

BOARD OF DIRECTORS REPORT
OF OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş. FOR THE PERIOD
01.01.2009 - 31.12.2009 SUBMITTED TO THE 47. ORDINARY GENERAL
ASSEMBLY HELD ON MARCH 17, 2010



Our Esteemed Shareholders,

Welcome to our 47. Ordinary General Assembly meeting held to evaluate the operating results for the year 2009 and to discuss and resolve on other items included in our agenda. We wish to express our thanks and our regards for your kind interest.

At this meeting, we wish to provide you information about our activities in 2009 and to submit our financial statements, indicating the year results, prepared in accordance with the generally accepted accounting principles as announced by the Capital Market Board, showing the results of our activities in the year 2009, for your perusal and approval.

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

Board of Directors:

Name & Surname	Position	Office term	
		Beginning	Expiry
Kudret ÖNEN	Chairman	17.03.2009	17.03.2010
Halil İbrahim ÜNVER	Vice Chairman	17.03.2009	17.03.2010
Dr Bülent BULGURLU	Member	17.03.2009	17.03.2010
Alpay BAĞRIAÇIK	Member	17.03.2009	17.03.2010
Ali Tarık UZUN	Member	17.03.2009	17.03.2010
A.Serdar GÖRGÜÇ	Member	17.03.2009	17.03.2010
Taylan BİLGEL	Member	17.03.2009	17.03.2010

Limits of power 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:

Name & Surname	Position	Office term	
		Beginning	Expiry
Serkan ÖZYURT	Auditor	17.03.2009	17.03.2010
M. Metin UTKAN	Auditor	17.03.2009	17.03.2010

Limits of power 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 31.12.2009, 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 (%)
Koç Holding A.Ş.	10.722.750	44,68
Ünver Holding A.Ş.	5.954.944	24,81
Diğer ortaklar	7.322.306	30,51
Total	24.000.000	100.00

As per latest date provided by Merkezi Kayıt Kuruluşu A.Ş. (Central Recording Establishment, Inc), remaining shares with nominal value of TL 7.322.306, representing 30.51% of the capital, are distributed among around 4920 shareholders.

Amendments made in the Articles of Association:

In order to meet the Company's requirements in developing fields of activities, "Article 3: Trade Name", "Article 4: Aim and Subject" were amended, while "Article 7: Registered Capital and provisional Clause" and "Article 10: Board of Directors" were amended to enhance our compliance with changes imposed by the applicable legislation.

Dividends distributed in last three years and respective amounts:

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

Period	%
2006	125,00
2007	125,00
2008	30,00

Dividend for the operating year 2008 distributed among shareholders has been paid on April 13, 2009 fully 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 line with general announcements of MKK on the dematerialisation process of the share certificates and pursuant to provisional Article 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

Our Participation:

As per the Board's Resolution 2009/8 dated June 25, 2009, it was resolved to sell the shares in Entek Elektrik Üretim A.Ş. (Entek Power Generation Inc.) and to grant power of sale. Based on this resolution, it has been resolved to sell the Company shares in Entek Elektrik Üretimi A.Ş. at 0,86% completely to Aygaz A.Ş. in consideration of TL 2.099.804 paid in cash and sales transaction was concluded as of July 21, 2009.

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). The contract value amounts to US\$ 494 million and it will be completed in 78,5 months after the effectiveness of the contract.

The financial crisis, broke out in the USA in last quarter of 2008, has rapidly evolved into a global crisis and the resulting decrease in demand arose in all markets.

Consideration of 2009 as regards to the automotive sector indicates that particularly the sales and production figures tended to fall down and the performance of the whole sector in 2009 was adversely affected. All these adverse economic events lead to reduction in demand for heavy commercial vehicles, such as minibus, midi-bus, truck and bus by 34%, which is a significant rate.

Exports volume of the whole automotive industry in 2009 reduced by 34%, compared to that in the same period of 2008, and it fell down to \$ 14.5 billion.

The developments in sector during 2009 can be summarised as follows, in line with the OSD data.

- In 2009, total vehicle production in the sector decreased by 24% compared to the previous year and was realised as 870.000 vehicles, while car production decreased by 18% and was realised as 511.000 cars.

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

For minibus	decrease by 44%
For midi bus	decrease by 75%
For delivery van	decrease by 27% was realised.

- In heavy commercial vehicles group,

For bus	decrease by 22%
For large trucks	decrease by 74%
For small trucks	decrease by 89% was realised.

- Production volume of cars increased by 16,3%.

Regarding light commercial vehicles, 2009 sales volume was close to that in 2008, while sales volume of import vehicles decreased by 28%. Sales of domestic light commercial vehicles increased by 25%, while the market share of import vehicles was realised as 18%.

PRODUCTION & SALES

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

	2009		2008		Change		Change (%)	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Minibus	262	276	511	498	(249)	(222)	(49)	(45)
Small bus	1,008	978	1,700	1,555	(692)	(577)	(41)	(37)
Bus	290	273	325	308	(35)	(35)	(11)	(11)
4x4 Off-road veh	749	649	222	209	527	440	237	211
Armoured veh	251	270	470	453	(219)	(183)	(47)	(40)
Trailer	395	422	1,017	994	(622)	(572)	(61)	(58)
Total	2,955	2,868	4,245	4,017	(1,290)	(1,149)	(30)	(29)

In our financial statements, prepared in accordance with the generally accepted accounting principles as announced by the Capital Market Board, the Company's turnover is increased by 5% over the last year. Breakdown of turnover in terms of domestic and international markets is given in the following table, compared with last year's figures.

	2009 (TL)	2008 (TL)	Change (%)
Domestics sales	345,455,005	329,122,328	5
Foreign sales	157,789,678	149,992,527	5
Total	503,244,683	479,114,855	5

Total foreign sales is realised as US\$ 100.447.127 (in 2008: US\$ 115.032.797), and has 31% (in 2008: 31%) share among total turnover.

In 2009 use of capacity was realised as 14% (in 2008:28%) for minibus, 48% (in 2008: 81%) for midi bus, 29% (in 2008: 33%) for busses, 28% (in 2008: 52%) for armoured vehicles and 30% (in 2008: 44%) for trailer. Total capacity use rate was 30% (in 2007: 44%).

Otokar achieves the growth through its products, developed using engineering and research development means, the design and intellectual 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 exports volume and to grow through introduction of new models, and it accomplished to attain its targets.

Regarding military vehicles, the Company participated in IDEX held in Abu Dhabi and introduced Cobra, Armoured Personnel Carrier and Kaya vehicles. At IDEF 2009 Fair, organised in Istanbul, the Company introduced mine-resistant Armoured Personnel and Load Carrier family, latest versions of world-known armoured Cobra, renewed Land Rover Defender and Armoured Personnel Carrier. The Company participated in DSEI 2009 Defence Fair, organised in London on September 8-11, 2009 and introduced its Kay and Cobra vehicles to the European market for the first time.

Regarding commercial vehicles, Otokar exhibited lately developed 9 m bus, operated by natural gas, called Doruk 230DG, at Liquid Petroleum gas and Pressurised Natural gas Services and Technologies Fair. All vehicles were exhibited at Busworld realised at Kortrijk, Belgium and won the Grand Award, the biggest award in Europe, in Midi Coach segment with its 10 m Vectio 250T. Further to Vectio 250T, Kent Low Floor and Centro products drew considerable attention of the European authorities in the sector. At Istanbul COMVEX Commercial Vehicles and Sub-industry Fair, Otokar exhibited the renewed DORUK LE bus, low floor KENT LF bus model and semi-trailer with galvanised chassis for the first time.

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 2009 as well, based on the resolution taken for research and development efforts.

The investment in machine and equipment within the scope of R&D Centre and modernisation efforts amounts to around ten million US Dollars.

ADMINISTRATIVE ACTIVITIES

Members of the upper management team served in 2009 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 31.12.2009, total personnel are 1.207 (in 2008:1.184), of which 457 (in 2008: 405) are serving as administrative staff and officers while 750 (in 2008: 779) as workers. During the term no dispute and labour act has arisen.

Our Company is subject to Group Collective Labour Contract, signed with the Turkish Metal Syndicate and MESS on 05.12.2008 and to be effective as from 01.09.2008. The contract is concluded for two years and shall expire on 31.08.2010

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 "2. Rating Term Revision" in 2009 was realised as 8.12 (7.94 in 2008).

FINANCIAL RESULTS

Our Company is submitting the financial statements on its activities in the year 2009, prepared in accordance with the generally accepted accounting principles as announced by the Capital Market Board, to the General Assembly and to the public.

Financial statements, notes to financial statements and ratios, presenting the results of year 2009, are submitted for perusal separately in other sections of the Annual Report.

In 2009, Company's turnover was realised as TL 503.244.683, and gross sales profit as TL 131.131.809.

According to the financial statements, prepared in accordance with the generally accepted accounting principles as announced by the Capital Market Board, TL 10.943.888 was allocated for depreciation, TL 973.881 as severance pay and guarantee expenses, and the year ended with pre-tax profit amounting to TL 35.674.865.

Tax provision for the year 2009 is stated in financial statements as TL 1.815.055 due to deferred tax revenues. After allocation of the tax provision, the Company's net profit for 2009 is obtained as TL 33.859.810.

During the year, the Company donated TL 559.655 to tax-exempted foundations and associations, as social aid.

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

Pursuant to the attached Proposal on Profit Distribution, we hereby submit for your approval that cash dividend at rate 85% and as TL 0,85 gross=net will be distributed among shareholders who are full taxpayer establishments and foreign-based taxpayers obtaining profit share via an enterprise or permanent representative in Türkiye.

cash dividend at rate 72,25% and as TL 0,7225 net for each share certificate with nominal value of TL 1.00 will be distributed among other shareholders,

that TL 19.096.992 of total dividend amount of TL 20.400.000 will be covered by current year non-exempted earnings and TL 1.303.008 by extraordinary reserves and that the dividend distribution shall begin on Wednesday, March 24, 2010.

Enclosed please find the summary of 2009 operations and the results obtained.

Esteemed Shareholders,

Our Board of Directors has thus concluded its work for today. 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 19, 2010



Kudret Önen
Chairman