432	47.240.105	2.416.799

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

		Table of foreign currency position			
		December 31, 2013			
		TL equivalent (functional currency)	USD	EUR	GBP
1.	Trade receivables	242.862.263	15.865.101	70.938.481	196.654
2a.	Monetary financial assets (including cash, bank accounts)	76.038.246	31.703.749	2.844.479	5.731
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets (1+2+3)	318.900.509	47.568.850	73.782.960	202.385
5.	Trade receivables	192.938.324	-	65.703.499	-
6a.	Monetary financial assets	93.597.289	43.853.858	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets (5+6+7)	286.535.613	43.853.858	65.703.499	-
9.	Total assets(4+8)	605.436.122	91.422.708	139.486.459	202.385
10.	Trade payables	(27.457.608)	(8.662.260)	(2.582.391)	(394.873)
11.	Financial liabilities	(106.228.231)	-	(36.175.117)	-
12a.	Monetary other liabilities	(340.701.500)	(159.450.691)	(131.412)	-
12b.	Non-monetary other liabilities	(20.173.756)	-	(6.870.000)	-
13.	Current liabilities (10+11+12)	(494.561.095)	(168.112.951)	(45.758.920)	(394.873)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(44.408.262)	-	(15.122.854)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	(66.511.725)	-	(22.650.000)	-
17.	Non-current liabilities (14+15+16)	(110.919.987)	-	(37.772.854)	-
18.	Total liabilities (13+17)	(605.481.082)	(168.112.951)	(83.531.774)	(394.873)
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(1.231.950)	79.222.719	(58.000.000)	-
19a.	Hedged total assets amount	169.085.050	79.222.719	-	-
19b.	Hedged total liabilities amount	(170.317.000)	-	(58.000.000)	-
20.	Net foreign currency asset/(liability) position (9+18+19)	(1.276.910)	2.532.476	(2.045.315)	(192.488)
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	86.640.521	(76.690.243)	85.474.685	(192.488)
22.	Total fair value of financial instruments used for foreign currency hedging	(1.231.950)	79.222.719	(58.000.000)	-
23.	Export	225.652.738	64.453.906	39.423.455	1.618.704
24.	Import	440.309.632	104.713.654	87.221.937	7.297.100

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

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Company's income before tax as of December 31, 2014 and 2013:

		Exchange rate sensitivity analysis table	
		December 31, 2014	
		Profit before tax	Profit before tax
		Appreciation of foreign	Depreciation of foreign
		currency	currency
In case 10% appreciation of USD against TL:			
1-	USD net asset/liability	352.012	(352.012)
2-	Amount hedged for USD risk (-)	-	-
3-	USD net effect (1+2)	352.012	(352.012)
In case 10% appreciation of EUR against TL:			
4-	EUR net asset/liability	(603.467)	603.467
5-	Amount hedged for EUR risk (-)	-	-
6-	EUR net effect (4+5)	(603.467)	603.467
In case 10% appreciation of GBP against TL:			
7-	GBP net asset/liability	4.070	(4.070)
8-	Amount hedged for GBP risk (-)	-	-
9-	GBP net effect (7+8)	4.070	(4.070)
Total (3+6+9)		(247.385)	247.385
		Exchange rate sensitivity analysis table	
		December 31, 2013	
		Profit before tax	Profit before tax
		Appreciation of foreign	Depreciation of foreign
		currency	currency
In case 10% appreciation of USD against TL:			
1-	USD net asset/liability	540.506	(540.506)
2-	Amount hedged for USD risk (-)	-	-
3-	USD net effect (1+2)	540.506	(540.506)
In case 10% appreciation of EUR against TL:			
4-	EUR net asset/liability	(600.607)	600.607
5-	Amount hedged for EUR risk (-)	-	-
6-	EUR net effect (4+5)	(600.607)	600.607
In case 10% appreciation of GBP against TL:			
7-	GBP net asset/liability	(67.590)	67.590
8-	Amount hedged for GBP risk (-)	-	-
9-	GBP net effect (7+8)	(67.590)	67.590
Total (3+6+9)		(127.691)	127.691

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

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, 2014 and 2013, 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 factor. This factor 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, 2014	December 31, 2013
Total financial debt	349.514.348	473.011.272
Less: Cash and cash equivalents (Note 4)	(44.527.697)	(8.884.174)
Net financial debt	304.986.651	464.127.098
Total equity	244.327.376	273.269.580
Financial debt/shareholders' equity factor	125%	170%

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29. Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets that are measured at fair value at December 31, 2014 and 2013:

Assets	Level 1	Level 2	Level 3	Total
December 31, 2014				
Derivative financial instruments	-	1.726.888	-	1.726.888
Total	-	1.726.888	-	1.726.888

Liabilities	Level 1	Level 2	Level 3	Total
December 31, 2013				
Derivative financial instruments	-	1.231.950	-	1.231.950
Total	-	1.231.950	-	1.231.950

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.

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30. Subsequent events

None.

31. Other matters which are significant to the financial statements or which should be disclosed for the purpose of true and fair interpretation of the financial statements

None.

The Information Document pertaining to 2014 concerning the Annual General Assembly Meeting which will be held on March 26, 2015

1. Invitation to the Annual General Assembly Meeting dated March 26, 2014

The Annual General Assembly Meeting will be held to examine 2014 activities and to discuss the agenda detailed below on Thursday, March 26, 2015, at the Divan İstanbul Elmadağ, Asker Ocağı Cad. No: 1 Şişli - İstanbul (Tel:+90 212 315 55 00) at 10:00 am.

The financial statements, the Independent Auditor's Report, the Board of Director's Decision on Profit Distribution, Annual Report and the attached Corporate Governance Compliance Report, as well as the agenda items below and the Information Notes on work required to ensure compliance with the Capital Market Board's regulations, all of which pertain to the 2014 fiscal year will be available to shareholders at the Company's Headquarters, on the corporate website at www.otokar.com.tr, the Public Disclosure Platform and Electronic General Assembly Meeting system three weeks prior to the Annual General Assembly Meeting within the legal duration.

Providing that the rights and obligations of those shareholders who cannot attend the meeting personally but who will attend the meeting through the electronic system are reserved, the shareholders are required to execute their proxies in compliance with the form posted on our website or obtain the form of proxy from Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Plaza, Levent, İstanbul), from the offices of the Company or from the Company's website at www.otokar.com.tr and, by fulfilling the requirements set forth in "Voting by Proxy and Collection of Proxies via Invitation Communiqué" numbered II-30.1 as published in the Official Gazette number 28861 dated 24.12.2013 and entered into effect thereof, present their proxies, the signature on which having been certified by a public notary, to the Company. Proxies who have been appointed electronically via the Electronic General Assembly Meeting System are not required to present a form of proxy. Proxies that do not comply with the proxy mandated by the Communiqué and the attached sample will not be accepted under any circumstances, due to our legal obligations.

Those shareholders who wish to cast their votes via the Electronic General Assembly Meeting System are kindly requested to obtain information from the Central Registry Agency, the Company's website at www.otokar.com.tr or from the Company's Head Office (phone number: 0264 229 22 44) to be able to fulfil their obligations in compliance with relevant Regulations and Communiqués.

Pursuant to the 4th paragraph of article 415 of the new Turkish Commercial Code No. 6102 and the 1st paragraph of article 30 of the Capital Markets Law, the right to attend and cast votes at the Annual General Assembly Meeting is not dependent on the condition of depositing the share certificates. Therefore, the shareholders who wish to attend the Annual General Assembly Meeting do not need to block their shares.

Providing that the provisions concerning the casting of votes via an electronic medium for voting on the Issues listed on the Agenda in Annual General Assembly Meetings are reserved, the method of open voting by a show of hands will be applied.

All beneficiaries as well as representatives of the press and the media are invited to our Annual General Assembly Meeting.

In accordance with the provisions of the Capital Market Law, there will be no notice by registered letter to shareholders for registered shares that are listed in stock market.

Respectfully submitted for the attention of Shareholders.

Otokar Otomotiv ve Savunma Sanayi A.Ş. Board of Directors

Address of the Company's Head Office: Aydınevler Mahallesi, Dumlupınar Caddesi No:58/A Blok Küçükyalı - İstanbul

Trade Registry and Number: İstanbul – 83467

2. Our Additional Disclosures in accordance with the Regulations of the CMB

The additional disclosures that must be applied pursuant to Capital Market Board's (CMB) "Corporate Governance Communiqué" numbered II-17.1 that entered force on January 3, 2014 and which are related to agenda items, are provided under the relevant item of the agenda below, and other mandatory general disclosures are submitted for your attention in this section:

The Information Document pertaining to 2014 concerning the Annual General Assembly Meeting which will be held on March 26, 2015

2.1. Shareholder Structure and Voting Rights

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

The voting rights of our shareholders are presented in the table below:

Shareholder	Amount of Shares (TL)	Stake (%)	Voting Right	Voting Right (%)
Koç Holding A.Ş.	10,722,749.81	44.68	10,722,749,809	44.68
Ünver Holding A.Ş.	5,954,943.83	24.81	5,954,943,830	24.81
Temel Ticaret ve Yatırım A.Ş.	647,274.75	2.70	647,274,750	2.70
Ford Otomotiv Sanayi A.Ş.	140,599.17	0.59	140,599,174	0.59
Mustafa Rahmi Koç	1,171.66	0.00	1,171,660	0.00
Free Float	6,533,260.78	27.22	6,533,260,777	27.22
Total	24,000,000.00	100,00%	24,000,000,000	100,00%

2.2. Information concerning any changes in the management or activities of the Company that may significantly affect the corporate activities of the Company:

Information on changes in the management or activities which have occurred in the previous accounting period of our corporation or that may significantly affect its activities planned for the coming accounting periods, and the reasons for such changes, are provided below:

Within the framework of our strategic targets as Otokar Otomotiv ve Savunma Sanayi A.Ş., there were no changes in the management or activities, which could significantly affect the activities of the Company during 2014.

2.3. Information concerning the Requests of Shareholders for Inclusion of an Issue into the Agenda:

Information on shareholders' written requests submitted to the Investor Relations Unit for inclusion of an issue to the agenda, rejected requests and reasons for rejections in the event that the board of directors did not accept such requests are provided below:

No such requests were received for the Annual General Assembly Meeting, in which the 2014 activities will be discussed.

3. Our remarks on the issues listed in the Agenda of the Annual General Assembly Meeting dated March 26, 2015

1. Opening and election of the Chairmanship Committee

The election of the Chairman who will manage the Annual General Assembly Meeting will be carried out in accordance with the provisions of the "Turkish Commercial Code No. 6102" (TCC) and the "Regulation on the Procedures and Principles Applicable to Annual General Assembly Meetings of Joint Stock Companies and the Representatives of the Ministry of Customs and Commerce to Attend Annual General Assembly Meetings" (the "Regulation" or the "General Assembly Meeting Regulation"), and article 7 of the General Assembly Meeting Internal Directive. The Chairman of the General Assembly Meeting will appoint at least one Secretary to record the minutes of the meeting in accordance with the General Assembly Meeting Internal Directive. The Chairman may also select sufficient number of vote collectors.

2. Presentation for discussion and approval of the Annual Report of the Company for the year 2014 as prepared by the Board of Directors

Information will be presented concerning the 2014 Annual Report, which also contains the report on compliance with the principles of corporate governance, which was made available to shareholders for review at the Company's Head Office, on the Electronic General Assembly Meeting portal of the Central Registry Agency and on our Company's website at www.otokar.com.tr for three weeks preceding the Annual General Assembly Meeting, in accordance with the TCC, the Regulation and the regulations concerning the Capital Markets Law. The 2014 Annual Report will be presented for discussion by and approval of the shareholders.

3. Presentation of the summary of the Independent Audit Report for the 2014 fiscal year

Information concerning the Independent Auditor's Report prepared pursuant to the regulations of the Capital Markets Board and the TCC, which were made available to the shareholders for their review at the Company's Head Office, on the Electronic General Assembly Meeting portal of the Central Registry Agency and on our Company's website at www.otokar.com.tr will be presented to the General Assembly Meeting.

4. Presentation for discussion and approval of the Financial Statements of the Company for the 2014 fiscal year

Information concerning our financial reports and statutory financial statements which were made available to shareholders for their review at the Company's Head Office, on the Electronic General Assembly Meeting portal of the Central Registry Agency and on our Company's website at www.otokar.com.tr for three weeks preceding the Annual General Assembly Meeting pursuant to the TCC, the Regulation and the regulations concerning the Capital Markets Law will be presented for discussion by and approval of the shareholders.

5. Release of each member of the Board of Directors from liability for the affairs of the Company in 2014

Release of the members of the Board of Directors in respect of the activities, transactions and accounts in 2014 as per the provisions of the TCC and the Regulation will be presented to the approval of the General Assembly Meeting.

6. Approval, approval with modifications, or disapproval of the Board of Directors' proposal prepared in accordance with the Company's profit distribution policy and pertaining to the date and issuance of profit distribution

According to the financial statements for the account period of 01.01.2014-31.12.2014, which were prepared in compliance with the International Financial Reporting Standards in accordance with the provisions of Turkish Commercial Code and Capital Market Law, and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited), the Company has earned a "Non-Consolidated Net Profit in the Period" amounting to TL 72,771,198. The table regarding our profit distribution proposal, which was prepared by taking into account our long-term group strategies, the investment and financing policies, and the profitability and liquidity position in line with the Communiqué on Profit Distribution and the Profit Distribution Guide, which was announced in accordance with this communiqué is provided in ATTACHMENT 2.

7. Resolution on the number of the members of the Board of Directors and their terms of office, and election of the members of the Board of Directors in accordance with the resolved number and election of the independent members of the Board of Directors

New members will be elected to take the place of the existing members of the Board of Directors whose office term has ended in accordance with the principles applicable to the election of the members of the Board of Directors as set forth in the Company's articles of association pursuant to CMB regulations, the TCC and the relevant regulations. In addition, independent member(s) will be elected to the Board in order to ensure compliance with CMB's Corporate Governance Communiqué numbered II-17.1.

Pursuant to article 11 of the articles of association, the Company is managed by a Board of Directors formed by minimum 5 (five) members who are elected for maximum 3 years at the Annual General Assembly Meeting as per the provisions of the Turkish Commercial Code. The Annual General Assembly Meeting may resolve to renew the Board of Directors even if its office term has not yet ended.

Three of the persons nominated for members of the Board of Directors must meet the criteria of independency as defined in the mandatory Corporate Governance Principles of the CMB.

Upon the proposal of the Corporate Governance Committee, which has evaluated the candidates presented to it, İsmet Böcügöz, Abdulkadir Öncül and Ahmet Nezih Olcay were nominated by the Board of Directors as Independent Members of the Board of Directors.

The Curriculum vitae of the nominees for the Board of Directors and independence declaration of nominees for independent members are provided in ATTACHMENT 2.

8. Presentation to the shareholders and approval by the General Assembly, of the "Remuneration Policy" for the members of the Board of Directors and the Senior Executives and the payments made thereof pursuant to the Corporate Governance Principles

Pursuant to the mandatory Corporate Governance Principle no. 4.6.2 of the CMB, the principles applicable to the remuneration of the members of the Board of Directors and the senior management must be in writing and presented to the shareholders as a separate item of the agenda, and the shareholders must be given the opportunity to express their views on this issue during the Annual General Assembly Meeting. The remuneration policy prepared for this purpose is provided in ATTACHMENT 3. As stated in note 27 of the financial reports regarding the 2014 fiscal year, benefits amounting to a total of TL 9,900,000 were provided to the senior management by Otokar Otomotiv ve Savunma San. A.Ş. during 2014.

The Information Document pertaining to 2014 concerning the Annual General Assembly Meeting which will be held on March 26, 2015

9. Resolution of the monthly gross salaries to be paid to the members of the Board of Directors

The amount of the monthly gross salaries to be paid to the members of the board of directors during 2015 in accordance with the Remuneration Policy as presented to the approval of the shareholders in line with agenda item no. 8, will be determined by the shareholders.

10. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Board regulations

In its meeting held on February 26, 2015, the Board of Directors resolved to appoint, in consultation with the Committee in charge of Audits, Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member of PricewaterhouseCoopers) to audit the financial statements of the Company pertaining to the 2015 accounting period and to carry out the other tasks under the relevant regulations in accordance with the Turkish Commercial Code and the regulations of the Capital Markets Board. This appointment will be presented to the approval of the Annual General Assembly Meeting.

11. Presentation to the shareholders, of the donations made by the Company in 2014, and resolution of an upper limit for donations to be made in 2015

According to article 6 of the Capital Market Board's Dividends Communiqué numbered II-19.1, the limit of donations should be determined by the General Assembly Meeting in the event that it is not mentioned in the articles of association. Donations and payments made are required to be presented to shareholders in the Annual General Assembly Meeting. The donations made to foundations and associations in 2014 amounted to TL 1,859,414. In addition, the upper limit of donations to be made in 2014 will be determined in the Annual General Assembly Meeting.

12. Pursuant to Articles 395 and 396 of the Turkish Commercial Code and CMB regulations, authorization of the shareholders with management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree; and presentation to the shareholders, of the transactions carried out thereof in the year 2014 pursuant to the Corporate Governance Communiqué of the Capital Markets Board

Execution of transactions by the members of the Board of Directors within the framework of the first paragraph of article 395 titled "Prohibition on Execution of Transactions with the Company and on Borrowing from the Company", and article 396, titled "Prohibition on Competition", of the TCC can only be possible with the consent of the shareholders at the Annual General Assembly Meeting.

Pursuant to the mandatory Corporate Governance Principle no. 1.3.6 of the CMB, in the event that the shareholders with management control, the members of the Board of Directors, the senior executives with administrative authority, and their spouses and relatives related by blood or affinity up to the second degree enter into transactions that may result in significant conflict of interest due to their affiliations or related partnerships, and/or conduct a transaction on their own or others' behalf in an area that has the same commercial business as the corporation or its subsidiaries or enter another partnership that has the same commercial business as unlimited partner, the said transactions will be presented to the General Assembly Meeting under a separate agenda item, and recorded in minutes of the Annual General Assembly Meeting:

The necessary authorization will be presented in the Annual General Assembly Meeting for the approval of our shareholders, who will also be informed of such transactions made within the year.

13. Wishes and opinions

ATTACHMENTS:

ATTACHMENT/1 Profit Distribution Policy and Profit Distribution Table pertaining to Distribution of the Profit in 2014 (Pages 52, 53)

ATTACHMENT/2 CVs of the Candidates for the Board of Directors and Independence Declarations of the Board of Directors Candidates (Pages 44, 45)

ATTACHMENT/3 Remuneration Policy for Members of the Board of Directors and Senior Management (Page 46)

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