

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

**BOARD OF DIRECTORS REPORT**

Dear Shareholders,

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

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

**Board of Directors:**

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

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

**Board of Auditors:**

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

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

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

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

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

Name of the Shareholder	Amount of Share (TL)	Share %
Koç Holding A.Ş.	10.722.750	44,68
Ünver Holding A.Ş.	5.954.944	24,81
Other Shareholders	7.322.306	30,51
<b>Total</b>	<b>24.000.000</b>	<b>100,00</b>

The remaining shares at par value of TL 7.322,306 representing 30.51% of the capital are held by approximately 4.900 shareholders according to the most recent data we received from the Central Stock Register Agency.

**Dividends Distributed in the Last Three Years and their Rates:**

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

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

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

Our shareholders can access to the corporate and financial data of the Company under the section of "Investment Relations" in the web site at [www.otokar.com.tr](http://www.otokar.com.tr).

## **AUTOMOTIVE INDUSTRY AND OTOKAR**

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

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

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

- Total manufacturing of motor vehicles rose to 1,189 thousand units during the period of January-December 2011 with an increase by 9% over the same period of 2010 and automobile manufacturing rose to 640 thousand units with an increase by 6%.
- Developments in the manufacturing of Light Commercial Vehicles Segment in which the Company takes part are as follows:
  - Manufacturing of minibuses and midi-buses increased by 32%.
  - Manufacturing of pickups increased by 8%.
- In the heavy commercial vehicles segment,
  - Manufacturing of buses increased by 31%.
  - Manufacturing of large size trucks increased by 60%. and
  - Manufacturing of small size trucks increased by 39%.

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

## PRODUCTION AND SALES

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

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

According to our non-consolidated financial reports issued in accordance with the International Financial Reporting Standards (UMS/UFRS) and in the format determined by the Capital Market Board pursuant to the "Communiqué on Principles of Financial Reporting in Capital Market", Serial XI, No. 29 of the Capital Market Board, the turnover of the company increased by 72% over the same period of the previous year. Domestic and international distribution of our turnover compared with the previous year is as follows:

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

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

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

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

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

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

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

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

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

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

## **INVESTMENTS**

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

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

## **ADMINISTRATIVE ACTIVITIES**

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

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

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

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

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

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

## FINANCIAL RESULTS

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

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

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

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

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

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

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

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

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

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

Dear Shareholders,

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

İstanbul, February 21, 2012



Kudret ÖNEN  
Chairman of the Board of Directors