

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. 27.02.2015

THE REPORT ON ACTIVITIES WITH RELATED PARTIES FOR 2014

General Information

This report has been prepared under Article 10 of the Communiqué Serial II.17.1 (Communiqué) of Capital Markets Board of Turkey (CMB). In accordance with the aforementioned article, in case of foreseeing the ratio of the amount of common and continuous transactions between corporations whose stock are traded in Borsa İstanbul and its related parties within an accounting period to the amount of cost of sales according to latest annual financial statements disclosed to the public in purchasing transactions or to amount of revenue according to latest financial statements disclosed to the public in sales transactions is equal to 10% or over, a report is prepared by company's board about conditions of the transactions and comparison with the market conditions and to disclose that report to the public on Public Disclosure Platform is mandatory.

The purpose of this Report is to disclose the conditions of the transactions executed by OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. (the Company) with related persons/parties defined in the International Accounting Standard No. 24 (IAS 24), providing that they are not considered as trade secrets, and to demonstrate that the Company has not incurred any disadvantage as a result of such transactions when with the conditions prevailing in the market, pursuant to the regulations of the Capital Market Board.

The detailed informations about processes that have been carried out with the related parties of Otokar Otomotiv ve Savunma Sanayi A.Ş. within 2014 are disclosed in note 27 of our financial statements which is about the activities in 2014, and in this report, only the sales to Ram Dış Ticaret A.Ş. , which is exceeding the limit of 10% of sales, has been assessed for the compliance with the market conditions. It is expected that in 2015 the processes of the same nature will exceed the limit of 10% and the processes will be carried out in accordance with the principles described in this report.

Information about Otokar Otomotiv ve Savunma Sanayi A.Ş.

Otokar was established in 1963. Operating in the field of light commercial vehicles of the automotive industry, Otokar's product range is consisted of minibuses, midibuses and buses preferred for especially mass transportation and tourism transportation, moreover for the defence industry purpose Otokar produces various types of 4x4 land vehicles and wheeled armoured tactical vehicles. Additionally for the logistic sector, all type of trailer and semi-trailers are produced under the brand of Otokar-Fruehauf.

As of 31.12.2014, the registered capital ceiling of the Company is TL 100 million and the issued capital is TL 24 million.

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

Shareholders	Amount of Shares(TL)	Shareholding (%)
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
Toplam	24.000.000	100,00

Information about the Related Companies being the subject of this Report

Ram Dış Ticaret A.Ş. is registered to İstanbul Chamber of Commerce (İTO) with the registration number of 109050 and is engaged in the wholesale trade activities at the address Ruzgarlıbahçe Mahallesi, Cumhuriyet Caddesi, Energy Plaza, Kat:2 Beykoz, İstanbul, Turkey.

Ram Dış Ticaret A.Ş. was established on 16th November 1970 and currently its issued capital is TL 6 million. Field of activities of Ram Dış Ticaret A.Ş. are; all kinds of wholesale product trading, importing, exporting, making studies on domestic and international marketing and giving consultancy services to third parties. Besides, it provides consultancy in the field of aviation to the world's leading companies located in the Turkic Republics, and creates additional value to group companies and also their sub-industry companies by acting as purchasing center in domestic iron and steel sector. Through its offices located in North Africa, the Turkic Republics and Iraq, it follows closely the markets on the basis of region and country and assess the business opportunities. Thus, different projects have been carried out in recent years, in different sectors, such as energy, automotive, paper, defence.

Information about the conditions of transactions executed with related persons/parties and consistency of such conditions with the prevailing market conditions

Sales of the Company that were above the 10% sales limit between 01.01.2014-31.12.2014 were made to Ram Dış Ticaret A.Ş. and explanations about these transactions are given in the article 27 of Independent Auditor Report dated 31 December 2014.

Sales made to Ram Dış Ticaret A.Ş. is basically consisted of the export registered sales made to non-related third parties. The amount of the issued invoices (for Ram Dış Ticaret A.Ş. and for the third party importer) both remain the same, Ram Dış Ticaret A.Ş. only issues commission invoice for the activities it carries out.

All negotiations with third parties, any contract, default risks and any potential risk associated with inventory are carried out, managed and followed by Otokar. Therefore, all risk are borne by Otokar and Ram Dış Ticaret A.Ş. only assists and manages operative and paper works and in return of these services it issues commission invoice.

As can be seen aforesaid description, when evaluating the essence of the process, rather than the volume of the sales, the amount of commissions paid for the related transaction should be taken into account when determining the 10% limit considering the commercial relations between Ram Dış Ticaret A.Ş. and Otokar. However, as issued invoices covers the entire amount of related transaction, the all sales are seen as related party transactions and therefore seem to be exceed 10% limit.

Within 2014, amount of TL 177.314.311 sales transaction has been realized between the Company and related Ram Dış Ticaret A.Ş. and the whole said transactions are consisted of the export registered sales made to non-related third parties with exactly the same conditions. In addition to this; total amount of commission invoices occurred by the related transactions is TL 837.714. The commission amount which is real provision amount of related party transaction is much lower than the limit stated in the Communique and it is decided in accordance with the market conditions.

Conclusion

Pursuant to Capital Market Board's Communique, article 10 of Serial: II, No:17.1; due to the fact that the amount of the Company's common and ongoing product sales transactions with ram Diş Ticaret A.Ş. within 2014 accounting period have exceeded 10% of cost of sales and revenue which will be disclosed to the public, and due to the expectation that related party transaction will remain above this limit in 2015 , the terms of transaction made with Ram Diş Ticaret A.Ş., pricing policy and reasons for choosing this policy are explained in this report and information regarding the compliance of the transaction with market conditions is provided.