

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

THE REPORT ON ACTIVITIES WITH RELATED PARTIES FOR 2024

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 a publicly listed 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 ratio of the purchasing amount to the cost of goods sold in accordance with the last annual financial statements disclosed to the public

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

If it is foreseen that it will reach a ratio of more than 10%, a report should be prepared by the Board of Directors of the publicly listed company regarding the terms of the transactions and their comparison with the market conditions, and the whole or the result of this report should be disclosed on the Public Disclosure Platform.

The purpose of this Report is to disclose the conditions of the transactions that are foreseen to be executed by Otokar Otomotiv ve Savunma Sanayi A.Ş. ("our Company") in 2023 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 our 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 2023 are disclosed in note 28 of our financial statements which is about the activities in 2023, and in this report, the condition of the transactions which are foreseen to be exceeded the limit of 10% of total transaction amount in 2024 financial year has been assessed.

Information about Otokar Otomotiv ve Savunma Sanayi A.Ş.

Otokar was established in 1963. Operating on the area of 552 thousand square meters factory in Sakarya, Arifiye. Otokar, offers tailored solutions to its clients with its technologies, designs and applications. A part of the Koç Group, Otokar produces buses, midibuses, and light trucks in the commercial vehicles segment, and a variety of tactical wheeled and tracked armored vehicles and turret systems for the defense industry.

The issued capital of our Company is TL 120 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.	53.613.749,05	44,68	5.361.374.904,50	44,68
Ünver Holding A.Ş.	29.774.719,15	24,81	2.977.471.915,00	24,81
Other	36.611.531,80	30,51	3.661.153.180,50	30,51
Total	120.000.000,00	100,00%	120.000.000.000,00	100,00%

The summary financial information about 2022 and 2023 financial years are given below,

(000 TL)	31.12.2022	31.12.2023
Total Assets	26.632.326	32.484.677
Total Equity	6.527.187	8.303.143

(000 TL)	01.01.2022-31.12.2022	01.01.2023-31.12.2023
Net Sales	17.818.972	27.238.881
Cost of Sales	(13.772.811)	(20.932.034)
Net Profit	2.018.080	1.967.962

According to the aforementioned data, in accordance with the Communiqué, the Board of Directors report should be prepared for the transactions foreseen to exceed the amount of TL 2.093.203 thousand (2023 COGS * 10%) for procurement transactions and the total amount of TL 2.723.888 thousand (2023 Revenue * 10%) for sales transactions in 2024.

Information about the Related Companies being the subject of this Report

Ram Dış Ticaret A.Ş.

Ram Dış Ticaret A.Ş. (Ram) 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 Altunizade, Kısıklı Cd. No:26/4, 34662 Üsküdar/İstanbul, Türkiye. 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. It creates additional value to group companies and their sub-industry companies by acting as purchasing center in domestic iron and steel sector. It provides added value to companies by making central purchasing in the iron and steel industry in the country. The business unit mainly operates in the Energy, Food, Automotive, Defense Industry and aid materials sectors.

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

Sales of our Company were made to Ram Dış Ticaret A.Ş. between 01.01.2023-31.12.2023 and explanations about these transactions are given in the article 28 of Independent Auditor Report dated 31 December 2023.

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 invoices, that are issued from Otokar to Ram and also from Ram to the third party (it buys the same products), remain the same. Ram Dış Ticaret A.Ş. only issues commission invoice for the activities it carries out.

In general, 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 assists and manages operative and paperwork and in return of these services, it issues commission invoice. Ram issues invoices related to costs such as bank letter of guarantee commissions, freight expenses incurred in the name of Otokar during these activities. In addition, in the markets where the transaction is carried out, local regulations and market research services are taken from Ram.

As can be seen previously mentioned 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% threshold considering the commercial relations between Ram Dış Ticaret A.Ş. and Otokar. However, as issued invoices covers the entire amount of related transaction, all the sales are seen as related party transactions and therefore exceed 10% limit.

Within 2023, amount of TL 6.092.744 thousand sales transaction has been realized between our Company and related Ram Dış Ticaret A.Ş. and in the accounting period of 01.01.2023-31.12.2023 22,4% of the proceeds have been realized from the sales, and the whole transactions between our Company and Ram Dış Ticaret A.Ş. are consisted of the export registered sales made to non-related third parties with exactly the same conditions and commissions accrued by Ram due to these transactions. As a result of these sales in 2023, the total amount of commissions and acquired services paid to Ram is TL 321.636 thousand. The amount of commission accrued due to export registered sales, which is the principal counterpart of the transaction between the parties, is well below the limit determined in the communiqué and determined in accordance with the market conditions.

Conclusion

Pursuant to Capital Market Board's Communiqué, article 10 of Serial: II, No:17.1; due to the fact that the amount of our Company's subsidiaries' common and ongoing product sales transactions with Ram Dış Ticaret A.Ş. within 2024 accounting period is foreseen to be exceed 10% of the amount of revenue based on 2023 financial reports which was the latest and disclosed to the public, and the transactions with Ram Dış Ticaret A.Ş. foreseen to be carried out within 2024, the price determination method 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.