

## **OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.**

### **THE REPORT ON ACTIVITIES WITH RELATED PARTIES FOR 2017**

#### **General Information**

This report is prepared under Article 10 of the Corporate Governance Communique Serial II.17.1 (Communique) of Capital Markets Board of Turkey (CMB). In accordance with the aforementioned article, the Board of Directors of the Company should prepare a report, in case of foreseeing the ratio of the amount of common and continuous transactions between corporations whose stocks are traded in Borsa İstanbul and the subsidiaries of the corporation and its related parties within an accounting period, in which;

a) the rate of sales to cost of sales based on the final annual financial statements in purchasing transactions,

b) the rate of sales to revenues based on the final annual financial statements in sales transaction,

exceeds 10% and this report including the market comparisons for such transaction should be announced via Public Disclosure Platform (KAP).

The purpose of this Report is to disclose the conditions of the transactions that are foreseen to be executed by OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. (the Company) in 2017 with related parties defined in the Turkish Accounting Standard No. 24 (TAS 24) related to Related Parties Transactions, providing that they are not considered as commercial secrets, and to demonstrate that the Company is not foreseen to be incurred any disadvantage as a result of such transactions when comparing with the conditions prevailing in the market, pursuant to the regulations of the Capital Market Board.

The detailed information about processes that have been carried out with the related parties of Otokar Otomotiv ve Savunma Sanayi A.Ş. within 2017 are disclosed in note 27 of our financial statements which is about the activities in 2017, and in this report, the condition of the transactions which are foreseen to be exceeded the limit of 10% of total transaction amount in 2018 financial year has been assessed.

#### **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 defense industry purpose Otokar produces various types of 4x4 land vehicles and wheeled armored tactical vehicles. Additionally for the logistic sector, all type of trailer and semi-trailers are produced under the brand of Otokar-Fruehauf.

The issued capital of the Company is TL 24 million and the information about the shareholder structure is given below,

| Shareholder        | Share Amount (TL)    | Equity Ratio (%) | Voting Right          | Voting Right Ratio (%) |
|--------------------|----------------------|------------------|-----------------------|------------------------|
| Koç Holding A.Ş.   | 10.722.749,81        | 44,68            | 10.722.749.809        | 44,68                  |
| Ünver Holding A.Ş. | 5.954.943,83         | 24,81            | 5.954.943.830         | 24,81                  |
| Publicly Held      | 6.587.124,77         | 27,45            | 6.587.124.770         | 27,45                  |
| Other              | 735.181,59           | 3,06             | 735.181.591           | 3,06                   |
| <b>Total</b>       | <b>24.000.000,00</b> | <b>100,00%</b>   | <b>24.000.000.000</b> | <b>100,00%</b>         |

The summary financial information about 2015-2017 financial years are given below,

|                     | 31.12.2015    | 31.12.2016    | 31.12.2017    |
|---------------------|---------------|---------------|---------------|
| <b>Total Assets</b> | 1.605.062.174 | 1.784.267.642 | 2.009.587.587 |
| <b>Total Equity</b> | 245.239.099   | 242.958.092   | 283.553.005   |

|                      | 01.01.2015-31.12.2015 | 01.01.2016-31.12.2016 | 01.01.2017-31.12.2017 |
|----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net Sales</b>     | 1.433.967.887         | 1.634.514.698         | 1.785.271.504         |
| <b>Cost of Sales</b> | (1.063.026.461)       | (1.224.669.421)       | (1.313.646.337)       |
| <b>Net Profit</b>    | 79.506.151            | 69.725.866            | 99.422.469            |

## **Information about the Related Companies being the subject of this Report**

### **Ram Dış Ticaret A.Ş**

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 Rüzgarlıbahçe Mahallesi, Cumhuriyet Caddesi, Energy Plaza, Kat:2 Beykoz, İstanbul, Turkey.

Ram Dış Ticaret A.Ş. was established on 16.11.1970 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. It follows closely the markets on the basis of region and country and assess the business opportunities, through its offices located in North Africa, the Turkic Republics and Iraq. Thus, different projects have been carried out, in different sectors, such as; energy, automotive, paper, and defense in recent years.

### **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 and subsidiaries that were above the 10% sales limit between 01.01.2017-31.12.2017 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 2017.

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 export registered 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 exceed 10% limit.

Within 2017, amount of TL 228.849.322 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. The total amount of acquired services from Ram Dış Ticaret A.Ş. was TL

17.163.744 due to the export registered sales as described above and the balance amount occurs from sales commission invoices resulting from the sales contract. The accrued commission amount occurred from export registered sales 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 subsidiaries' common and ongoing product transactions with Ram Dış Ticaret A.Ş. within 2018 accounting period is foreseen to be exceed 10% of the amount of revenue based on 2017 financial reports which was the latest and disclosed to the public, and the conditions of the transactions executing with Ram Dış Ticaret A.Ş. are foreseen to be continued with the same conditions within 2018 , pricing methods and reasons for choosing such methods are explained in this report and information regarding the compliance of the transaction with market conditions is provided.

NOTE: This report has been translated into English for informational purposes. In case of a discrepancy between the Turkish and the English versions of this disclosure statement, the Turkish version shall prevail.