Otokar

Otokar Otomotiv ve Savunma Sanayi A.Ş.
Head Office: Aydınevler Mah. Dumlupınar Cad. No: 24 A Blok Küçükyalı 34855 İstanbul Türkiye Tel: +90 216 489 29 50 Fax: +90 216 489 29 67
Factory: Atatürk Cad. No:9 Arifiye 54580 Sakarya Türkiye Tel: +90 264 229 2244 Fax: +90 264 229 22 42

www.otokar.com

Koç

2010

ANNUAL REPORT

Otokar

2010 ANNUAL REPORT

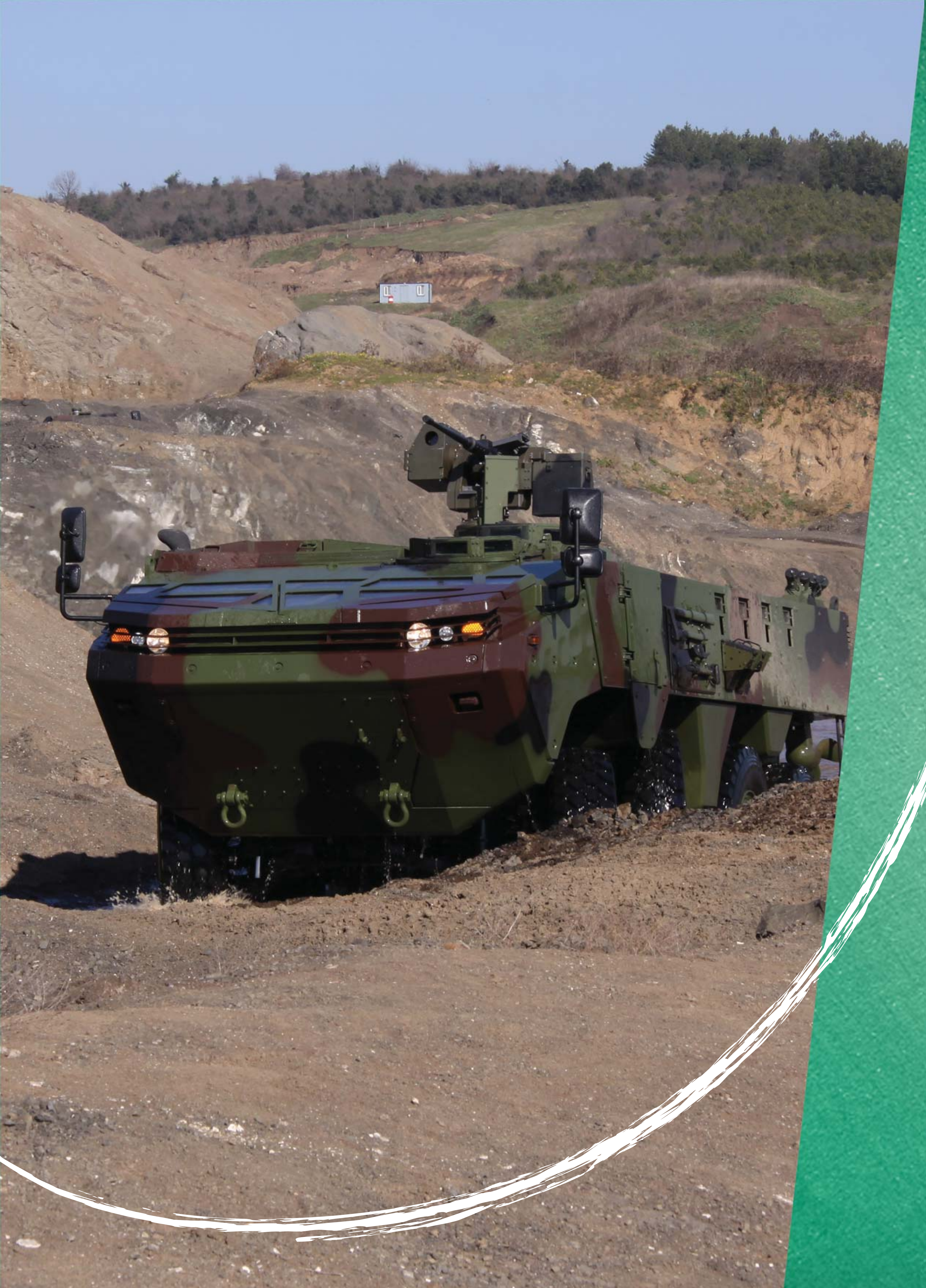
NEW RULES OF THE GAME

Otokar

2010 ANNUAL REPORT NEW RULES OF THE GAME

CONTENTS

Otokar



2010 ANNUAL REPORT
NEW RULES OF THE GAME

It is essential that you need to have a very good planning and a solid strategy to win the game. You should make right, move at right time, be at the right place. It is essential to play by rule. But, those who can re-define the rules hold the real power…

For 48 years we work to attain better results in every field we operate. We set our game in order to provide sustainable growth for our shareholders and take the right steps towards our goals.

While playing by rules, we go much beyond the expectations and requirements and re-define the rules…

Otokar

Otokar

For The Beginners

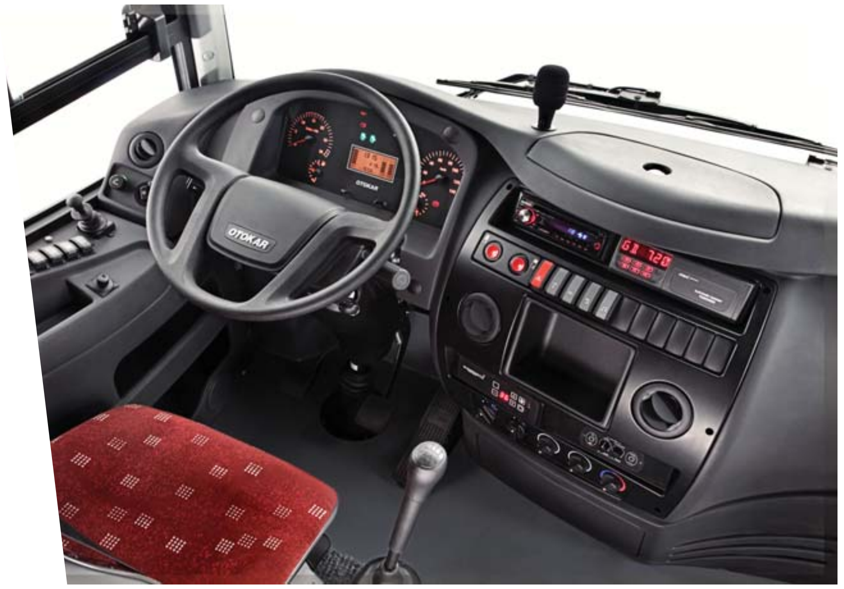
Otokar Otomotiv ve Savunma Sanayi A.Ş. has been offering special solutions to the needs of customers with its own technology, designs and applications in the automotive industry since 1963.

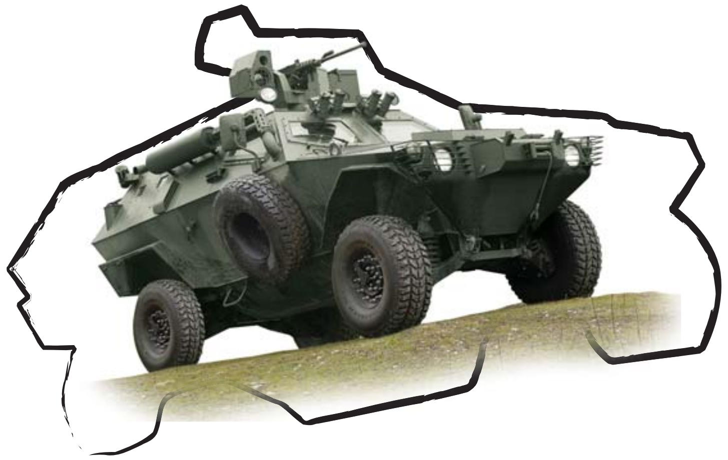
A member of the Koç Group of Companies, Otokar is manufacturing its products with nearly 1.500 employees at a manufacturing plant covering an area of 552 thousand square meters in Arifiye, Sakarya. The Company has the production capacity of 10.750 vehicles and thousands of Otokar vehicles are on roads in more than 30 countries.

In the field of military vehicles, Otokar product range covers ZPT, COBRA, KAYA and ARMA tactical wheeled armoured vehicles, the intellectual property rights of which belong to Otokar, and Land Rover Defender vehicles, produced under licence. The Company is also the prime contractor for ALTAY Project in order to design Turkey's first national main battle tank.

Otokar has a wide product range of mass transportation vehicles, extending from 5.5 m mini busses to 12 m busses. With its M-2010, Sultan, Doruk, and Kent brand busses, the Company offers services in different fields, such as in-city transportation and tourism transportation. Being exported under brands Centro, Navigo, Vectio, and Kent, Otokar's busses are currently used in more than 30 countries.

Producing trailers and semi-trailers since the year 2002, Otokar offers semi-trailers under Fruehauf and Otokar brands. Otokar made semi-trailers are used for various purposes, from transportation of hazardous substances to dry load transportation.





Vision:

By developing its own technology, Otokar preserves the local and national identity of its products and targets for sustainable satisfaction of its customers, employees and shareholders with the philosophy of total excellence.

Mission:

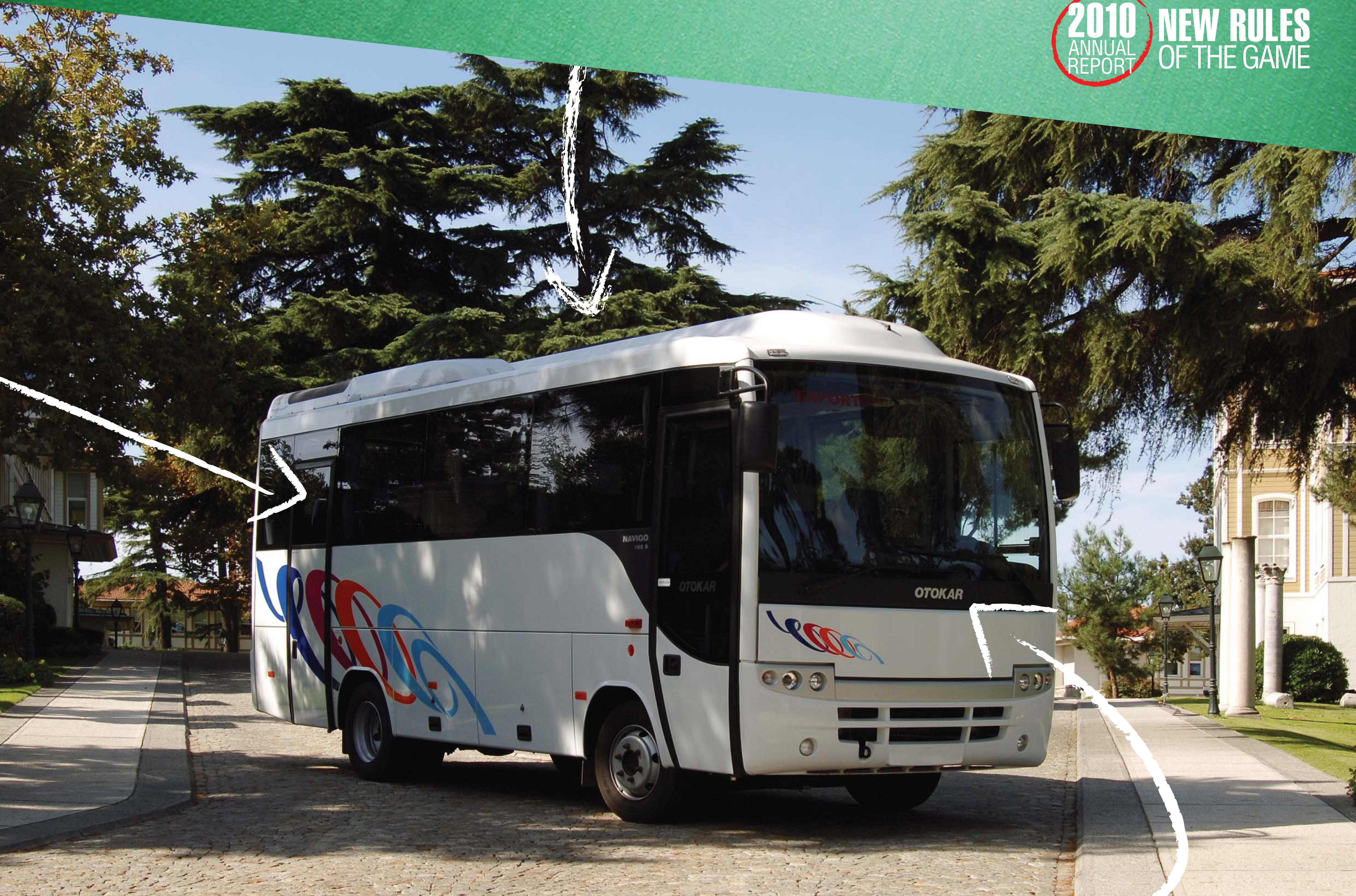
Otokar's main task comprises the design, production and marketing of commercial vehicles and various defence industry products, in line with the customers' expectations, as products with competitive edge worldwide.

Otokar in 2010

The effects of the global crisis were felt in 2010 by the Turkish and European mass transportation segment. The Turkish bus market was narrowed by 11% despite the growth seen in other segments. Stagnation in defence orders in 2009 yielded adverse effects on the market in 2010. Despite all problems that prevailed in 2010, Otokar was the leader of the bus market in Turkey and the greatest private defence industry company of Turkey, with its innovative products meeting the future needs of its customers and proper business strategies. In 2010, Otokar's turnover was 517,4 million TL.

Carrying on its studies on productivity on continuous basis, within the framework of sustainable growth, Otokar realised two remarkable achievements in 2010: winner of "Good Design Prize" for KENT LF and certification for ISO 27001 Information Security Management System.

	2010	2009
DOMESTIC SALES	447.972.160 - TL	345.455.005 - TL
FOREIGN SALES	69.424.334 - TL	157.789.678 - TL
TOTAL	517.396.494 - TL	503.244.683 - TL


OTOKAR
NAVIGO
OTOKAR

Chairman's Letter

Looking to the future, we expect that the year 2011 will bring new excitements in many fields.

Dear Shareholders,

2010 was the year for relieving the effects of the global crisis and beginning of recovery. The rules of the game were re-defined all over the world. Particularly in automotive sector policies to protect local industrialists have become current issue worldwide, while the consumers being already important have been focused on more deeply. The competition conditions, to make customer out of consumers, who had scarce resources in hand, have become more compelling. Matters which are not only currently demanded by the clients but which they will demand and need and value in the future began to be reflected into the products to higher extent. The companies endeavoured to comply with the changing market conditions and the new rules of the game, even to direct the game by tipping the adverse conditions in their favour.

Even though the economies enjoyed a general recovery process, 2010 was a hard year for defence and commercial vehicle segments where Otokar is operating. Domestic bus market, constituting a major part of Otokar's turnover, suffered from 11% narrowing and the bus segment was the only narrowing one among the automotive sector which was the most rapidly growing sector in Turkey during 2010. The situation in the European marker, Otokar's main export market, developed parallel to the Turkish market. Global crisis affected the defence expenditures of the world countries, as well. Developed countries reduced their defence industry expenditures which resulted in greater competition throughout the world.

Despite of all these adverse circumstances, we at Otokar tipped the conditions in our favour in the best possible way. The rule of the game was not anymore to address wide populations in the same way and through same products. We took place in hot sale areas through face to face meetings and vis-à-vis communication. When doing so, we brought up new topics leading to areas which they needed but were not aware of and revealed different areas of use for our products. Regarding military vehicles, we strived to increase our product quantity in existing markets and gain new customers. All these efforts made our Company leader of the domestic bus market and the greatest privately owned company in the defence industry during 2010. In last year as well we maintained to contribute to the national economy and to preserve our profitability.

Looking to the future, we expect that the year 2011 will bring new excitements in many fields.

Before all else, global crisis made the protection and promotion of national economy a current issue. We expect that such approach will yield positive results and effects on the whole segment, not only on the defence industry. In 2011, we expect to enjoy recovery in the market as result of acceleration of investments based on the effects of Turkey's general election to be held and of domestic products will be preferred for public procurement. Similarly, transportation of disabled which will become compulsory for Turkish metropolis will increase the vehicle refresh rate. For Europe, on the other hand, we expect that the market will begin to recover and the Turkish products will be distinguished backed up with the advantage of being economic.

Regarding trailer, we look forward that the product refresh rate in the market will increase due to the regulations which will come into effect in future years. In this year we will contribute to the recovery of the market with the new models to be introduced.

As all of us may well know very well, Otokar has become a world brand in the defence industry. Armoured vehicles produced by Otokar are used more than 20 countries and are gathering attention and preferred increasingly, especially based on their efficiency shown in UN tasks. In 2011, we will primarily focus on the delivery of the orders we received last year. In addition to conclusion of new sales contracts, we will carry on our studies on product development.

During the new year, Otokar will continue to show maximum effort to complete and to successfully maintain current projects. One of these project is ALTAY Tank Project the second phase of which will be executed in the year 2011. Another important subject to be handled will be alternative fuel vehicles.

For us, the year 2011 will be the year when we take important steps towards our targets in new playgrounds, with our new players and new strategies. As always, we will work hard to achieve new successes, to create value for all our stakeholders and to preserve our sustainable growth.

I wish a successful 2011 for Otokar and the shareholders.

Yours Sincerely,

Kudret Önen
Chairman

Members of the Board of Directors

Kudret ÖNEN
Chairman

Mr. Önen, born in 1953, university graduate, serving at Head of Koç Holding, as President of Defence Industry, Other Automotive and Information Group.

Halil İbrahim ÜNVER
Vice Chairman

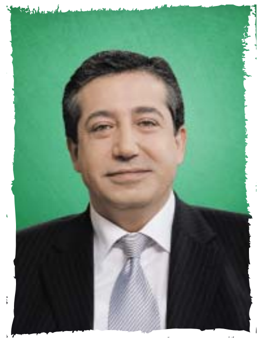
Mr Ünver, born in 1950, university graduate, serving as Chairman of Ünver Holding Inc.

O.Turgay DURAK
Member

Mr. Durak, born in 1952, university graduate, serving as CEO of Koç Holding.

Alpay BAĞRIAÇIK
Member

Mr. Bağrıaçık, born in 1938, university graduate, served at Koç Holding Inc. as Head of Auidit and Financial Group, retired in 2002 as Member of the Board and Consultant.



Ali Tarık UZUN
Member

Mr Uzun, born in 1964, university graduate, serving at Koç Holding Inc. as Head of Auditing Group.

A. Serdar GÖRGÜÇ
Member - General Manager

Mr. Görgüç, born in 1959, university graduate, serving as General Manager of Otokar.

Taylan BİLGEL
Member

Mr Bilgel, born in 1942, university graduate, serving as Chairman of Orta Anadolu Otomotiv Ticaret ve Sanayi Inc.

Tuğrul Kudatgobilik
Member

Mr. Kutadgobilik, born in 1940, university graduate, serving as Chairman of MESS and MESS Education Foundation.

Powers of the chairman and members of the Board of Directors have been established in accordance with the article 12 of the Articles of Association and the provisions of the Turkish Commercial Code.

Members of the Board of Auditors

İ. Murat Çağlar
Auditor

Mr. Çağlar, born in 1973, university graduate, serving as coordinator at Koç Holding Auditing Group.

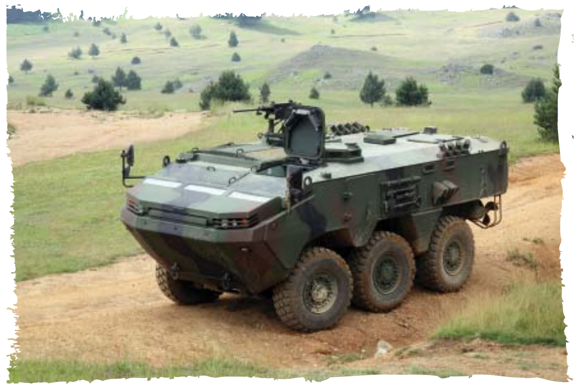
M. Metin UTKAN
Auditor

Mr Utkan, born in 1940, university graduate, serving as Certified Financial Counsellor as the Chairman and Founding Member of Utkan Certified Financial Counselling Company.

Powers of the auditors have been established in accordance with the article 16 of the Articles of Association and the provisions of the Turkish Commercial Code.

New Players

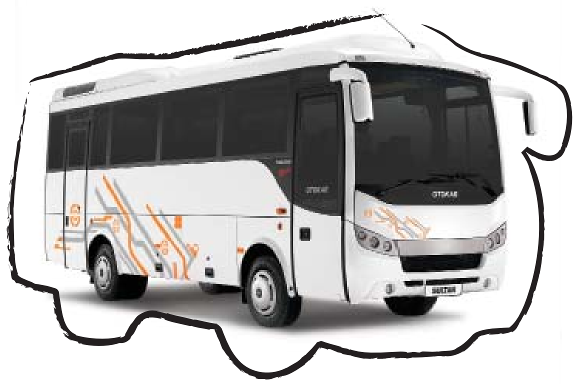
In 2010, Otokar took a prominent step for its armoured tactical vehicles family. Aiming to improve the 4 x 4 armoured vehicle product range with multi-wheeled vehicles, Otokar designed 6x6 ARMA armoured combat vehicle. It was exhibited for the first time at Eurosatory, biggest defence industry exhibition in Europe and gained high appreciation. First order for 6x6 ARMA armoured vehicle was placed by a foreign country before it was entered in the inventory of the Turkish Armed Forces.



Last year, new version of the Armoured Patrol Vehicle (APV), world-famous vehicle by Otokar, was developed which is designed for Internal Security operations and equipped with new generation camera system.

Having completed its bus family in 2009 with new products from 5.5 m to 12 m, Otokar introduced in 2010 its new product range 12.8 m long TERRITO for the European market. TERRITO was presented first time at IAA 2010, the biggest commercial vehicle exhibition in Europe. Due to its high passenger capacity and low operational expenses, TERRITO was developed for transportation between city centres and the suburbs.

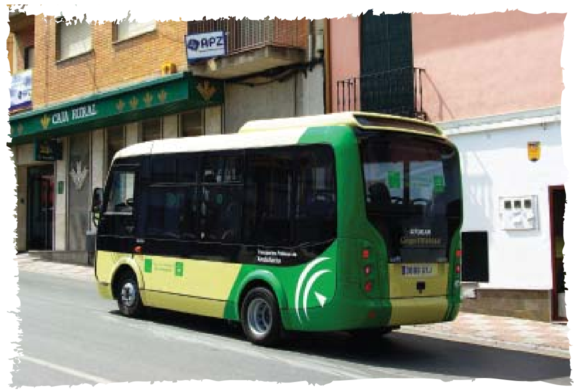
Otokar has renovated the 7-meter bus series SULTAN, best seller bus in Turkey, in accordance with the 2001/85/AT type approval regulation and Euro 4 regulations, adopted within the framework of EU accession program. SULTAN has been offered for sale with a face-lift also and new SULTAN kept its leading position during the year 2010.



Combining commercial vehicle knowledge with armoured vehicle technology, in 2010 Otokar designed “SULTAN Discreetly Armoured Bus”, the first armoured bus of Turkey. With its external appearance as a standard vehicle, this discreetly armoured bus offers safe journey through regions being under threat, thanks to its armoured structure and performance meeting military norms. First orders for SULTAN Discreetly Armoured Bus was received shortly after its launch.

New Playgrounds

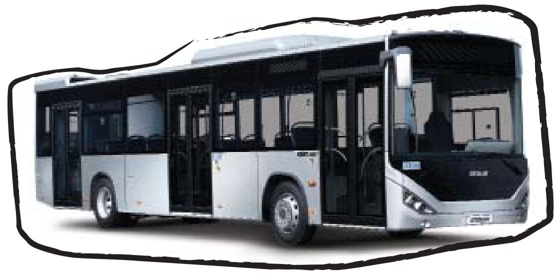
In 2010, correct strategies made Otokar Turkish bus market leader in 25 and more passenger capacity bus segment. Maintaining its rank as the bus with highest sales volume for last 2 years, Otokar defined its target to extend out to the European market with its wide product range for commercial vehicles. M-2010 vehicle was exported to Spain under CENTRO trade name, as the first export to the Europe.



Adding to new countries to its portfolio of military vehicles, Otokar increased also the number of vehicles in the inventory of existing customers. In 2010, Otokar succeeded in a lot of modernisation efforts in the field of military vehicles.

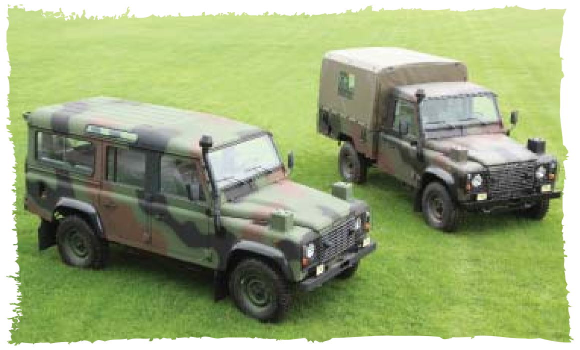
Otokar realises sales and service activities at more than 80 points throughout Turkey and within the scope of restructuring efforts in line with its growth in the market it carried on its studies on facilities and norms to ensure customer satisfaction. 10 new authorised service stations have joined the organisation, while the sales network in Europe was strengthened.

In 2010, Otokar achieved overwhelming performances in design arena. At Design Turkey 2010 Competition, held with the participation of leading designers in Turkey, Otokar was awarded the “Good Design” Prize for 12-meter KENT LF low floor bus.

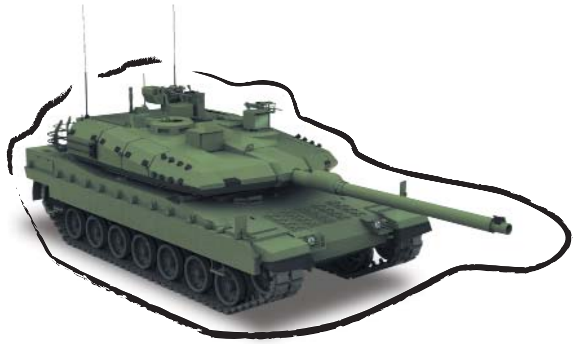


Projects

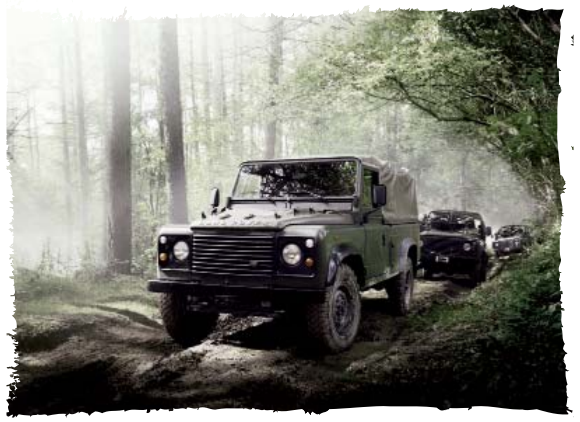
Being charged by the Undersecretariat of the Ministry of Defence in 2009 as the prime contractor for the Tactical Wheeled Vehicle ¾ Ton Project, Otokar has fulfilled all its obligations as of April 2010 and completed the production and delivery of 861 pieces Land Rover defender, subject of the project, in complete and timely manner.



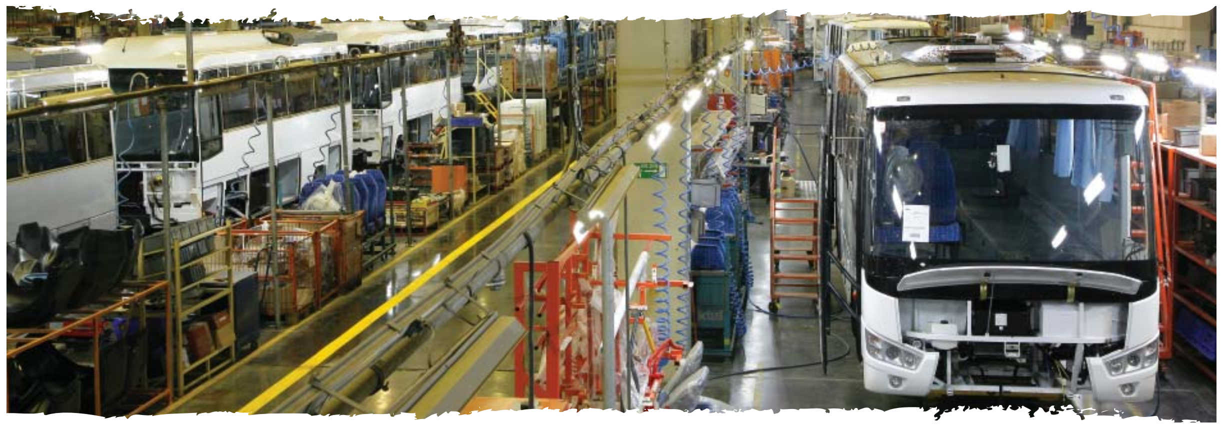
First phase of ALTAY Modern Main Battle Tank Project was completed in 2010. Phase I Concept Design, being the first from three phases of the project as approved by the Undersecretariat, was completed upon successful System Initial Design Review Meeting. The concept of ALTAY prototype, obtained as result of the said studies, has been developed after intensive work for 15 months conducted by Otokar project team in accordance with the demands of the Turkish Land Forces. Together with the kick-off of Phase II Detailed Design in 2010, the detailed design works for system and subsystems were initiated.



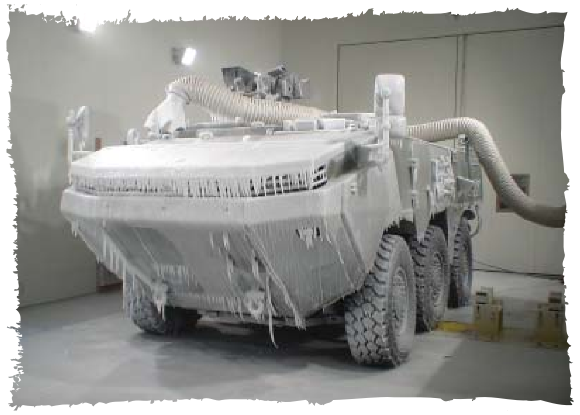
Training programs aiming to offer better services to customers and to keep the sales and service teams updated and informed on the new vehicles maintained in 2010, as well. Otokar established physical Technical Training Centre within its body and carried on practical and theoretical training sessions for the customers of fleet, public and military vehicles and the domestic/international authorised services.



To Achieve



Continuing its R&D investments uninterruptedly, Otokar engaged recently in the new “Climate Test Chamber with Dynamometer” investment. Test chamber within the Otokar's R&D Centre allows for testing of vehicles at world standards. With this investment, the likes thereof are made by only limited vehicle manufacturers in the world, Otokar got the opportunity to perform tests of international qualification within its organisation in a more rapidly manner, and thus it increased product development speed in compliance with the needs. This testing facility, which became operational in April, has been offered for use by the Turkish automotive industry, as well.



Otokar maintained its studies on semi-trailers in 2010. The Company is the first Turkish producer who obtained the European Vehicle Type Approval for semi-trailer type vehicles with the purpose to offer vehicles of higher quality, at international standards, to its customers and vehicle users. Additionally, last year spare part and vehicle tests, as required by load safety standards, were completed and Otokar was entitled to get the load safety certificate as per EN 12642 XL Norm.

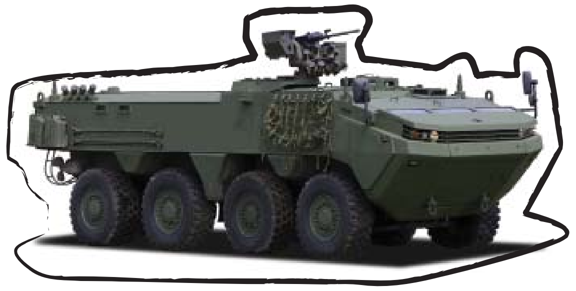
In 2010, the Company was awarded with the ISO 27001 Certificate, Information Security Management System standard.

As regards to the efficiency project carried for the purpose to manufacture products at the right time and of the right quality always consuming less resources, Otokar defined its priorities for 2010 as problem solving and general frame of cost and manufacturing plant. Otokar put into practice 89 projects with the participation of more than 370 employees and showed good performance above its targets. Furthermore, 1793 suggestions entered into the “Otokar Suggestion System” for efficiency studies have been assessed, which were substantially carried into effect, yielding earnings.

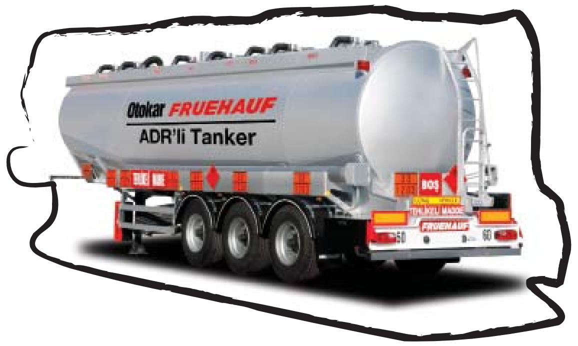
Changing Rules & The Future

Otokar meets the clients' expectations with proper development studies and business strategies, by looking after the customer needs, as it is the case for each and every study, and creates new expectations with its customer oriented designs and innovations.

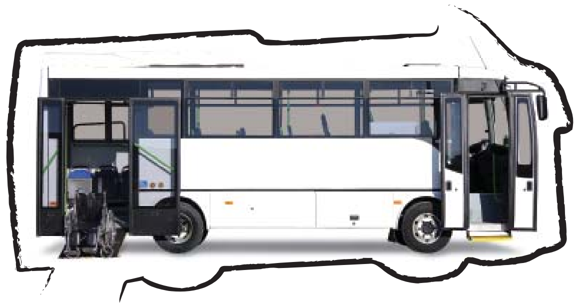
In 2011, Otokar will carry on the delivery of the orders placed during last year, while performing design and development studies in order to expand ARMA multi-wheeled armoured combat vehicle range with the new 8 x 8 version. Regarding ALTAY Project, the Company intends to continue to work in 2011 on the detailed designs of the System and Sub-systems within the context of Phase II Detailed Design Phase.



For semi-trailers, Otokar is already prepared for plenty of regulations, anticipated to become effective within the frame of EU accession efforts, and acting as pioneer in this respect, as well. Holding its lead for vehicles carrying hazardous substances, is implementing catch-up works, as the leading company in the segment, within the context of the ADR regulations, expected to become effective in the year 2012.



In mass transportation field, Otokar is expecting that the transportation of disabled will come into prominence in the market of in-city mass transportation. Having designed KENT, DORUK and M-2010 vehicles with due regard to transportation of disabled, the Company is simultaneously carrying on its studies for SULTAN City model. Looking forward for the growth in the market for busses with less passenger capacity and high comfort level, parallel to the growth in the airline transport within Turkey, the Company maintains its challenge in this respect through DORUK and SULTAN vehicle ranges.

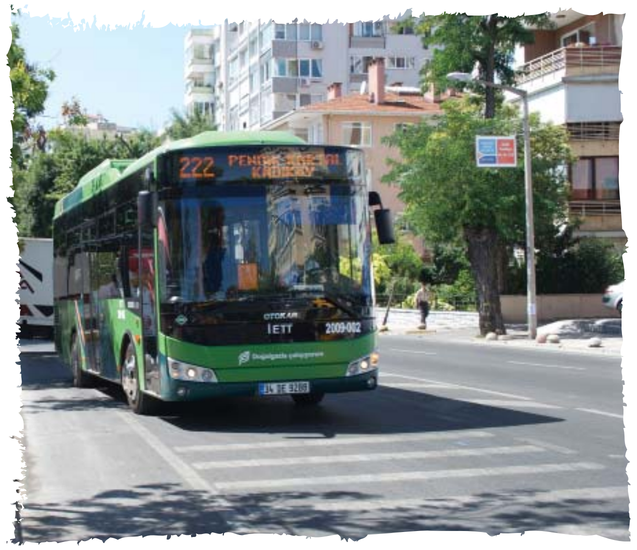


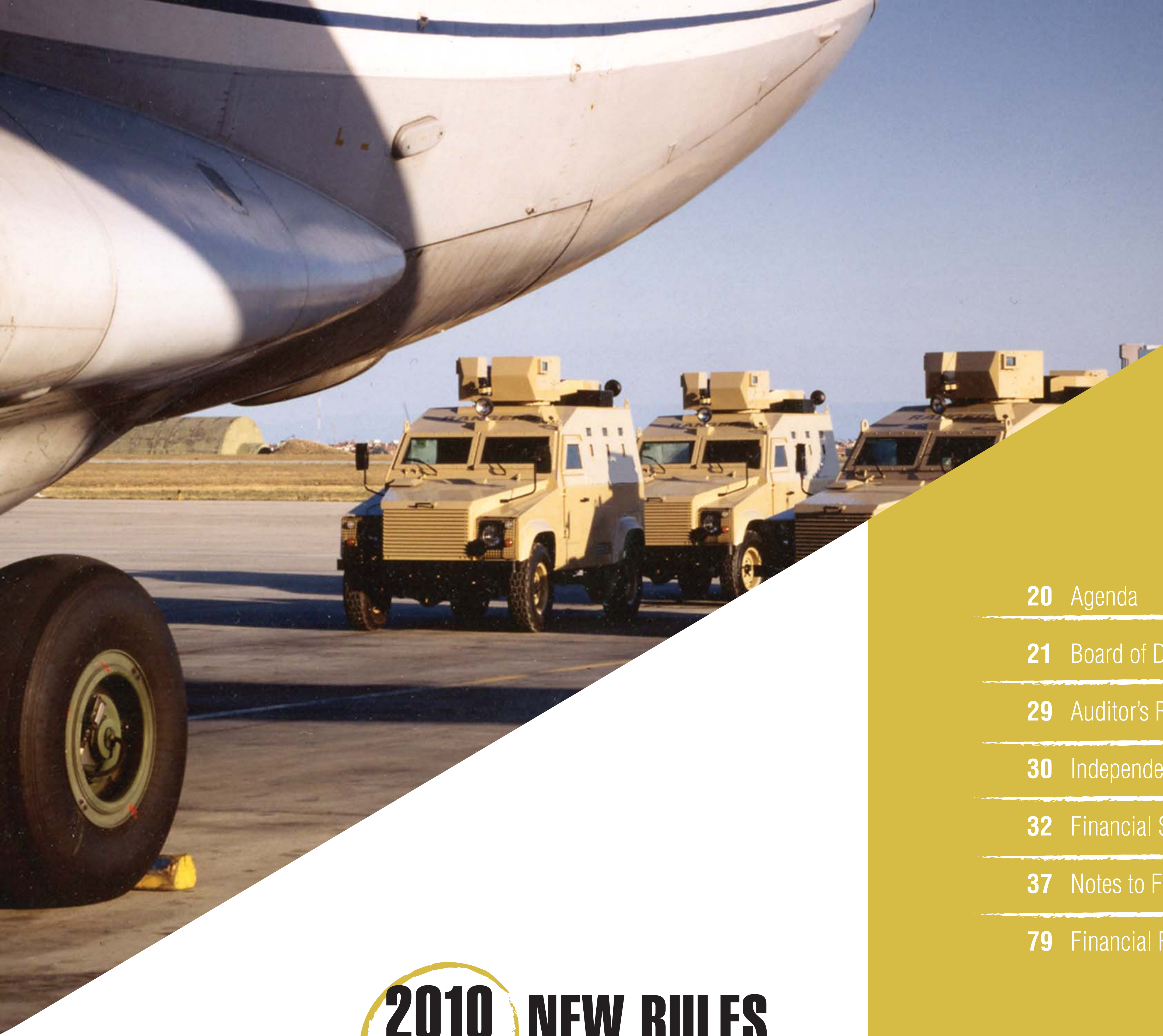
Social Responsibilities

Otokar, as a company acting in the automotive industry, continues its efforts primarily on environmental protection issue by reducing emission values of the vehicles and on projects to develop vehicles operated with alternative fuels. In addition to its studies on products, the Company is organising training programs on environmental protection for its employees and suppliers and sharing its studies, as regard to the environmental issues. EKOKAR Club, established with volunteer participation of the employees, contributes to make the students more careful for environmental issues through the training sessions on "Environment & Energy Saving" organised at the educational institution in the vicinity of the manufacturing plant.

Otokar supported the campaign "I am donating blood for my homeland"; conducted by Koç Group of Companies with the Turkish Red Crescent, with its employees and service network, and accordingly only Otokar organisation donated 665 units of blood.

Otokar continues product supply and financial support for education and healthcare fields. Currently, in 2010 the Company realised the mobile healthcare semi-trailer project, containing mammography, gynaecological examination, bloodletting, laboratory and similar other units, under the joint project carried out with Sakarya Anatolian Hospital.





2010 ANNUAL REPORT

NEW RULES OF THE GAME

Otokar

Agenda

FOR THE 48. ORDINARY GENERAL ASSEMBLY MEETING
OF OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
TO BE HELD ON 15.03.2011 AT 10:00 A.M.

AGENDA

1. Opening and election of the Chairmanship Council

2. Presentation and discussion of the Board's Annual Report, Auditor's report and the Report of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., Independent Auditing Company, on the operations and accounts of the year 2010. Approval of the Board of Directors' proposal on 2009 balance sheet and income statement as-is, approval upon amendment or rejection thereof

3. Release of the Board members and Auditors for their acts and actions in 2010, separately

4. Briefing to the shareholders on "Profit Distribution Policy", pursuant to the Corporate Management Principles

5. Approval of the Board's proposal on profit distribution for 2010 and the date thereof, acceptance upon amendment or rejection thereof

6. Fixing the number of the Board members and election of members accordingly

7. Fixing the number of the Auditors and holding the election accordingly

8. Fixing the monthly gross remuneration for Board Members and Auditors

9. Submission of the donations and social aids extended to the foundations and associations in 2010 for the purpose of social welfare for the General Assembly's review

10. Briefing to the shareholders on the operations made with the relevant parties throughout the year

11. Approval of the appointment of the independent auditors by the Board of Directors upon proposal by the Auditing Committee, pursuant to the Capital Market Board's Communiqué on the Standards for Independent Audit in the Capital Market

12. Authorisation of the members of the Board of Directors to execute Company affairs, covered by the subjects thereof, personally or let them be executed by third parties and to become partners in companies being involved in same activities and to perform other activities in accordance with Sections 334 and 335 of the Turkish Commercial Code

13. Authorisation of the Chairmanship Council to sign the minutes of the General Assembly meeting and to settle this item in this way

14. Wishes

Board of Directors Report

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
FOR THE PERIOD 01.01.2010 - 31.12.2010
SUBMITTED TO THE 48. ORDINARY GENERAL ASSEMBLY MEETING
held on March 15, 2011

BOARD OF DIRECTORS REPORT

Our Esteemed Shareholders,

Welcome to our 48. Ordinary General Assembly Meeting held to assess the operating results for the year 2010 and to discuss and resolve on other items included in our agenda. We wish to express our thanks and regards for your kind interest and greet you respectfully.

At this meeting, we wish to give you information about our activities in 2010 and to submit our financial statements, indicating the year results, prepared in accordance with the International Financial Reporting Standards within the frame of regulations as announced by the Capital Market Board, showing the results of our activities in the year 2010, for your perusal and approval.

The members of the Board of Directors and the Auditing Committee who served during the period, their office term and respective limits of authority are given in the following table.

Board of Directors:

		Office term	
Name & Surname	**Position**	**Beginning**	**Expiry**
Kudret ÖNEN	Chairman	17.03.2010	15.03.2011
Halil İbrahim ÜNVER	Vice Chairman	17.03.2010	15.03.2011
Osman Turgay DURAK	Member	17.03.2010	15.03.2011
Alpay BAĞRIAÇIK	Member	17.03.2010	15.03.2011
Ali Tarık UZUN	Member	17.03.2010	15.03.2011
Ahmet Serdar GÖRGÜÇ	Member	17.03.2010	15.03.2011
Taylan BİLGEL	Member	17.03.2010	15.03.2011
Tuğrul KUDATGOBİLİK	Member	17.03.2010	15.03.2011

Limits of authority vested on the Chairman and Members of the Board are defined by Article 12 of the Articles of Association and the applicable provisions of the Turkish Commercial Code.

Auditing Committee:

		Office term	
Name & Surname	**Position**	**Beginning**	**Expiry**
İbrahim Murat ÇAĞLAR	Auditor	17.03.2010	15.03.2011
M. Metin UTKAN	Auditor	17.03.2010	15.03.2011

Limits of authority vested on the auditors defined by Article 16 of the Articles of Association and the applicable provisions of the Turkish Commercial Code.

Shareholders with a nominal share of more than 10% of capital:

As of 31.12.2010, the registered capital of the Company amounts to TL 25 million, while the issued capital amounts to TL 24 million.

Shareholders with a nominal share of more than 10% of capital, the shareholding amount and their participation rate are shown below.

Trade name	Shareholding amount (TL)	Participation rate %
Koç Holding A.Ş.	10.722.750	44,68
Ünver Holding A.Ş.	5.954.944	24,81
Other Shareholders	7.322.306	30.51
Total	**24.000.000**	**100.00**

As per latest data provided by Merkezi Kayıt Kuruluşu A.Ş. (Central Recording Institution, Inc), remaining shares with nominal value of TL 7.322.306, representing 30.51% of the capital, are distributed among around 4.360 shareholders of our Company.

Dividends distributed in last three years and respective percentages:

In previous years Otokar distributed dividend, at rates given below, on its issued capital.

Period	(%)
2007	125,00
2008	30,00
2009	85,00

Dividend for the operating year 2009 distributed among shareholders has been paid fully as from March 24, 2010 in cash.

Within the context of dematerialisation of capital market instruments and transition to book-entry system, our share certificates have been dematerialised as per the Capital Market Board's resolution 43/1318 dated October 28, 2005. Shareholders who hold share certificates of our Company are required to apply to the Company's Head Office and to complete any transaction pertaining to previous years, if any, and to apply to any investor establishment to dematerialise their shares, in order to enjoy their participating nature.

In line with general announcements of MKK on the dematerialisation process of the share certificates and pursuant to Provisional Clause 6 of the Capital Market Law, the title owner shareholders are not allowed to exercise their rights of participating unless they dematerialise their own share certificates.

Our shareholders can access to corporate and financial data of our Company on page "Investor Relations" at www.otokar.com.tr

AUTOMOTIVE SECTOR AND OTOKAR

Being active in light commercial vehicles segment of the automotive industry, Otokar has a product range consisting of minibus, midi bus and similar vehicles for the commercial market, preferred mostly for mass transportation and personnel transportation, on one hand, and of various types of 4x4 off-road vehicles and light armoured vehicles with tyres to meet the demands of the defence industry, on the other hand. Additionally, trailers and semi-trailers are manufactured for transportation and logistics sector under Otokar-Fruehauf licence.

On July 29, 2008 Otokar and the Undersecretariat for Defence Industry entered into Phase I Turkish Combat Tank Design & Prototype Production Main Contract within the scope of "Modern Tank Production Project using National Resources" (Altay Project), which has become effective and studies related with the project were carried on in 2010, as well.

The developments in sector during 2010 can be summarised as follows, in line with the OSD data.

- In the period January - December 2010, total vehicle production in the sector increased by 26% compared to the same period in the previous year and was realised as 1095 thousand vehicles, while car production increased by 18% and was realised as 603.000 cars.

- Developments in production of Light Commercial Vehicles Group, of which we are a member, are as follows;

For minibus	increase by 44%
For midi bus	increase by 1%
For light duty truck	increase by 34% was realised.

- In heavy commercial vehicles group,

For bus	decrease by 11%
For large trucks	increase by 176%
For small trucks	increase by 306% was realised.

Regarding light commercial vehicles, sales volume in 2010 increased by 34%, while sales volume of imported light commercial vehicles increased by 54%. Sales volume of domestic light commercial vehicles has increased by 23%, while the market share of import vehicles was realised as 40% in the year 2010.

PRODUCTION & SALES

Production and sales figures of our Company, in terms of product types, are given in the following table, comparative to the previous year figures.

	2010		2009		Change (Number)		Change (%)	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Minibus	286	283	262	276	24	7	9	3
Midibus	988	1,033	1,008	978	-20	55	-2	6
Bus	379	405	290	273	89	132	31	48
4x4 off-road vehicles	374	416	749	649	-375	-233	-50	-36
Armoured vehicles	205	179	251	270	-46	-91	-18	-34
Trailer	1,158	1,159	395	422	763	737	193	175
Total	**3,390**	**3,475**	**2,955**	**2,868**	**435**	**607**	**15**	**21**

In our financial statements, prepared in accordance with the International Financial Reporting Standards within the frame of regulations as announced by the Capital Market Board, the Company's turnover is increased by 3% over the last year. Breakdown of turnover in terms of domestic and international markets is given in the following table, comparative to the last year's figures.

	2010 (TL)	2009 (TL)	Change (%)
Domestic Sales	447,972,160	345,455,005	30
Foreign Sales	69,424,334	157,789,678	-56
Total	**517,396,494**	**503,244,683**	**3**

Total foreign sales is realised as US$ 45.876.869 (in 2009: US$ 100.447.127), and has 13% (in 2009: 31%) share among total turnover.

In 2010 use of capacity was realised as 15% (in 2009: 14%) for minibus, 47% (in 2009: 48%) for midi bus, 38% (in 2009: 20%) for bus and 89% (in 2009: 30%) for trailer. Total capacity use rate was 32% (in 2009: 30%).

Otokar achieves its growth through its products, developed based on its engineering and R&D means, the design and intellectual ownership rights of which are possessed by Otokar. The Company defines its strategies to grow in the defence industry, to ensure the increase of exports share among its turnover and to grow through introduction of new models, and it accomplishes to attain its targets.

In 2010, Otokar exhibited the range of commercial vehicles at Busworld 2010 Turkey Fair. In April 2010, M-2010, Kent 290 LF and Doruk 215 LE vehicles were exhibited at Anfaş City Expo – City Planning and Technologies Fair held in Antalya. Navigo and Vectio vehicles of commercial vehicles range were exhibited at Busworld Russia, being the first fair where Otokar commercial vehicles range has participated in Russia.

At IAA 2010, organised in September in Germany and being the biggest commercial vehicle fair in Europe, Otokar introduced its vehicles Centro, Vectio, Navigo, Kent and Territo to the European market. 12 m long Kent 290LF and 9,5 m long Vectio 220LE, specially designed for the British market with right handle drive were exhibited at Euro Bus Expo 2010, held on November 2-4, 2010 in England.

Cobra and Kaya from military vehicles range, exhibited at BSDA Fair in Romania, were also exhibited at the Eurosatory Fair in France, together with Arma vehicle. Eurosatory 2010 features to the first fair where Arma has been introduced in global frame.

INVESTMENTS

In order to attain rapid growth targeted for vehicles of Otokar, who holds the intellectual rights thereof, the Company carried on its investments in "Otokar R&D Centre" in 2010 as well, based on the resolution taken for research and development efforts.

Investments in machine and equipment within the scope of R&D Centre and modernisation efforts amount to almost six million US Dollars.

ADMINISTRATIVE ACTIVITIES

Members of the upper management team served in 2010 and the duty descriptions are as given below.

Name & Surname	Duty
A. Serdar GÖRGÜÇ	General Manager
Hüseyin ODABAŞ	Deputy General Manager - Finance
Ali Rıza ALPTEKİN	Deputy General Manager - Production
Murat ULUTAŞ	Deputy General Manager – Technical Affairs
H.Basri AKGÜL	Deputy General Manager – Sales & Marketing
Mustafa BAKIRCI	Deputy General Manager – Tank & Armoured Tactical Vehicles

As of 31.12.2010, total personnel are 1.312 (in 2009:1.207), of which 461 (in 2008: 457) are serving as administrative staff and officers while 851 (in 2008: 750) as workers. No dispute and labour act has arisen during the period concerned.

Our Company is subject to Group Collective Labour Contract, signed with the Turkish Metal Syndicate and MESS on 13.11.2010, to be effective as from 01.09.2010. The contract is concluded for two years and shall expire on 31.08.2012.

The Company has adopted the compliance with the Corporate Management Principles, issued by the Capital Markets Board (CMB), and the execution of arrangements regarding matters which would require compliance based on the emerging circumstances. The "Corporate Management Rating Report, prepared by SAHA Corporate Management and Credit Rating Services Inc., in accordance with the CMB's Communiqué on "The Essentials for the Rating Operations in the Capital Market and for Rating Institutions" and considering the compliance with the Corporate Management Principles of the ISE companies is accessible on Internet page at www.otokar.com.

The Company's rating for "3. Rating Term Revision" in 2010 was realised as 8.32 (8.12 in 2009).

FINANCIAL RESULTS

Our Company is submitting the financial statements on its activities in the year 2010, prepared in accordance with the International Financial Reporting Standards within the frame of regulations as announced by the Capital Market Board, to the General Assembly and to the public opinion.

Financial statements, notes to financial statements and ratios, presenting the results of year 2010, are submitted for perusal separately.

In 2010, Company's turnover was realised as TL 517.396.494, and gross sales profit as TL 91.096.312.

According to the financial statements, prepared in accordance with the International Financial Reporting Standards within the frame of regulations as announced by the Capital Market Board, TL 15.820.022 is allocated for depreciation, TL 1.799.306 as severance pay and guarantee expenses, and the year ended with pre-tax profit amounting to TL 20.076.855.

In 2010, statutory tax amount payable by our Company is TL 4.581.519 and the tax provision for the year 2010 is stated in financial statements as TL 701.459, due to deferred tax revenues. After allocation of the tax provision, the Company's net profit for 2010 is obtained as TL 20.778.314.

During the year, the Company donated TL 332.366 to tax-exempted foundations and associations, as social aid.

When determining the profit distribution, long term Company strategy, capital requirements, investment and finance policies, profitability and cash level of our Company are taken into consideration.

Pursuant to the attached Proposal on Profit Distribution, we hereby submit for your approval that TL 0,62500 gross=net cash dividend will be paid as dividend for one share certificate at rate 62,5% and with nominal value of TL 1,00 among our shareholders, full taxpayer establishments and limited taxpayer legal entity shareholders who obtain profit share via an enterprise or permanent representative in Türkiye,

that TL 0,53125 net cash dividend will be paid as dividend for one share certificate at rate 53,125% and with nominal value of TL 1,00 among our other shareholders,

that the beginning date for the distribution of total amount of payable dividend TL 15.000.000 shall be fixed as Tuesday, March 22, 2011.

Enclosed please find the summary of 2010 operations and the results obtained.

Esteemed Shareholders,

Our Board of Directors has thus concluded this working day. At this meeting the members of the new Board of Directors will be elected who will serve in the next operating year. We hereby express our sincere thanks and regards for your trust, consideration and assistance to our Company.

February 18, 2011

Kudret Önen
Chairman

PROPOSAL FOR PROFIT DISTRIBUTION FOR THE ACCOUNTING YEAR 01.01.2010- 31.12.2010

According the our financial statements for the accounting year 01.01.2010 – 31.12.2010, prepared by our Company in compliance with the International Financial Reporting Standards within the framework of the Capital Market Board's Communiqué under serial number XI number 29 and audited by Güney Independent Auditing and Certified Public Accountancy Inc., the Company generated "Non-consolidated Net Profit for the Period" of TL 20.778.314. Below please find our proposal for profit distribution prepared considering our long-term corporate strategy, our Company's capital requirements, our investment and financial policies, profitability and cash level and the payment of dividends shall commence on 22.03.2011 depending on the General Assembly's resolution.

Profit Distribution Table for the year 2010 of Otokar Otomotiv ve Savunma Sanayi A.Ş. (TL)		
1. Paid-in/Issued capital		**24.000.000**
2. Total legal reserves (acc. to statutory records)		**16.738.147**
Information on privileges, if any as per the Articles of Association		
	According to CMB	**According to statutory records**
3. Profit for the period	20.076.855	41.357.029
4. Taxes payable (-)	701.459	-4.581.519
5. Net Profit for the period (=)	20.778.314	36.775.509
6. Prior period losses (-)		
7. First Group legal reserves (-)		
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	20.778.314	36.775.509
9. Donations made during the year (+)	332.366	
10. Net distributable profit for the period, with addition of donations, on which the first dividend will be calculated	21.110.680	
11. First dividend to shareholders	4.222.136	
- Cash	4.222.136	
- Bonus		
- Total	4.222.136	
12. Dividend distributed among holders of preferred shares		
13. Dividend to members of the Board, employees etc		
14. Dividend distributed among holders of beneficial shares		
15. Second dividend to shareholders	10.777.864	
16. Second Group legal reserves	1.380.000	
17. Status reserves		
18. Special reserves		
19. EXTRAORDINARY RESERVES	4.398.314	20.395.509
20. Other resources anticipated for distribution		

INFORMATION ON RATES of DISTRIBUTED PROFIT SHARE				
INFORMATION ON DIVIDEND PER SHARE				
	GROUP	**TOTAL AMOUNT OF DIVIDENDS (TL)**	**DIVIDEND PAID TO SHARE WITH NOMINAL VALUE OF 1 TL**	
			AMOUNT (TL)	**RATE (%)**
GROSS	-	15.000.000	0,62500	62,500
	TOTAL	**15.000.000**	**0,62500**	**62,500**
NET	-	12.750.000	0,53125	53.125
	TOTAL	**12.750.000**	**0,53125**	**52.125**

RATIO OF PROFIT SHARE DISTRIBUTED TO NET DISTRIBUTABLE PROFIT FOR THE TERM WITH DONATIONS ADDED	
AMOUNT OF PROFIT SHARE DISTRIBUTED AMONG SHAREHOLDERS (NTL)	RATIO OF PROFIT SHARE DISTRIBUTED AMONG SHAREHOLDERS TO NET DISTRIBUTABLE PROFIT FOR THE TERM WITH DONATIONS ADDED (%)
15.000.000	71.05

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

AUDITOR'S REPORT

To the General Assembly of
Otokar Otomotiv ve Savunma Sanayi A.Ş.
ISTANBUL

The conclusions of our auditing works for the accounting year 2010 are submitted hereinbelow for your perusal.

1. Pursuant to the applicable provisions of the Turkish Commercial Code and other legislation, it has been found out that

   a. The statutory books and records have been kept in duly and regular manner,

   b. The supporting documents have been kept in orderly manner, and

   c. The resolution adopted in connection with the Company management have been recorded in the resolutions' book, kept in orderly and duly manner.

2. Within this context and considering the status and situation of the Company, in our opinion, the financial statements as of December 31, 2010, attached hereto, which have been prepared in accordance with the provisions of the "Communiqué on the Essentials for Financial Reporting in the Capital Market" under serial number XI number 29, issued by the Capital Market Board, present fairly, in all material aspects, the financial position and the results of its operations of the Company at the aforesaid date.

Consequently, we hereby submit the company activities as summarised in the annual report by the Board of Directors, financial statements prepared in compliance with the Capital Market Legislation, the approval of the Board's proposal on profit distribution together with the discharge of the Board of Directors from debt to the General Assembly, for approval.

Sincerely,

İstanbul, 18.02.2011

İ. Murat Çağlar	M.Metin Utkan
Auditor	Auditor

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A. Ş.
INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

ERNST & YOUNG
Quality In Everything We Do

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

Intro

We have audited the accompanying financial statements of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi (the Company), which comprise the balance sheet as at December 31, 2010, and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi as of December 31, 2010 and its financial performance and cash flow for the year then ended in accordance with financial reporting standards issued by Capital Market Board in Turkey.

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

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

Erdem Tecer, SMMM
Partner

February 14, 2011
Istanbul, Turkey

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A. Ş.
BALANCE SHEET AS OF DECEMBER, 31, 2010
Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

BALANCE SHEET

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

		Current period	Prior period	Prior period
Assets		(Audited)	(Audited) (Reclassified Note:2.1)	(Audited) (Reclassified Note:2.1)
	Notes	December 31, 2010	December 31, 2009	December 31, 2008
Current assets				
Cash and cash equivalents	4	111.564.742	31.881.177	65.911.910
Trade receivables	6	136.241.771	128.188.437	136.553.576
- Trade receivables from related parties	25	18.890.279	30.621.228	22.522.704
- Other trade receivables	6	117.351.492	97.567.209	114.030.872
Other receivables	7	594	482	331
Inventories	8	100.565.170	130.050.043	117.045.641
Estimated earnings in excess of billings on uncompleted contracts	9	22.646.544	11.119.447	-
Other current assets	15	60.578.115	60.225.353	23.885.914
Total current assets		**431.596.936**	**361.464.939**	**343.397.372**
Non-current assets				
Trade receivables	6	41.433.423	31.422.645	37.617.739
- Trade receivables related parties	25	-	-	-
- Other trade receivables	6	41.433.423	31.422.645	37.617.739
Other receivables	7	5.903	5.903	5.903
Financial investments		-	-	2.107.000
Property, plant and equipment	10	99.137.629	102.591.845	96.709.092
Intangibles	11	55.520.950	39.832.961	23.542.779
Deferred tax asset	23	7.944.450	2.661.472	4.476.527
Total non-current assets		**204.042.355**	**176.514.826**	**164.459.040**
Total assets		**635.639.291**	**537.979.765**	**507.856.412**

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A. Ş.
BALANCE SHEET AS OF DECEMBER 31, 2010
Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

BALANCE SHEET

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

		Current period	Prior period	Prior period
Liabilities		(Audited)	(Audited) (Reclassified Note:2.1)	(Audited) (Reclassified Note:2.1)
	Notes	December 31, 2010	December 31, 2009	December 31, 2008
Current liabilities				
Financial liabilities	5	38.007.355	69.388.311	210.331.455
Trade payables	6	47.561.560	56.548.984	55.813.758
- Trade payables to related parties	25	3.376.743	2.467.310	12.862.156
- Other trade payables	6	44.184.817	54.081.674	42.951.602
Other payables	7-9	162.029.312	96.890.484	75.303.004
Government incentives and grants	12	359.975	-	-
Tax liabilities from net income for the year	23	4.581.519	-	-
Provisions	13	103.611.153	59.157.739	9.599.800
Other current liabilities	15	7.131.327	5.417.702	4.460.501
Total current liabilities		**363.282.201**	**287.403.220**	**355.508.518**
Non-current liabilities				
Financial liabilities	5	90.875.102	71.837.163	-
Government incentives and grants	12	892.142	-	-
Employee benefits	14	7.088.568	5.616.418	4.450.303
Total non-current liabilities		**98.855.812**	**77.453.581**	**4.450.303**
Shareholders' equity				
Parent Company's equity				
Paid-in share capital	16	24.000.000	24.000.000	24.000.000
Inflation adjustment on equity items	16	52.743.030	52.743.030	52.743.030
Revaluation surplus		-	-	1.434.437
Restricted reserves	16	16.738.147	14.818.147	14.218.147
Retained earnings	16	59.241.787	47.701.977	20.646.577
Net income for the year	16	20.778.314	33.859.810	34.855.400
Total shareholders' equity		**173.501.278**	**173.122.964**	**147.897.591**
Total liabilities		**635.639.291**	**537.979.765**	**507.856.412**

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

		(Audited)	(Audited)
Continuing operations	**Notes**	**January 1- December 31, 2010**	**January 1- December 31, 2009**
Net sales	17	517.396.494	503.244.683
Cost of sales (-)	17	(426.300.182)	(376.467.035)
Gross profit		**91.096.312**	**126.777.648**
Selling, marketing and distribution expense (-)	18	(42.376.871)	(43.453.036)
General and administrative expense (-)	18	(19.913.065)	(24.145.637)
Research and development expenses (-)	18	(7.186.302)	(5.171.960)
Other operating income	20	5.770.936	5.482.322
Other operating expense	20	(1.749.748)	(640.636)
Operating profit		**25.641.262**	**58.848.701**
Financial income	21	37.636.662	67.471.766
Financial expense (-)	22	(43.201.069)	(90.645.602)
Income before tax		**20.076.855**	**35.674.865**
Tax income/expense			
- Tax expense for the year	23	(4.581.519)	-
- Deferred tax income/(expense)	23	5.282.978	(1.815.055)
Net income		**20.778.314**	**33.859.810**
Other comprehensive income:			
Change in revaluation fund of financial investments, net of deferred tax	20	-	(1.434.437)
Total comprehensive income		**20.778.314**	**32.425.373**
Earnings per share	24	**0,087**	**0,141**

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Revaluation fund	Retained earnings	Net income for the year	Total shareholders' equity
January 1, 2009	**24.000.000**	**52.743.030**	**14.218.147**	**1.434.437**	**20.646.577**	**34.855.400**	**147.897.591**
Transfer to retained earnings	-	-	-	-	34.855.400	(34.855.400)	-
Transfer to restricted reserves	-	-	600.000	-	(600.000)	-	-
Dividends paid (Note 27)	-	-	-	-	(7.200.000)	-	(7.200.000)
Net income for the year	-	-	-	-	-	33.859.810	33.859.810
Other comprehensive income	-	-	-	(1.434.437)	-	-	(1.434.437)
Total comprehensive income	-	-	-	(1.434.437)	-	33.859.810	32.425.373
December 31, 2009	**24.000.000**	**52.743.030**	**14.818.147**	**-**	**47.701.977**	**33.859.810**	**173.122.964**
January 1, 2010							
Transfer to retained earnings	-	-	-	-	33.859.810	(33.859.810)	-
Transfer to restricted reserves	-	-	1.920.000	-	(1.920.000)	-	-
Dividends paid (Note 27)	-	-	-	-	(20.400.000)	-	(20.400.000)
Net income for the year	-	-	-	-	-	20.778.314	20.778.314
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	20.778.314	20.778.314
December 31, 2010	**24.000.000**	**52.743.030**	**16.738.147**	**-**	**59.241.787**	**20.778.314**	**173.501.278**

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

	Notes	January 1- December 31, 2010	January 1- December 31, 2009
Cash flows from operating activities			
Net income before provision for taxes		**20.076.855**	35.674.865
Adjustments to reconcile income before taxes to net cash flows from operating activities:			
Depreciation and amortization	10,11	15.820.022	10.943.887
Reserve for retirement pay		2.482.334	2.587.328
Gain on sale of property, plant and equipment	20	(2.858.179)	(7.453)
Interest expense	22	12.365.701	21.115.831
Unrealized foreign exchange loss/(gain) on borrowings		1.079.750	(2.187.000)
Interest income	21	(746.729)	(2.709.512)
Gain on forward transactions		(182.801)	-
Gain on sale of financial investments	20	-	(1.434.437)
Operating profit before changes in operating asset and liabilities		**48.036.953**	**63.983.509**
Trade receivables and other receivables		(18.064.221)	14.560.082
Costs and estimated earnings in excess of billings on uncompleted contracts		(11.527.097)	(11.119.437)
Inventories		29.484.873	(13.004.402)
Other current assets		(169.949)	(34.438.472)
Trade payables		(8.987.424)	735.226
Other liabilities, provisions and other current liabilities		112.557.985	72.102.619
Taxes paid		-	(1.900.967)
Employee termination benefits paid	14	(1.010.184)	(1.421.213)
Net cash provided by operating activities		**150.320.936**	**89.496.935**
Investing activities			
Purchase of property, plant and equipment	10	(6.186.083)	(14.258.714)
Purchase of intangible assets	11	(22.361.136)	(19.672.758)
Proceeds from sale of property, plant and equipment		3.951.604	822.103
Interest received		746.729	2.709.512
Change in financial investments		-	2.107.000
Net cash used in investing activities		**(24.448.886)**	**(28.292.857)**
Financing activities			
Change in spot borrowings, net		9.821.707	6.695.735
Proceeds from bank borrowings		34.779.500	70.689.119
Repayments of bank borrowings		(59.514.302)	(147.206.510)
Interest payments		(10.875.390)	(18.213.155)
Dividends paid		(20.400.000)	(7.200.000)
Net cash used in financing activities		**(46.188.485)**	**(95.234.811)**
Net increase/(decrease) in cash and cash equivalents		**79.683.565**	**(34.030.733)**
Cash and cash equivalents at the beginning of the year	**4**	**31.881.177**	**65.911.910**
Cash and cash equivalents at the end of the year	**4**	**111.564.742**	**31.881.177**

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2010

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

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

1. ORGANISATION 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.

In accordance with Ordinary General Assembly Meeting dated March 17, 2010, Company's official title, which previously was "Otokar Otobüs Karoseri Sanayi Anonim Şirketi", has been changed as "Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi".New official title which was registered on March 24, 2010 and came into effect at March 30, 2010 based on the declaration in the Trade Registry Gazette with law no 7532.

The Company operates in the automotive industry and off road vehicles, armoured vehicles, minibuses and midibuses, trailers, semi-trailers and cross-country comprises the majority of its production. The number of the personnel in the Company is 1.312 (December 31, 2009 - 1.207).

The registered addresses of the Company are as follows:

Headquarters:

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

Factory:

Atatürk Cad. No: 9
54580 Arifiye / Sakarya

Financial statements have been authorized for issue by the Board of Directors of the Company on February 14, 2011 and signed by Ahmet Serdar Görgüç and Hüseyin Odabaş on behalf of Board of Directors of the Company. Although there is no such intention, the Company Management and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The Company conducts part of its business transactions with the Koç Holding A.Ş. and related parties and has both customer and supplier relationships with related parties. The Company is registered to the Capital Market Board ("CMB") and its shares are listed on the Istanbul Stock Exchange ("ISE") since 1996. As of December 31, 2010, the shares listed on the ISE are 29,91% of the total shares. As of December 31, 2010, 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
Total	**100,00**

2. BASIS OF PRESENTATION

2.1 Basis of presentation

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (TL) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements have been prepared from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting and reporting standards as prescribed by Turkish Capital Market Board. The adjustments are mainly related with deferred taxation, retirement pay liability, prorate and useful life depreciation adjustment of fixed assets, accounting of provisions, construction accounting for tank project and discount of receivables and payables. The financial statements of current year are prepared in accordance with International Accounting / Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB communiqué No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" (Communiqué) which is published in the official gazette and become effective as of April 9, 2008.

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

Reclassifications made in 2009 and 2008 years' financial statements

For the purpose of comparative presentation, the Company has made certain reclassifications in the prior period financial statements as follows:

Advances given which were classified in goods in transit account under inventories as of December 31, 2009 and 2008, amounting to TL 36.306.118 and TL 44.006.352 respectively, have been reclassified in other current assets.

The Company has offset the 'advances taken' accounted under 'other payables' as of December 31, 2009, amounting to TL 63.010.200 against 'estimated earnings in excess of billings on uncompleted contracts'. This reclassification has no effect on the financial statements prepared as of December 31, 2008.

Furthermore, idle capacity amortization expense amounting to TL 4.354.161 which was classified under other expenses in the income statement for the period ended December 31, 2009, was reclassified under cost of sales account.

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, 2010 and December 31, 2009 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 Changes in accounting policies

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except those summarized below. The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010.

- IFRIC 17 Distributions of Non-cash Assets to Owners
- IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- Improvements to IFRSs, May 2008
- Improvements to IFRSs April 2009

Adoption of the standards or interpretations does not have an impact on the financial statements or performance of the Company.

Amendments -resulting from improvements to IFRSs published in April 2009- to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Company are as follows:

▶ **IFRS 2 Share-based Payment**

Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even though they are out of scope of IFRS 3 (revised).

▶ **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

▶ **IFRS 8 Operating Segment Information**

Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

▶ **IAS 1 Presentation of Financial Statements**

The terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

▶ **IAS 7 Statement of Cash Flows**

Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.

▶ **IAS 17 Leases**

The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.

▶ **IAS 18 Revenue**

The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

▶ IAS 36 Impairment of Assets

The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes

▶ IAS 38 Intangible Assets

Clarifies that if an intangible asset acquired in business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also, clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

▶ IAS 39 Financial Instruments: Recognition and Measurement

The amendment clarifies that:

- A prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
- The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)
- Gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)

▶ IFRIC 9 Reassessment of Embedded Derivatives

The Board amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or business under common control or the formation of a joint venture. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

▶ IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

The Company does not expect that the standards or interpretations have an impact on the financial statements or performance of the Company.

Standards issued but not yet effective and not early adopted

▶ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

▶ IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)

The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

▶ IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not been approved by the European Union yet. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

▶ IAS 32 Classifications on Rights Issues (Amended)

The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

▶ IAS 24 Related Party Disclosures (Revised)

The revision is effective for annual periods beginning on or after 1 January 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

▶ IAS 12 Income Taxes-Deferred Taxation: Recovery of Main assets (Amendment)

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

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2010. Early application is permitted in all cases. This annual improvement project has not been approved by the European Union yet.

IFRS1 First-time adoption, effective for annual periods beginning on or after 1 January 2011, This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.

IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010.
This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

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

FRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2011.
This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2011.
This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2010.
This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21. The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after 1 January 2011.
This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 January 2011.
This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)
The amendment is effective for annual periods beginning on or after 1 July 2011.

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP. This amendment has not been approved by the European Union yet.

The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

2.3 Significant accounting judgments and estimates

The preparation of 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 (Note 9)

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 temporary differences. For the year ended December 31, 2010, since the assumptions related to the Company's future taxable profit generation are considered reliable, adequate, deferred tax asset is recognized (Note 23).

c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 14).

d) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle (Note 13).

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, 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 (Note 6).

2.4 Summary of significant accounting policies

Revenue recognition

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.

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

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.

Construction contract activities

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

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

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognized (Note 9).

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 (Note 4).

Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:
 (i) controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
 (ii) has an interest in the Company that gives it significant influence over the Company; or
 (iii) has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is member of the key management personnel of the Company as its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

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 - cost is determined on a weighted average basis over the costs netted off imputed interest.

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

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale (Note 8).

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 (Note 10). Estimated useful lives are as follows:

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

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

Gains and losses on sale of property, plant and equipment are included in other operating income and expense (Notes 10 and 20).

Intangible assets

Intangible assets mainly comprise software rights, information systems, project costs related to new product development and computer software (Note 11). Intangible assets are initially stated at cost and are restated until December 31, 2004 with the index of the related purchase date. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Intangible assets are amortized on a straight-line basis over the estimate of their useful lives, which is up to 5 years. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Research and development expenses

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

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

- existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- existence of the intention to complete the intangible asset and use or sell it
- existence of the ability to use or sell the intangible asset.
- reliability of how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Investment, research and development incentives

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.

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 (Note 23).

Long-term employee benefits

a) Defined benefit plans:

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 (Note 14). All actuarial gains and losses are recognized in the income statement.

(b) Defined contribution plans:

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

Foreign currency transactions

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of such transactions. Monetary balance sheet items denominated in foreign currencies have been translated at the Central Bank of Turkey (TCB) exchange rates prevailing at the balance sheet date. Exchange gains or losses arising on translation of foreign currency denominated assets and liabilities are included in the income statement.

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

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, unless the possibility of an outflow of resources embodying economic benefits is 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 (Note 16).

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

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.

Financial instruments

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

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

Financial assets whose fair value can be reliably estimated are carried at fair value. All other financial assets classified as available-for-sale are carried at cost after the deduction of any impairment. When the Company is not able to make an estimate of the fair values that are sufficiently reliable for certain unlisted financial assets for which the Company has less than 20% ownership, due to the high variability in the range of reasonable estimates and various outcome probabilities to assess the usefulness of a single estimate, these securities are recorded at cost after deduction for any impairment. The unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognised in shareholders' equity. When there is objective evidence that an available-for-sale security is impaired, the cumulative loss measured as the difference between the acquisition and the current fair value is removed from equity and recognised in the statement of income.

Loans and 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.

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 debt are written off when identified.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, reversal of the provision is credited to other income (Note 6).

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method (Note 6).

Borrowings

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 income statement over the period of the borrowings. Borrowing costs arising from bank loans are charged to the income statement when they are incurred (Note 5).

Derivative 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 under the specific rules in IAS 39, "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading. Such transactions are accounted under other current assets as "accrual for forward income".

Impairments in financial assets

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

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

If the fair value of available for sale asset increases after the impairment, the related income is directly booked to shareholder's equity.

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.

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. 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 to the balance sheet date events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Subsequent to the balance sheet date events that are not adjusting events are disclosed in the notes when material.

Cash flow statement

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

Impairment of assets

At each reporting date, the Company assesses whether there is any indication that book value of tangible and intangible assets, calculated by acquisition cost less accumulative amortization, is impaired. When an indication 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 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 directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets.

All other borrowing costs are expensed in the period they occur.

Offsetting

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

3. Segment reporting

The Company does not prepare segment reporting. Sales by geographical areas and by product groups are disclosed in Note 17.

4. Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash at banks		
- demand deposits	9.675.762	2.280.660
- time deposits	100.799.200	27.952.966
Checks and notes received	1.028.005	1.597.557
Other	61.775	49.994
Total	**111.564.742**	**31.881.177**

As of December 31, 2010, effective interest rates of time deposits which are originally amounting to USD 65.200.000 are annually 1,55% and the maturity is 3 days (As of December 31, 2009, effective interest rates of time deposits which are originally amounting to USD 13.827.989 and TL 7.130.000 are annually 1,5% for USD and 6,7% for TL and the maturities are 4 days on average).

As of December 31, 2010, checks and notes received consist of checks and notes given to banks for collections which are due as of balance sheet date.

As of December 31, 2010, the Company has restricted bank deposit amounting to TL 795 (December 31, 2009 - TL 795).

5. Financial liabilities

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

	Maturities	Interest rate (%)	Amount in original currency	TL
				December 31, 2010
Long-term bank borrowings (*)(**)				
Denominated in EUR	February 24, 2012 - March15, 2012	%3,76	7.549.304	15.469.278
Denominated in TL	April 28, 2012	%8,55-8.75	75.405.825	75.405.824
Total				**90.875.102**

(*) Principle amount of long- term borrowings as of December 31, 2010 will be repaid on maturity with all interests accrued. Weighted average maturity days are 426.
(**) Bearing fixed interest rate

	Maturity	Interest rate (%)	Amount in original currency	TL
				December 31, 2009
Short-term bank borrowings (**)				
Denominated in USD	January 20, 2010	2,78%	10.059.212	15.146.155
Denominated in EUR	March 18, 2010	6,6%	10.523.794	22.734.553
Denominated in TL	January 16, 2010	11%	31.507.603	31.507.603
Total				**69.388.311**

	Maturity	Interest rate (%)	Amount in original currency	TL
				December 31, 2009
Long-term bank borrowings (*) (**)				
Denominated in EUR	June 9, 2011	3,55%	10.014.162	21.633.593
Denominated in TL	June 1, 2011	10%	50.203.570	50.203.570
Total				**71.837.163**

(*) Principle amount of long- term borrowings as of December 31, 2009 will be repaid on maturity with all interests accrued. Weighted average maturity days are 152.
(**) Bearing fixed interest rate

The Company has a loan amounting to EUR 7.500.000 under the guarantee of Koç Holding A.Ş. (December 31, 2009 - USD 10.000.000).

The Company has not provided any guarantees for the borrowings received (December 31, 2009 - None).

6. Trade receivables and payables

Trade receivables

	December 31, 2010	December 31, 2009
Trade receivables, net	44.185.538	42.949.742
Notes receivables, net	83.706.200	63.649.902
Total	**127.891.738**	**106.599.644**
Less: Provision for doubtful receivables	(10.540.246)	(9.032.435)
Other short-term trade receivables	**117.351.492**	**97.567.209**
Trade receivables from related parties (Note 25)	18.890.279	30.621.228
Short-term trade receivables	**136.241.771**	**128.188.437**
Long-term notes receivable, net	41.433.423	31.422.645
Long-term receivables	**41.433.423**	**31.422.645**

Guarantees received for trade receivables

Receivables of the Company mainly relate to the sales to the minibus and bus dealers, trailer sales and military vehicle sales. As of December 31, 2010, the total trade receivable from dealers amounting to TL 53.131.516 (December 31, 2009 - TL 37.393.552), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 46.846.000 (December 31, 2009 - TL 34.870.008). The Company manages its credit risk for the remaining receivables through policies and procedures as explained in the Credit Risk section of Note 26.

Trade receivables aging analysis

As of December 31, 2010, trade receivables amounting to TL 2.657.582 (December 31, 2009 - TL 1.113.718) have not been collected at the due dates.

Current period	**Trade receivables**
1- 30 day past due	**-**
1- 3 month past due	**-**
3- 12 month past due	**53.604**
1- 5 year past due	**2.603.978**
Over 5 year past due	**-**
Amount secured with guarantee (1)	**2.094.954**

Prior period	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	1.113.718
Over 5 year past due	-
Amount secured with guarantee (1)	2.520.252

(1) Pledges on trailers.

The movement of the provision for doubtful receivables for the year ended December 31, 2010 and December 31, 2009 are as follows:

	December 31, 2010	December 31, 2009
January 1	9.032.435	7.725.491
Collections	(27.508)	(104.107)
Additional provision	1.535.319	1.411.051
Total	**10.540.246**	**9.032.435**

As of December 31, 2010, average collection term of trade receivables is 60-90 days (December 31, 2009 – 60-90 days).

Commitments and contingencies

As of December 31, 2010 and 2009, the tables which represent the position of guarantees, pledges and mortgages are as follow:

Guarantees given by the Company	December 31, 2010	December 31, 2009
a. Total amount of guarantees, pledges and mortgages given in the name of legal entity	**415.391.058**	291.493.623
b. Total amount of guarantees, pledges and mortgages given in favor 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	**415.391.058**	**291.493.623**

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

	2010		2009	
	Original currency	TL	Original currency	TL
USD	**236,582,361**	**365,756,330**	153,566,174	231,224,587
EUR	**10,170,955**	**20,841,304**	21,543,508	46,540,440
GBP	**22,500**	**53,743**	19,665	46,984
YTL	**28,739,681**	**28,739,681**	13,681,611	13,681,612
		415,391,058		**291,493,623**

	December 31, 2010	December 31, 2009
Guarantees given		
Undersecretariat of Ministry of Defense	326.155.872	153.066.348
Other	89.235.186	138.427.275
	415.391.058	**291.493.623**

Trade payables

	December 31, 2010	December 31, 2009
Trade payables, net	44.033.767	53.944.515
Notes payables, net	151.050	137.159
Short-term trade payables	**44.184.817**	**54.081.674**
Trade payables to related parties (Note 25)	3.376.743	2.467.310
Short-term trade payables	**47.561.560**	**56.548.984**

As of December 31, 2010, average payment term for trade payables is 45-60 days (December 31, 2009 – 45-60 days).

7. Other receivables and payables

Other short-term receivables

	December 31, 2010	December 31, 2009
Due from personnel	594	482
Total	**594**	**482**

Other long-term receivables

	December 31, 2010	December 31, 2009
Deposits and guarantees given	5.903	5.903
Total	**5.903**	**5.903**

Other short term payables

	December 31, 2010	December 31, 2009 (Reclassified Note: 2.1)
Advances received	158.527.706	93.833.358
Due to personnel	3.469.360	3.034.025
Other miscellaneous payables	32.246	23.101
Total	**162.029.312**	**96.890.484**

8. Inventories

	December 31, 2010	December 31, 2009 (Reclassified Note 2.1)	December 31, 2008 (Reclassified Note 2.1)
Raw material	25.138.729	34.750.524	27.210.962
Work-in-process	2.139.199	4.441.454	9.075.982
Finished goods	29.089.773	31.468.170	24.655.681
Merchandise	17.622.154	20.306.900	12.096.664
Goods in transit	26.575.315	39.082.995	44.006.352
Total	**100.565.170**	**130.050.043**	**117.045.641**

9. Costs and billings on uncompleted contracts

As of December 31, 2010 accrued costs related to uncompleted contracts amounted to TL 135.992.445 (December 31, 2009 - TL 64.326.929).

As of December 31, 2010, the short term advances taken by the Company related with ongoing projects which amounts to TL 114.477.042 was included in other payables in the financial statements (December 31, 2009 – TL 45.427.200).

10. Property, plant and equipment

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

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

During the year ended December 31, 2009, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	Jan. 1, 2009	Additions	Disposals	Transfers	Dec. 31, 2009
Cost:					
Land	36.396.386	-	-	-	36.396.386
Land improvements	5.481.336	-	-	-	5.481.336
Buildings	50.777.114	-	-	2.354.785	53.131.899
Machinery, equipment and installations	86.839.417	2.123.025	(3.733.799)	1.235.240	86.463.883
Motor vehicles	5.024.671	937.774	(848.914)	-	5.113.531
Furniture and fixtures	17.958.621	1.770.583	(1.321.111)	-	18.408.093
Leasehold improvements	1.445.746	-	-	-	1.445.746
Construction in progress	52.196	9.427.331	-	(3.590.025)	5.889.502
	203.975.487	**14.258.713**	**(5.903.824)**	**-**	**212.330.376**
Accumulated depreciation:					
Land improvements	1.926.769	201.655	-	-	2.128.424
Buildings	16.144.638	2.448.405	-	-	18.593.043
Machinery, equipment and installations	69.582.592	4.075.033	(3.613.759)	-	70. 043.866
Motor vehicles	2.992.257	298.847	(163.682)	-	3.127.422
Furniture and fixtures	15.490.589	498.666	(1.311.734)	-	14.677.521
Leasehold improvements	1.129.550	38.705	-	-	1.168.255
	107.266.395	**7.561.311**	**(5.089.175)**	**-**	**109.738.531**
Net book value	**96.709.092**	**6.697.402**	**(814.649)**	**-**	**102.591.845**

For the years 2010 and 2009, the allocation of depreciation and amortisation expense has been as follows:

	2010	2009
Cost of goods sold	5.868.078	5.345.099
Development projects in process	1.020.656	425.194
Research and development expenses	6.185.961	2.558.484
General administrative expenses	1.034.056	947.083
Selling and marketing expenses	464.281	362.221
Inventories on hand	437.572	624.679
Costs related to uncompleted contracts	809.418	681.127
Total	**15.820.022**	**10.943.887**

As of December 31, 2010 and December 31, 2009, gross values of fully depreciated items which are still in use is as follows:

	December 31, 2010	December 31, 2009
Machinery, equipment and installations	47.771.602	46.640.422
Motor vehicles	2.585.412	2.585.412
Furniture and fixtures	11.880.762	12.749.417
Leasehold improvements	1.089.332	1.089.332
	63.327.108	**63.064.583**

11. Intangible assets

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

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

During the year ended December 31, 2009, the movement of intangibles and accumulated amortization is as follows:

	Jan 1, 2009	Additions	Transfers	Dec 31, 2009
Cost:				
Other intangible assets	3.839.826	2.096.688	-	5.936.514
Development costs	5.848.347	-	20.936.041	26.784.388
Development projects in process	16.758.438	17.576.070	(20.936.041)	13.398.467
	26.446.611	**19.672.758**	**-**	**46.119.369**
Accumulated amortization:				
Other intangible assets	2.341.733	757.224	-	3.098.957
Development costs	562.099	2.625.352	-	3.187.451
	2.903.832	**3.382.576**	**-**	**6.286.408**
Net book value	**23.542.779**	**16.290.182**	**-**	**39.832.961**

(*) This amount is transferred from construction in progress to other intangible assets.
As of December 31, 2010 and December 31, 2009, the gross values of fully amortized intangible assets which are still in use is as follows:

	December 31, 2010	December 31, 2009
Other intangible assets	2.325.783	2.037.453
	2.325.783	**2.037.453**

12. Government incentives

As of December 31, 2010, government incentives of the Group amounting to TL 1.252.117 have been originated from deferral of research and development incentive premiums provided to support research and development expenditures of the Company's various projects by the Scientific & Technological Research Council of Turkey (Tübitak). The related balance will be recognized as revenue in line with the amortization terms of the respective development investments.

As of December 31, 2010, there is not any incentive which has been gained but not utilized (December 31, 2009 - None).

13. Provisions, contingent assets and liabilities

Provisions

	December 31, 2010	December 31, 2009
Provision for other cost (*)	94.164.831	51.518.026
Warranty provision	6.511.877	6.184.720
Provision for vacation pay liability	1.922.831	1.438.270
Provision for sales commission	1.011.614	-
Other	-	16.723
	103.611.153	**59.157.739**

(*) 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.

Warranty provision

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

	December 31, 2010	December 31, 2009
January 1	6.184.720	6.376.954
Additional provision	8.536.235	8.686.823
Realized	(8.209.078)	(8.879.052)
	6.511.877	**6.184.720**

Provision for vacation pay liability

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

	December 31, 2010	December 31, 2009
January 1	1.438.270	1.749.665
Increase/(reversal)	484.561	(311.395)
	1.922.831	**1.438.270**

Letters of guarantees

a) Guarantees given as of December 31, 2010 and December 31, 2009 are as follows:

	December 31, 2010	December 31, 2009
Bank letters of guarantee (*)	415.391.058	291.493.623
	415.391.058	**291.493.623**

(*) Bank letters of guarantee amounting to TL 326.155.872 (December 31, 2009 - TL 153.066.348) are given to Undersecretariat of Ministry of Defense in relation to Altay Project.

b) Guarantees received as of December 31, 2010 and December 31, 2009 are as follows:

	December 31, 2010	December 31, 2009
Bank letters of guarantee (**)	162.541.441	95.238.952
Guarantee notes	1.000.000	3.389.000
Mortgages received	5.042.000	7.045.000
Guarantee checks	135.000	135.000
	168.718.441	**105.807.952**

(**) Bank letters of guarantee amounting to TL 107.830.620 (December 31, 2009 – TL 55.351.176) are obtained from the sub-contractors for Altay Project.

14. Employee benefits

	December 31, 2010	December 31, 2009
Reserve for retirement pay	7.088.568	5.616.418
Total	**7.088.568**	**5.616.418**

Reserve for retirement pay

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

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

The amount payable consists of one month's salary limited to a maximum of TL 2.517 for each year of service as of December 31, 2010 (December 31, 2009 - TL 2.365).

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

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

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

	December 31, 2010	December 31, 2009
Discount rate (%)	4,66	5,92
Turnover rate to estimate the probability of retirement (%)	8	8

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

As of January 1, 2011, the retirement pay liability ceiling is increased to TL 2.617.

The movement of reserve for retirement pay is as follows:

	December 31, 2010	December 31, 2009
January 1	5.616.418	4.450.303
Interest expense	258.355	240.316
Current year provision (including actuarial gains/losses)	2.223.979	2.347.012
Payments	(1.010.184)	(1.421.213)
	7.088.568	**5.616.418**

15. Other assets and liabilities

a) Other current assets:	Dec 31, 2010	Dec 31, 2009 (Reclassified Note 2.1)	Dec 31, 2008 (Reclassified Note 2.1)
Advances given	43.634.290	36.306.118	-
Value added tax receivables	14.634.076	16.459.668	20.492.382
Forward income accrual	182.808	-	-
Prepaid tax	-	2.979.148	1.078.181
Prepaid expenses	828.104	593.458	501.361
Tax and funds deductible	-	3.135.804	1.752.693
Other	1.298.837	751.157	61.297
Total	**60.578.115**	**60.225.353**	**23.885.914**

b) Other current liabilities	December 31, 2010	December 31, 2009
Taxes and funds payable	4.772.726	3.227.485
Social and funds payable	2.044.993	1.773.651
Deferred special consumption tax	133.358	259.324
Other	180.250	157.242
Total	**7.131.327**	**5.417.702**

16. Shareholders' equity

Share capital

The shareholding structure of the Company as of December 31, 2010 and 2009 is as follows:

	December 31, 2010		December 31, 2009	
Shareholder	**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 adjustments to share capital	52.743.030		52.743.030	
Total	**76.743.030**		**76.743.030**	

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

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and 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 are subject to dividend requirements regulated by the CMB as follows:

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

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

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

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

As of December 31, 2010, 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 20.778.314 and TL 59.241.787, respectively. Current year net income of the Company in statutory books is TL 36.775.511, other reserves to be distributed as dividend is TL 58.868.141. After deduction of first legal reserves, current year net profit in statutory books is TL 36.775.511. As of our report date, there is no decision of dividend distribution related to 2010.

In accordance with the Communiqué, as of December 31, 2010 and December 31, 2009, the details of equity, based on which the dividend will be distributed is as follows:

	December 31, 2009	December 31, 2009
Paid-in share capital	24.000.000	24.000.000
Inflation adjustments on equity items	52.743.030	52.743.030
Revaluation surplus		
- Revaluation surplus of financial assets	-	-
Restricted reserves	16.738.147	14.818.147
Retained earnings		
- Extraordinary reserves	48.291.704	36.751.894
- Inflation adjustments on legal reserves	10.950.083	10.950.083
- Retained earnings		
Net income for the year	20.778.314	33.859.810
Total shareholder's equity	**173.501.278**	**173.122.964**

As of December 31, 2010 and 2009, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

			December 31, 2010
	Historical value	**Restated value**	**Inflation adjustments on equity items**
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	16.738.147	27.677.929	10.950.083
Total	**40.738.147**	**104.420.959**	**63.693.113**

			December 31, 2009
	Historical value	**Restated value**	**Inflation adjustments on equity items**
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	14.818.147	25.768.230	10.950.083
Total	**38.818.147**	**102.511.260**	**63.693.113**

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

	December 31, 2010	December 31, 2009
Legal reserves	16.738.147	14.818.147
Extraordinary reserves	58.868.141	60.181.449
Total	**75.606.288**	**74.999.596**
Dividends distributed during year based on previous year's net income per statutory financial statements	20.400.000	7.200.000
Dividend paid per share (kuruş)	0,085	0,030

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

17. Sales and cost of sales

Net sales

	2010	2009
Domestic sales	448.419.381	345.620.944
Export sales	69.478.800	157.789.678
Gross sales	517.898.181	503.410.622
Less: Sales discounts and sales returns	(501.687)	(165.939)
Net sales	**517.396.494**	**503.244.683**

As of December 31, 2010 and 2009 sales of the Company in terms of the number of vehicles sold are as follows;

	2010	2009
Commercial vehicle	271.182.909	184.744.300
Armored vehicles	119.856.251	179.238.100
Other sales (*)	126.357.334	139.262.283
Total	**517.396.494**	**503.244.683**

(*) TL 79.561.711 of this amount is related to revenues of uncompleted contracts (December 31, 2009 - TL 74.129.647).

Cost of sales

	2010	2009
Cost of finished goods sold	402.923.165	347.330.740
Cost of merchandise sold	23.377.017	29.136.295
Total	**426.300.182**	**376.467.035**

18. Research and development expenses, marketing, selling and distribution expenses, general and administrative expenses.

	2010	2009
Selling and marketing expenses	42.376.871	43.453.036
General and administrative expenses	19.913.065	24.145.637
Research and development expenses	7.186.302	5.171.960
Total operating expenses	**69.476.238**	**72.770.633**

For the years 2010 and 2009, the allocation of personnel expense has been as follows:

	2010	2009
Cost of sales and inventories on hand	37.687.411	31.999.153
Research and development expenditures (including capitalizations)	12.476.635	11.340.323
General administrative expenses	11.044.838	10.301.119
Selling and marketing expenses	8.534.740	8.221.886
Costs related to uncompleted contracts	8.719.130	6.037.602
Total	**78.462.754**	**67.900.083**

19. Expenses by nature

	2010	2009
Cost of raw material and consumption goods	334.665.957	307.619.005
Personnel expenses	66.683.358	58.025.981
Other production expenses	11.300.213	8.954.722
Warranty expense	8.536.235	8.686.823
Other sales expenses	1.266.335	7.591.176
Depreciation and amortization	14.361.794	9.894.014
Transportation and insurance expense	4.272.898	3.203.739
Exhibition and fair expenses	2.555.148	2.410.753
Change in finished goods and work-in-process	4.680.652	(2.177.961)
Cost of merchandise sold	23.377.017	29.136.295
Other expenses	24.076.813	15.893.121
Total expenses	**495.776.420**	**449.237.668**

The breakdown of personnel expenses is as follows:

	2010	2009
Personnel expenses		
Wages and salaries	60.685.437	52.393.720
SSK employee contribution	9.770.756	8.480.044
Other social benefits	5.578.227	4.095.442
Employee termination benefits	2.428.334	2.930.877
	78.462.754	**67.900.083**

20. Other operating income / expense

	2010	2009
Other income		
R&D incentives income	1.729.196	2.626.157
Income related to Entek sales	-	1.434.437
Gain on sale of property, plant and equipment	2.858.179	7.453
Other	1.183.561	1.414.275
Total	**5.770.936**	**5.482.322**

	2010	2009
Other expense		
Bank transaction expenses	(214.429)	(698.800)
Provision for doubtful receivables	(1.535.319)	(1.411.051)
Other	-	1.469.215
	(1.749.748)	**(640.636)**

21. Financial income

	2010	2009
Foreign exchange gain	26.544.615	43.943.632
Futures income	1.711.735	-
Foreign exchange gain on bank borrowings	2.585.250	18.423.156
Interest income from time deposits	746.729	2.709.512
Term difference income related to sales	6.048.333	2.395.466
Total	**37.636.662**	**67.471.766**

22. Financial expense

	2010	2009
Foreign exchange losses	(29.771.945)	(51.755.997)
Interest expense on bank borrowings	(12.365.701)	(21.115.831)
Foreign exchange losses on bank borrowings	(48.900)	(17.773.774)
Unearned financial expense	(30.516)	-
Futures expense	(984.007)	-
Total	**(43.201.069)**	**(90.645.602)**

23. Tax assets and liabilities

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

In Turkey, the corporation tax rate is 20% (December 31, 2009 - 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% (2009 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations. The aforementioned law has been enacted as of April 1, 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments. Research and development incentives shall be calculated over the total expenditures made in 2010 and 2009.

The Company has utilized research and development incentives amounting to TL 22.425.397 (December 31, 2009 - TL 23.263.413) -as a result of its research and development expenditures made in 2010 amounting to TL 20.749.149 (December 31, 2009 – TL 23.263.413) and unused incentives as of December 31, 2009 amounting to TL1.676.248 - at 100% (December 31, 2009 - 100%) deduction without any withholding tax. The Company has an R&D center certificate.

As of December 31, 2010 and December 31, 2009, income tax payables net off prepaid taxes presented in the balance sheet is as follows:

	December 31, 2010	December 31, 2009
Income tax payable	4.581.519	-
Income tax payable	**4.581.519**	**-**

The breakdown of total tax expense for the year ended December 31, 2010 and 2009:

	2010	2009
Deferred tax credit/(charge)	5.282.978	(1.815.055)
Corporate tax charge	(4.581.519)	-
Total tax expense	**701.459**	**(1.815.055)**

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

	December 31 2010	December 31 2009
Profit before tax	20.076.855	35.674.865
Income tax charge at effective tax rate 20%	(4.015.371)	(7.134.973)
Effect of exemptions and incentives	4.485.079	5.480.336
Others	231.751	(160.418)
Total tax expense	**701.459**	**(1.815.055)**

As of December 31, 2010 and 2009, 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)	
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Property, plant and equipment	(6.212.127)	(5.245.615)	2.238.869	2.432.172
Intangibles	(9.250.865)	(4.353.089)	(1.850.173)	(870.618)
Deferred financial expense	(189.676)	(1.665.601)	(37.935)	(333.120)
Inventories	(433.007)	970.454	(86.601)	194.091
Warranty reserve	6.511.876	6.184.720	1.302.375	1.236.944
Reserve for retirement pay	7.088.568	5.616.418	1.417.714	1.123.284
Deferred financial income	543.512	1.223.640	108.702	244.728
Other provisions	7.313.549	3.765.163	1.462.710	753.033
Adjustment for percentage of completion method on construction projects	17.723.696	(9.802.719)	3.544.739	(1.960.544)
Other	(779.753)	(792.487)	(155.950)	(158.498)
Deferred tax asset			**7.944.450**	**2.661.472**

The movement of deferred tax liability and asset for the year ended December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
January 1	2.661.472	4.476.527
Deferred tax charge/(credit)	5.282.978	(1.815.055)
	7.944.450	**2.661.472**

24. 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 (Bonus 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, 2010	December 31, 2009
Net income attributable to shareholders (TL)	20.778.314	33.859.810
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings per share (kuruş)	0,087	0,141

25. 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:

İ) Due from and due to related party balances as of December 31, 2010 and December 31, 2009:

Due from related parties	December 31, 2010	December 31, 2009
Ram Dış Ticaret A.Ş.(Ram Dış) (1) (*)	18.799.156	30.535.451
Ford Otosan A.Ş.(Ford) (1)	56.323	18.514
Rmk Marine Gemi San.A.Ş.(Rmk Gemi) (1)	25.966	22.905
Other (1)	8.834	44.358
Total	**18.890.279**	**30.621.228**

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

Due to related parties	December 31, 2010	December 31, 2009
Zer Merkezi Hizmetler ve Tic.A.Ş. (Zer) (1)	1.056.504	748.163
Ram Dış (1)	1.024.253	276.840
Eltek Elektrik Enerji İth.İhr.Top.Tic.A.Ş. (Eltek) (1)	275.599	-
Setur Servis Turistik A.Ş. (Setur) (1)	224.384	263.272
Platform Araştırma ve Geliştirme Taş.Tic. A.Ş.(Platform) (1)	210.382	194.149
Akpa Dayanıklı Tük.Paz.A.Ş. (Akpa) (1)	203.774	177.502
Otokoç Otomotiv Tic.San.A.Ş. (Otokoç) (1)	125.872	203.549
Ram Sigorta Aracılık Hiz.A.Ş. (Ram Sigorta) (1)	91.671	55.238
Koç Sistem Bilgi İle.Hizm.A.Ş. (Koç Sistem) (1)	51.196	265.270
Promena Elektronik Tic. A.Ş. (Promena) (1)	38.466	14.950
Koç-Net Haberleşme A.Ş (Koçnet) (1)	29.982	28.245
Opet Petrolcülük A.Ş. (Opet) (1)	19.210	18.087
Koçtaş Yapı Marketleri T.A.Ş. (Koçtaş) (1)	17.838	78
Koç Holding A.Ş.(Koç Holding) (2)	6.671	108.280
Setair Hava Taşım.ve Hiz.A.Ş.(Setair) (1)	-	78.266
Ford (1)	-	24.533
Palmira Turizm Tic.A.Ş (Palmira)(1)	288	1.863
Yapı Kredi Kültür ve Sanat (1)	-	1.790
Other	653	7.235
Total	**3.376.743**	**2.467.310**

ii) Major sales and purchase transactions with related parties for the years ended:

	2010	2009
Ram Dış (1) (*)	39.850.839	132.084.295
Zer (1)	456.016	302.435
Aygaz Anonim Şirketi (Aygaz) (1)	162.857	161.698
Otokoç (1)	161.500	126.746
Ford (1)	3.789	14.073
Aygaz Doğalgaz İletim A.Ş. (Aygaz Doğalgaz) (1)	-	3.170
Total	**40.635.001**	**132.692.417**

(1) Shareholders' subsidiary
(2) Shareholder

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

Purchase of property, plant and equipment	2010	2009
Koç Sistem (1)	1.240.084	1.360.133
Otokoç (1)	59.794	150.950
Koçnet (1)	91.210	26.451
Zer (1)	5.019	-
Arçelik A.Ş. (1)	2.310	-
Koçtaş Yapı Marketleri A.Ş. (Koçtaş) (1)	1.170	-
Total	**1.399.587**	**1.537.534**

Inventory purchases	2010	2009
Zer (1)	5.579.493	4.192.838
Ram Dış (1)	3.855.965	1.407.186
Akpa (1)	1.259.185	1.207.464
Beldeyama Motorları Vasıtalar Sanayi A.Ş. (Beldeyama) (1)	-	623.350
Opet (1)	293.080	263.381
Koçtaş (1)	30.694	20.469
Arçelik A.Ş. (1)	3.453	12.874
Ford (1)	-	5.643
Total	**11.021.870**	**7.733.205**

Services received	2010	2009
Eltek (1)	1.537.021	-
Setur (1)	1.488.070	1.355.000
Ram Sigorta (1) (*)	1.241.101	1.073.286
Ram Dış (1)	1.237.287	8.090.341
Koç Holding A.Ş.(2)	1.162.663	1.096.183
Otokoç (1)	614.221	622.313
Koç.Net (1)	298.566	207.963
Koç Sistem (1)	209.635	285.070
Platform (1)	178.983	165.129
Promena (1)	119.109	42.907
Tofaş(1)	-	8.104
Koç Üniversitesi (1)	9.616	7.595
Palmira (1)	3.623	6.789
Rahmi M.Koç Müzesi (1)	1.962	-
Setair (1)	-	108.620
Tasfiye Halinde Otoyol (3)	-	5.953
Yapi Kredi Kültür ve Sanat Yay. (1)	-	1.662
Total	**8.101.857**	**13.076.915**

(1) Shareholders' subsidiary
(2) Shareholder
(3) Shareholder's subsidiary in liquidation process
(*) It includes paid and accrued premium as of December 31,2010 in accordance with insurance policies signed between unrelated insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is a insurance agency.

Bank deposits	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş. (1)		
- Demand deposits	-	7.131.308
- Time deposits	4.201.751	626.547
	4.201.751	**7.757.855**

Checks and notes in collection	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş. (1)	14.226.501	14.309.918
	14.226.501	**14.309.918**

Bank loans	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş. (1)	-	50.203.570
Total	**-**	**50.203.570**

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

Interest income	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş. (1)	47.648	1.180.929
Total	**47.648**	**1.180.929**

Foreign exchange gains	2010	2009
Ram Dış (1)	7.039.375	7.757.256
Yapı ve Kredi Bankası A.Ş. (1)	1.104.195	14.206.510
Other (1)	690	-
Total	**8.144.260**	**21.963.766**

(1) Shareholders' subsidiary

Forward gains /(losses)	2010	2009
Yapı ve Kredi Bankası A.Ş.		
Forward gains	1.044.541	678.416
Forward loss	(429.620)	(1.879.244)
Total	**614.921**	**(1.200.828)**

Foreign exchange losses	2010	2009
Ram Dış (1)	9.308.719	11.253.453
Yapı ve Kredi Bankası A.Ş. (1)	724.474	16.015.358
Tasfiye Halinde Otoyol (3)	-	668.266 (*)
Ram Sigorta (1)	378	-
Total	**10.033.571**	**27.937.077**

(*) Foreign exchange losses invoiced by Otoyol Sanayi A.Ş are resulted from the foreign exchange difference between the date of the invoice and the date of the payments related to the purchase of fixed assets from Otoyol Sanayi A.Ş. amounting to USD 47,5 million.

Interest expense	2010	2009
Yapı ve Kredi Bankası A.Ş. (1)	4.533.457	2.315.952
Total	**4.533.457**	**2.315.952**

(1) Shareholders' subsidiary
(3) Shareholder's subsidiary in liquidation process

Benefits provided to executives

Salaries and similar benefits provided to the executive management by the Company for the year ended December 31, 2010 amounted to TL 5.534.095 (December 31, 2009 - TL 4.350.657).

26. Nature and level of risks arising from financial instruments

The Company is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. These risks are market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Company mainly arises from trade receivables. The Company manages this risk that may arise from its dealers or from other customers by restricting the credit limits determined for the dealers according the amount of guarantees received, by receiving advance payments or by receiving the pledge of ownership of the vehicles sold. Credit limits are regularly monitored by the Company and the customers' credit quality are regularly evaluated by considering the customer's financial position, past experiences and other factors. All foreign sales are made after receiving confirmed letters of credit. Military vehicle sales are made to domestic or foreign governmental institutions or to companies acting as agents to these institutions; accordingly, the Company does not anticipate any collection risk related to military vehicle sales. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 6).

Current year	Receivables: Trade receivables	Receivables: Other	Bank deposits (Note 6)	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	177.675.195	43.640.787	110.474.962	-
- Maximum risk secured by guarantee (2)	(187.644.984)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	174.240.909	43.640.787	110.474.962	-
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-
C. Net book value of assets overdue but not impaired	2.657.583	-	-	-
D. Net book value of impaired assets	776.703	-	-	-
- Overdue (gross book value)	11.316.949	-	-	-
- Impairment (-) (Note 10)	(10.540.246)	-	-	-
- Net value under guarantee	385.474	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-

Prior year	Receivables: Trade receivables	Receivables: Other	Bank deposits (Note 6)	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	159.793.780	36.312.503	30.233.627	-
- Maximum risk secured by guarantee (2)	(125.401.848)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	157.273.528	36.312.503	30.233.627	-
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-
C. Net book value of assets overdue but not impaired	1.113.718	-	-	-
D. Net book value of impaired assets	1.406.534	-	-	-
- Overdue (gross book value)	10.438.968	-	-	-
- Impairment (-) (Note 10)	(9.032.435)	-	-	-
- Net value under guarantee	1.406.533	-	-	-
- 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.

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, 2010 and December 31, 2009, maturities of gross trade payables and financial liabilities are as follows:

Current year

Maturities per agreements	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	128.882.457	138.196.972	17.062.793	37.857.191	83.276.988	-
Trade payables	47.561.560	47.751.405	43.733.173	4.018.232	-	-

Expected maturities	Book value	Total expected cash outflow (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Other payables	3.501.606	3.501.607	3.469.360	25.350	6.897	-
Other current liabilities	7.131.332	7.131.327	7.131.327	-	-	-

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)	182.808	182.808	-	-	-	-
Derivative cash inflows	411.764	411.764	411.764	-	-	-
Derivative cash outflows	(228.956)	(228.956)	-	(228.956)	-	-

Prior year

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	141.225.474	150.063.565	69.854.413	-	80.209.152	-
Trade payables	56.648.984	56.769.351	46.154.444	10.607.642	7.265	-

Expected maturities	Book value	Total expected cash outflow (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Other payables	3.057.126	3.057.126	-	3.057.126	-	-
Other current liabilities	5.417.702	5.417.702	5.417.702	-	-	-

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

Market risk

a) Foreign currency risk and related sensitivity analysis

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

The accompanying table represents the foreign currency risk of the Company as of December 31, 2010;

Table of foreign currency position

Current year

	TL equivalent (functional currency)	USD	EUR	GBP	CHF
1. Trade receivables	104.009.947	14.725.861	39.292.550	305.368	-
2a. Monetary financial assets (including cash, bank accounts)	155.109.729	91.024.578	7.012.640	6.753	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current assets (1+2+3)	**259.119.676**	**105.750.439**	**46.305.190**	**315.121**	**-**
5. Trade receivables	41.433.423	-	20.220.303	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	**41.433.423**	**-**	**20.220.303**	**-**	**-**
9. Total assets(4+8)	**300.553.099**	**105.750.439**	**66.525.493**	**312.121**	**-**
10.Trade payables	(15.824.373)	-	(4.592.477)	(2.685.225)	-
11. Financial liabilities	(21.265.824)	-	(10.378.129)	-	-
12a. Monetary other liabilities	(247.370.105)	(159.057.179)	(716.269)	-	-
12b. Non-monetary other liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**(284.460.302)**	**(159.057.179)**	**(15.686.875)**	**(2.685.225)**	**-**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	(15.469.279)	-	(7.549.304)	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**(15.469.279)**	**-**	**(7.549.304)**	**-**	**-**
18. Total liabilities (13+17)	**(299.929.581)**	**(159.057.179)**	**(23.236.179)**	**(2.685.225)**	**-**
19.Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a. Hedged total assets amount	-	-	-	-	-
19b. Hedged total liabilities amount	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	**623.518**	**(53.306.740)**	**43.289.314**	**(2.373.104)**	**-**
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**623.518**	**(53.306.740)**	**43.289.314**	**(2.373.104)**	**-**
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23. Export	69.424.341	9.639.936	27.171.629	359.295	-
24. Import	129.399.072	30.428.251	35.587.455	5.851.327	-

Table of foreign currency position

Prior year

	TL equivalent (functional currency)	USD	EUR	GBP	CHF
1. Trade receivables	108.970.501	6.783.832	44.843.135	787.486	-
2a. Monetary financial assets (including cash, bank accounts)	59.254.498	37.288.099	1.380.516	53.356	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current assets (1+2+3)	168.224.999	44.071.931	46.223.651	840.842	-
5. Trade receivables	31.422.645	-	14.545.501	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	31.422.645	-	14.545.501	-	-
9. Total assets (4+8)	199.647.644	44.071.931	60.769.152	840.842	-
10. Trade payables	(27.889.814)	(808.758)	(2.474.573)	(8.926.104)	-
11. Financial liabilities	(37.880.708)	(10.059.212)	(10.523.794)	-	-
12a. Monetary other liabilities	(143.938.814)	(85.396.020)	(7.109.210)	-	-
12b. Non-monetary other liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	(209.709.336)	(96.263.990)	(20.107.577)	(8.926.104)	-
14. Trade payables	-	-	-	-	-
15. Financial liabilities	(21.633.594)	-	(10.014.162)	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	(21.633.594)	-	(10.014.162)	-	-
18. Total liabilities (13+17)	(231.342.930)	(96.263.990)	(30.121.739)	(8.926.104)	-
19. Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a. Hedged total assets amount	-	-	-	-	-
19b. Hedged total liabilities amount	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(31.695.286)	(52.192.059)	30.647.413	(8.085.262)	-
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(31.695.286)	(52.192.059)	30.647.413	(8.085.262)	-
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23. Export	158.023.446	54.461.939	27.342.162	4.495.814	-
24. Import	153.977.582	26.863.275	35.628.214	14.246.113	872.942

As of December 31, 2010, the Company signed forward agreements amounting to USD 56.440.600 and GBP 2.400.000 (December 31, 2009 - USD 53.000.000). According to the agreements, the Company will purchase the related amounts in consideration to EUR 44.949.712 (December 31, 2009 - 37.975.909 EURO).

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, 2010 and 2009:

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

	Exchange rate sensitivity analysis table	
		Prior year
	Profit/loss	**Profit/loss**
	Appreciation of foreign currency	**Appreciation of foreign currency**
In case 10% appreciation of USD against TL:		
1- USD net asset/liability	(7.858.558)	7.858.558
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	(7.858.558)	7.858.558
In case 10% appreciation of EUR against TL:		
4- EUR net asset/liability	6.620.760	(6.620.760)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	6.620.760	(6.620.760)
In case 10% appreciation of GBP against TL:		
7- GBP net asset/liability	(1.931.731)	1.931.731
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(1.931.731)	1.931.731
Total (3+6+9)	**(3.169.629)**	**3.169.629**

Outstanding forward agreements

Amount	Sold currency	Purchased currency	Parity	Transaction date	Maturity
11.000.000	EUR	USD	1,3583	30.09.2010	30.03.2011
3.629.501	EUR	USD	1,3776	27.10.2010	26.04.2011
5.000.000	EUR	USD	1,3731	22.11.2010	22.02.2011
3.000.000	EUR	USD	1,3000	30.11.2010	29.03.2011
5.000.000	EUR	USD	1,3290	17.12.2010	14.04.2011
10.000.000	EUR	USD	1,3138	27.12.2010	25.05.2011
470.035	EUR	GBP	0,8510	27.12.2010	21.03.2011
1.175.088	EUR	GBP	0,8510	27.12.2010	27.04.2011
1.175.088	EUR	GBP	0,8510	27.12.2010	16.05.2011
4.500.000	EUR	USD	1,3224	30.12.2010	08.06.2011
11.000.000	EUR	USD	1,3583	30.09.2010	30.03.2011
3.629.501	EUR	USD	1,3776	27.10.2010	26.04.2011

As of December 31, 2009, the Company does not have any derivative instruments.

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.

According to IFRS 7 "Financial Assets" effective from January 1, 2008, the interest rate position of the Company is as following:

Interest rate position table		Current year	Prior year
Financial liabilities	Fixed-interest bearing financial instruments	128.882.457	141.225.475

As of December 31, 2010 and 2009, financial liabilities of the Company are bank loans with fixed interest rates.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other companies in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

	December 31, 2010	December 31, 2009
Total debt	128.882.457	141.225.474
Less: Cash and cash equivalents (Note 6)	(111.564.742)	(31.881.177)
Net debt	17.317.715	109.344.297
Total equity	173.501.278	173.122.964
Debt/share capital rate	**%10**	**%63**

27. Financial instruments

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.

28. Subsequent events

None.

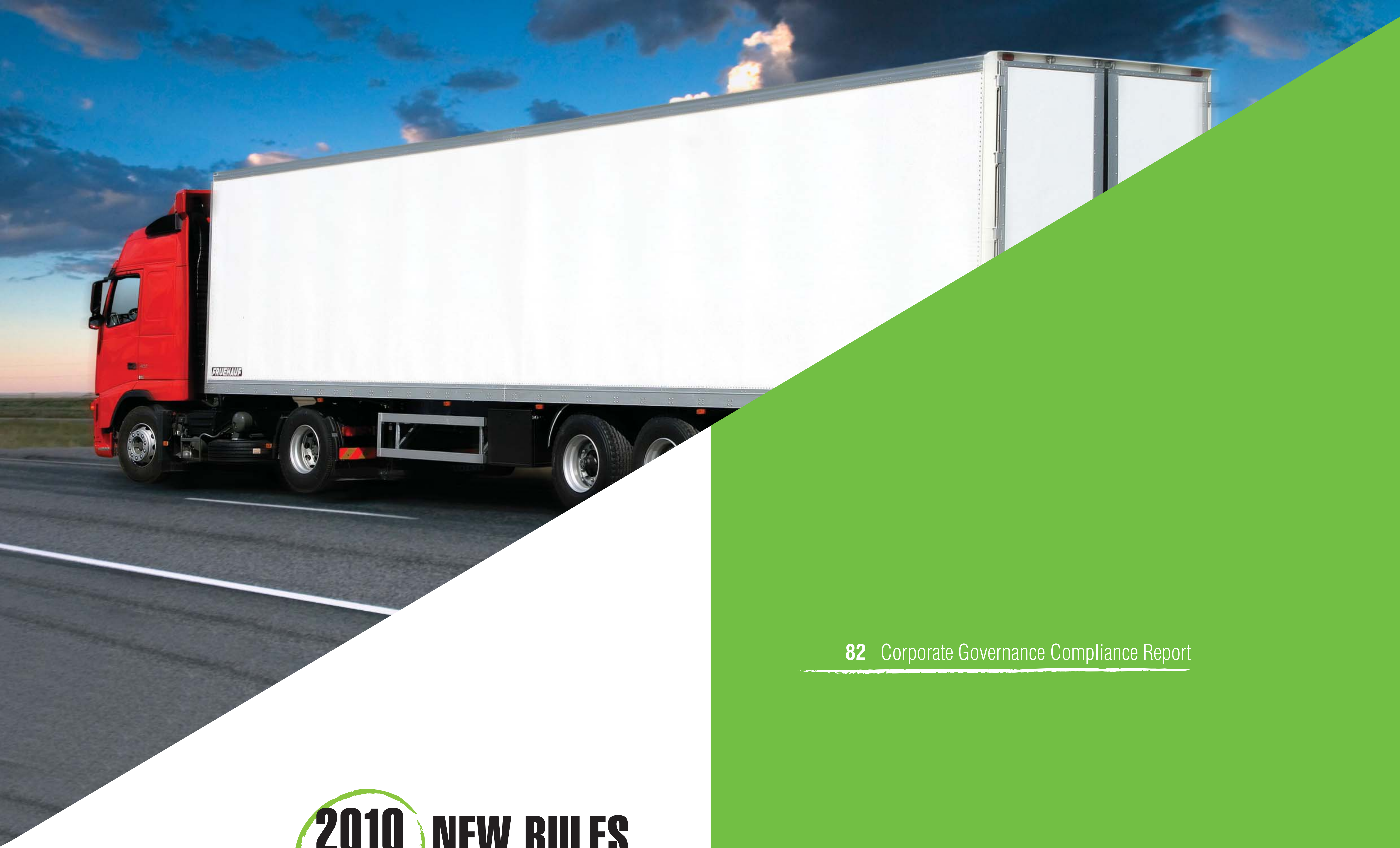
29. Other matters which are significant to the financial statements or which should be disclosed for the purpose of true and fair interpretation of the financial statements

There is no other matters having significant impact on or requiring explanation in order to provide the clarity, interpretability and perceptibility of the financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

FINANCIAL RATIOS

Liquidity ratios	**2010**	**2009**
1- Current ratio (Current assets/Short-term liabilities)	1.19	1.26
2- Liquidity ratio (Current assets – Inventories/Short-term liabilities)	0.91	0.81
Financial Structure Ratios		
1- Ratio of total liabilities to total assets (Short-term liabilities + Long-term liabilities/Total assets)	0.73	0.68
2- Equity/Total Liabilities Equity/ (Short-term liabilities + Long-term liabilities)	0.38	0.47
Operational Profitability Ratios		
1- Profitability ratio of sales (Pre-tax profit/Net sales)	0.04	0.07
2- Profitability ratio of assets (Pre-tax profit/Net sales)	0.03	0.07
3- Profitability rate of equity (Net profit for the term/Equity)	0.12	0.20



2010 ANNUAL REPORT

NEW RULES OF THE GAME

Otokar

Corporate Governance Compliance Report

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

CORPORATE GOVERNANCE COMPLIANCE REPORT

1. STATEMENT ON COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

Our Company has adopted the principles, revealing the corporate management quality, most of which are currently being applied. The aim is to perform necessary actions, in compliance with the Corporate Management Principles, to inform the public, to ensure transparency and for resolutions and transactions pertaining to the shareholders and beneficiaries and the Board of Directors.

Pursuant to the Capital Market Board's (CMB) meeting resolution number 48/1588 dated 10.12.2004, it is deemed appropriate that the companies, being listed on the Istanbul Stock Exchange (ISE), will include their statement on the observance of the aforesaid Corporate Management Principles in their annual report and on Internet sites, if any, as from the annual report for 2005. Accordingly, Otokar Otomotiv ve Savunma Sanayi A.Ş. has included in the Annual Report 2010 the information on the observance of the following principles. The COMPLIANCE REPORT is submitted hereinbelow, and it can be further scrutinised at our Internet site (www.otokar.com.tr)

PART I - SHAREHOLDERS

2. Shareholders Relations Unit

At Otokar Otomotiv ve Savunma Sanayi A.Ş., the relations with shareholders are maintained by the Shareholders Relations Unit. Some of the Unit's activities are the following:

- Introduction of our Company to individual and corporate investors both in and out of the country; informing the potential investors and shareholders,

Hüseyin Odabaş and Yasemin Orhon are charged with this issue and they can be accessed via e-mail at arf@otokar.com.tr or by phone at (0264) 229 22 44/ext. 6210.

- Reporting for the Board of Directors,
- Making necessary arrangements before the General Assembly meeting, issuance of required documentation, obtaining prior authorization for amendments in the Articles of Association and submission thereof to the General Assembly,
- Organisation of the General Assembly meeting, issuance of documents to be used by shareholders, provision of minutes of meeting to demanding parties,
- Informing the shareholders,
- Submission of necessary Special Case Comments to the ISE and the CMB, considering the provisions of the CMB's Communiqué under serial number VIII and number 39,
- Follow up of the changes made in the legislation related with the Capital Market Act and providing information for the relevant departments of the Company,
- Ensuring the payment of dividends to the shareholders,
- Issuance of financial statements and reports on quarterly basis.

For the aforesaid duties, Hüseyin Odabaş and İrfan Özcan are charged accordingly and they can be reached via e-mail at arf@otokar.com.tr or by phone at (0264) 229 22 44/ext. 6200.

3. Exercise of shareholders' right to information

15 shareholders, who appear on the list of attendants for the last General Assembly Meeting, have been furnished with information on the financial and administrative subjects. During the year an Investor Meeting oriented on Brokerage Analysts was organised with the participation of the General Manager and members of Upper Management Team. Additionally, the Financial Affairs Unit organised 20 vis-à-vis meetings with the Brokerage Analysts.

The Company's web site contains the section "Relations with Investors" and related links, further to the information through which they can access to the "ISE" data.

With the Company's Articles of Association, the demand for appointment of an auditor has not been arranged as a personal right, and we have not received such a demand from our shareholders. The Company's activities are regularly inspected the Independent External Auditor designated by the General Assembly and by Auditors appointed by the General Assembly.

4. Information of the General Assembly

In 2010 only an Ordinary General Assembly was held with the participation of the majority. Furthermore, the opportunity for participation has been provided for representatives of printed and visual media, executives of various establishments and institutions and others who intended to participate only as followers.

Invitation for General Assembly meeting is made by the Board of Directors in accordance with the applicable provisions of the Turkish Commercial Code (TCC), the Capital Market Act and the Articles of Association. The public is informed on the meeting as soon as the Board of Directors takes the resolution on General Assembly meeting through making declaration to the ISE and CMB.

Additionally, place of meeting, the agenda of the meeting, draft amendments to the Articles of Association, if any, and sample for the power of attorney shall be published in two daily newspapers, distributed throughout Türkiye, at least 21 days prior the meeting day. Such announcements indicate the places where the audited financial statements can be examined.

At General Assembly meetings, held under the supervision of the government commissioner, it is the incontestable right of shareholders to ask questions and to express their opinions. Thus, our shareholders exercise their right to ask question at the General Assembly meeting, present their proposal regarding the agenda items and speak on the proposals they present, in line with the procedures as required by the Council of Meeting.

Minutes of the General Assembly meetings are announced in our website. Further, these are provided at the head office for scrutiny by the shareholders and are delivered, when requested.

The activities to be involved in are given under Article 4 "Aim and Subject" of the Articles of Association, and the Company is not allowed to make business it would like, unless the General Assembly adopts a resolution by amending this article. For matters like merger, acquisition or split of the Company, the subject is submitted to the general for its approval and decision, upon the Board of Directors' proposal. As it is stated in the said Article of the Articles of Association, approved by the General Assembly, the Company may buy, sell, let be build, lease, accepts or put on mortgage any real property and impose any real right thereon. Latest version of the Articles of Association, containing the said and other articles, is available in our website (www.otokar.com.tr).

All Minutes of General Assembly Meetings and lists of attendants, by years, can be obtained from the Company head office, while the minutes of the General Assembly meetings held in last three years can be seen in our website.

5. Voting Rights and Minority Rights

According to the Articles of Association, there is no privilege with regard to the exercise of voting rights.

At the General Assembly, voting is made in accordance with the regulations on the representation and way of voting (Article 18 of the Articles of Association). The regulations by the Capital Market Board on voting by Proxy shall be complied with.

The Articles of Association does not contain any regulation on the representation of minority shares at the management and method of cumulative voting.

6. Profit Distribution Policy and Time for Profit Distribution

Profit distribution by our Company is made within the framework of the applicable provisions of the Turkish Commercial Code, Capital Market Legislation, Tax Legislation and other related legislation and of the articles of the Articles of Association related with the profit distribution.

When determining the profit distribution, we take into consideration long term Group strategy, capital requirements, participations and affiliates, the investment and financing policies, profitability and cash level of our Company.

As principle, net profit for the period shown in financial statements which are prepared within the scope of the Capital Market Legislation and are subject to independent auditing, shall be taken as basis and at least 50% of the "distributable profit for the period" calculated in accordance with the Capital Market Legislation and other applicable legislation shall be distributed in cash or as bonus shares.

If the calculated profit to be distributed is less than 5% of the issued capital, no profit distribution shall take place.

Dividends to be distributed in line with the General Assembly's resolution can be paid completely in cash or as bonus shares or be paid partially in cash or as bonus shares.

Dividends to be paid in cash shall be fully paid latest at the end of fifth month after the relevant accounting year and dividends as free shares shall be fully distributed latest at the end of six month.

Within the framework of profit distribution policy, the dividend shall be distributed equally among all existing shares.

The distribution shall be made according to the provisions of Article 24 of the Articles of Association.

Dividends distributed in last years as percentage of the issued capital are given in the following table.

YEARS	ISSUED CAPITAL (NTL)	DIVIDEND AS % OF THE ISSUED CAPITAL	AMOUNT OF DIVIDEND DISTRIBUTED (NTL)
FROM YEAR 2003 PROFIT	24.000.000	Dividend distribution was not realized due to set-off of loss of previous years due to UFRS by the profit of the current period.	
FROM YEAR 2004 PROFIT	24.000.000	%60,00	14.400.000
FROM YEAR 2005 PROFIT	24.000.000	%40,00	9.600.000
FROM YEAR 2006 PROFIT	24.000.000	%125,00	30.000.000
FROM YEAR 2007 PROFIT	24.000.000	%125,00	30.000.000
FROM YEAR 2008 PROFIT	24.000.000	%30,00	7.200.000
FROM YEAR 2009 PROFIT	24.000.000	%85,00	20.400.000

7. Transfer of Shares

The Articles of Association does not contain any provision on procedures to complicate the transfer of shares by respective shareholders freely and restriction of transfer of shares.

PART II – DISCLOSURE TO THE PUBLIC & TRANSPARENCY

8. Company's Information Policy

Otokar applies an information policy aiming the provision of accurate, complete and comprehensible information in order to keep the public informed in effective, transparent and lasting manner. Except trade secrets, the Company aims to share its vision and targets, past performance and its expectations with the public and relevant establishments, existing and potential investors and shareholders in equal manner and to establish an effective and open communication stage by announcing its financial data within the scope of the generally accepted accounting principles and the Capital Market Provisions.

It complies with the Capital Market Legislation and the regulations by the Istanbul Stock Exchange for all practices of disclosure and aims to implement the most effective communication policy within the framework of the CMB's Corporate Management Principles.

Relations with the media are executed by the Corporate Communication Unit and additional information can be obtained from Beril Aksoy Gönüllü via e-mail to kyl@otokar.com.tr or by phone (0216) 489 29 50/ext. 268.

The Financial Affairs and Shareholders Relations Unit are responsible for disclosure affairs (Hüseyin Odabaş and İrfan Özcan at arf@otokar.com.tr or (0264) 229 22 44/ext. 6200) by announcing necessary information and documents to the public.

9. Special Case Disclosures

In 2010, the Company made 19 special case disclosures. For no case, the CMB and the ISE required additional comments. The Company is not listed on international stock exchanges, thus no special case disclosure was required for any establishment except for the CMB and the ISE. Special case disclosures were made within the time period set by law; therefore the Company was not subject to any sanction by the CMB.

10. Company's Internet Site and its Contents

The Company holds an active and updated Internet site. The web site contains a lot of comprehensive information regarding the Company which would be sought. Being updated in line with developments, the site has also an "investor relations" section, covering minimum subjects as set by the CMB. Company's annual report is available as hard copy and it can be reviewed at the website at www.otokar.com.tr.

11. Disclosure of Real Person Ultimate Controlling Shareholder/Shareholders

There are no shareholders with participation rate over 5%, except Koç Holding Inc., and Ünver Holding Inc., both being major shareholders of the Company.

Members of the Board of Directors, upper management and shareholders controlling 5% of the capital, directly or indirectly, shall disclose to the public the transactions made on the capital market instruments and stocks and the results thereof, there is no special case disclosure to affect the investors.

12. Disclosure of the Insiders to the Public

Persons who may access to information which would affect the value of the Company's capital market instruments are the members of the Board of Directors and the Company's upper management team. Accordingly, the persons on list of the aforesaid positions can be stated as Mr Kudret Önen, Mr Halil İbrahim Ünver, Mr Osman Turgay Durak, Mr Alpay Bağrıaçık, Mr Ali Tarık Uzun, Mr Bülent Bulgurlu, Mr Ahmet Serdar Görgüç, Mr Taylan Bilgel and Mr Tuğrul Kudatgobilik, all serving as members of the Board, and Mr Mehmet Metin Utkan and Mr İbrahim Murat Çağlar, serving as auditors and Mr Hüseyin Odabaş, Mr Ali Rıza Alptekin, Mr Murat Ulutaş, Mr H. Basri Akgül and Mr Mustafa Bakırcı, members of the upper management team.

Utmost importance is given to ensure the compliance of all Company personnel with the rules on the use of information obtained from inside to attain balance between the transparency and the protection of the Company interests.

Any information on the Company obtained during the employment period, which the Company wishes not to be disclosed to any third party other than those who need the information to conduct the business and which can be defined as trade secret are deemed to be 'Company Information'. All employees shall, during and after their employment at Otokar, keep the company information secret, not use them directly or indirectly, and sign the undertaking for protection of information.

PART III - STAKEHOLDERS

13. Disclosure to Stakeholders

The beneficiaries are furnished with information regarding matters of their interest by through invitation to meetings, whenever required, or via telecommunication means.

14. Participation of the Stakeholders in the Management

Practices for participation of the beneficiaries in the improvement studies regarding administrative affairs and for expression their comments and evaluations are being carried on according to the procedures defined within the Company. Systematic meetings and training programs, extending from EFQM models and self-evaluation meetings allowing participation of all white and blue collars to open-door meetings, based on the total quality philosophy and aiming to improve productivity and where the employees as well as suppliers and customers express their opinion freely, and studies such as "inquiry on evaluation of working life" are realised in line with the HR policies. Studies are planned and carried on to enhance the efficiency on each segment of the public, from dealer meetings to the shareholders' visit to the plant. In addition, there is a system established through which the customer demands are followed on the sales and dealer network and forwarded to the management and arrangements are made accordingly and necessary feedback is obtained.

15. Human Resources Policy

Within the framework of the Human Resources Policy applied by our Company, the criteria to be used for recruitment of personnel and promotion mechanism have been set in written. Our aim as human resources process is to continuously develop the competency of our labour force and to maintain our permanent advantage within the global competitive environment by adhering to the following principles:
- Right person for right job
- Equal remuneration for equal job; differentiation based on performance
- Recognition and commendation depending on achievement
- Equal opportunities for everybody

The operation of the human resources systems designated to this end shall be defined by procedures and announced to all employees.

The human resources policy has already been established and being applied. Recruitment policies, career planning, development and training policies regarding the employees are provided under the Personnel Regulation. Although the establishment of various committees to execute the relations with the employees are in discussion, no representative has been elected and appointed as of yet. Studies in compliance with the Human Resources policies applied by the Koç Group and the rights and working conditions of white as well as blue collars have been covered not to allow for any discrimination or bad treatment. No complaint was filed during the last period in this regard.

16. Information on Relations with Customers and Suppliers

Customer satisfaction is the priority and indispensable aim regarding the marketing and sales of goods. Customer satisfaction is regularly reported and followed up.

Our Company takes all measures and adopts necessary procedures to attain customer satisfaction at marketing, sales and after sales of the goods and services. Demands by the customers are met in speedy manner and the customer is informed accordingly. Quality standards and guarantee for high quality are fulfilled. The principles and policies concerning the suppliers as well as the satisfaction criteria for the customer-oriented goods and services are regularly measured and followed up by the responsible departments of the Company.

17. Social Responsibility

Within the scope of social efforts specific to the region where our plant is located as well as provided in general to the public, activities are organised based on corporate social responsibility and the criteria of effects on the public. The Annual Report covers necessary and detailed information on efforts made during the term within the said framework. During the year, no notice on any environmental pollution has been issued, and records are kept on our activities, primarily environmental effect evaluation reports.

PART IV - BOARD OF DIRECTORS

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

Members currently serving as members of the Board are:
Mr Kudret Önen - Chairman
Mr Halil İbrahim Ünver- Vice Chairman
Mr Osman Turgay Durak – Member of the Board
Mr Alpay Bağrıaçık- Member of Auditing Committee
Mr Ali Tarık Uzun- Member of Auditing Committee
Mr Ahmet Serdar Görgüç-Member of the Board and General Manager,
Mr Taylan Bilgel-Member of the Board and
Mr Tuğrul Kotadgobilik- Member of the Board.

Mr Ahmet Serdar Görgüç serves at the Board of Directors as executive member. Following the General Assembly, where the members of the Board are appointed, the Board takes the resolution on duty allocation and the Chairman and Vice Chairman are elected. In case any position will become vacant during the year, the provisions of Article 315 of the Turkish Commercial Code shall apply.

For performance of works, covered by the company's subject, by the Chairman and members of the Board of Directors, personally or on behalf of third parties, and their participation in other companies being involved in same works, the approval by the General Assembly should be obtained, pursuant to the provisions of Article 334 and 335.

19. Qualification of the Members of the Board

Chairman and members of the Board are persons with highest level of efficacy and effectiveness. It is essential to establish the Board of Directors consisting of persons who meet the requirements of the Corporate Management Principles and are of competency being masters of management. Regarding the qualifications of persons to be appointed as members of the Board, it is noted that the managers, furnished with such qualifications, possess necessary knowledge.

20. Company Mission and Vision and Strategic Targets

Vision:
Otokar preserves domestic and national identity of its products by developing its own technology and aims to attain the continuity of its customers, employees and shareholders satisfaction based on the total perfection philosophy.

Mission:
Main task of Otokar is to design, produce and sell commercial vehicles and various products for defence industry, in line with customers' expectations, with competitive edge in international markets.

Strategic Targets:
- to grow at 15% on average in certain periods ensuring at least 15% profitability for our own resources and increasing the value of our shares,
- to focus on the manufacturing of products which are of ambitious nature and have competitive strength in international markets,
- to invest in technology with the purpose to become the leading or second Company in sectors we are serving,
- to improve our brand strength in sectors we act and to dominate the technology,
- to increase the share of foreign sales in revenues by improving our export volume and our activities abroad.

Strategic targets defined according to our vision and mission is handled by the Board of Directors. The values related with our vision and mission determined by the Upper Management Team and approved by the Board are given in the Annual Report. The studies of relevant departments in connection with the establishment and implementation of strategic targets are submitted to the Board by the upper management, who follows the procedure. The Board of Directors compares the upper management's targets for new year by evaluating past year performance and takes the necessary resolution.

21. Risk Management and Internal Audit Mechanism

Risk management and internal audit organisation is established in line with the financial and administrative activities. Its operation and efficiency is followed by the Financial Affairs Department in accordance with the applicable capital market legislation and regulations.

The Company's financial statements are examined by the Auditing Committee, consisting of the members of the Board. Furthermore, auditors appointed by the general Assembly, pursuant to the Turkish Commercial Code, perform auditing functions as well.

Our Company carries on its activities being subject to audit, covering all financial control and risk analysis, by the Presidency of Auditing Group, reporting to the Board of Directors of Koç Holding Inc.

22. Principles of Actions of the Board of Directors

Topics and agenda related with the Board's resolutions are prepared periodically or according to requirements arisen. Depending on the requirements, number of meetings held within a year may vary. In last three years (2008-2010), totally 35 Board meetings were held. Attendance and invitation for the meeting is, principally, made whenever the business requires and the Board meeting is held accordingly. There is no special secretariat established for communication, nevertheless the Financial Affairs Department is involved in issuance of agenda, recording and following up of the resolutions taken. If there are different votes regarding the resolutions taken, it is noted on the resolution. Questions and comments on the resolutions are noted, as well.

The agenda of the Board meetings are determined upon notification of the matters to be resolved by the Board, as set out in the Articles of Association, to the members of the Board by the upper management. Besides these, the agenda may be determined upon notification of requirement for resolution on a specific matter by any Board member to the upper management of the Company.

Topics to be discussed by the Board of Directors are gathered at the Financial Affairs Department, are consolidated and the agenda is thus determined.

Otokar A.Ş. Financial Affairs Manager is charged with the duties to determine the agenda of the Board meeting, issuance of the resolutions taken by the Board within the context of the provisions of Article 330/II, Turkish Commercial Code, providing information to the Board members and ensuring the communication.

Different opinions expressed during the meeting and reasons for opposing votes are written down in the minutes of meeting. However, since there is no opposition or different opinion expressed of recent date, no announcement has been made for the public.

23. Prohibition of Dealing with Company and Non-Competition

It is prohibited that the members of Board deal and compete with the Company, and necessary measures are taken in accordance with the practice, adhering to statutory regulations in such cases which would result in conflict of interests.

24. Ethical Rules

In general, the Company conducts studies to ensure the compliance with and implementation of ethical rules. Within the entirety of the legislation and regulations and practice, generally accepted ethical rules are complied with.

New regulations shall be disclosed to the public, whenever realised, within the framework of the Company employees, beneficiaries and policy on providing information.

25. Number, Structure and Autonomy of the Committees established by the Board of Directors

There is a committee established as being responsible for auditing, to ensure that the Board performs its duties and responsibilities in a healthy manner.

This Committee consists of Mr Alpay Bağrıaçık and Mr Ali Tarık Uzun, and is responsible to follow up the financial matters, to review the periodical financial statements and notes to financial statements and to submit the Independent External Auditor’s report to the Board of Directors for its approval.

No Corporate Management Committee has been established yet within the scope of the Company’s corporate management principles. As regards to this matter, steps will be taken according to the applicable legislation and to the regulations to be announced by the CMB.

26. Financial Rights vested on the Board of Directors

Rights to be vested on the Board are determined by the General Assembly. At the General Assembly held on 17.03.2010, the shareholders approved the payment of monthly remuneration to Board members.

No additional benefits are provided for the Chairman and members of the Board, other than the remuneration determined by the General Assembly. There is no special application regarding performance or reward for the Board.

Furthermore, no money was lent to any member of the Board and of upper management team, no loan was awarded, no benefits were provided as loan through any third party and no security for the aforesaid, such as guaranty.