

FORD OTOMOTİV SANAYİ A.Ş.

ATTACHMENT OF BOARD OF DIRECTORS' RESOLUTION 2019 / 06

FORD OTOMOTİV SANAYİ A.Ş.
REPORT ON ASSOCIATED PARTY TRANSACTIONS WHICH
WERE PERFORMED IN 2018 AND PROJECTED
TO BE PERFORMED IN 2019

General Information

This report is created as per Article 10 of Communiqué Vol: II. 17.1 (Communiqué). Article 10 of Communiqué Vol: II. 17.1 requires that, the Board of Directors of the Company should create a report which includes the total amount of continuous transactions between the company quoted on Borsa Istanbul and the affiliated parties, in which

- a) the rate of purchases 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 transactions

exceeds 10% and this report including the market comparisons for such transactions should be announced via KAP.

The purpose of this report is to disclose the terms of projected transactions in 2019 between Ford Otomotiv Sanayi A.Ş. (Company) and the associated parties as defined by Turkish Accounting Standards Article 24 (TAS 24) within the scope of CMB regulations to the extent that they are not commercial secrets and show that any such transaction does not have a negative effect on the Company as compared to the market conditions.

Detailed information is provided on transactions between Ford Otomotiv Sanayi A.Ş. (Company) and the associated parties in 2018 in footnote 26 of publicly-disclosed financial tables for 2018 activities and this report only evaluates vehicle, production part, spare part, licence and service purchases from and sales to Ford Motor Company and vehicle and spare part sales to Otokoç Otomotiv Ticaret ve Sanayi A.Ş. which exceed 10% as compared to market conditions.

It is estimated that the transactions of same qualifications will exceed the 10% limit as specified by the Communiqué in 2019 and the transactions will be performed based on the principles explained in this report.

Information on Ford Otomotiv Sanayi A.Ş.

Ford Otomotiv Sanayi A.Ş. is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures, imports and sells spare parts of those vehicles.

The Company was established in 1959 and currently operates as a joint venture within the scope of the agreement signed in 1997 between Ford Motor Company and the Koç Group of Companies. Ford Otomotiv Sanayi A.Ş. is listed on the Borsa Istanbul ("BIST") where 17.89% of its shares are currently quoted.

The capital of the company is 350,910,000 TL and the table on the shareholding structure is as follows.

Shareholding Structure	Share Group	Amount of Share (TL)	Percentage of Share (%)	Vote	Percentage of Vote (%)
Koç Holding A.Ş.	B	134,953,357	38.46%	13,495,335,714	38.46%
Temel Ticaret ve Yatırım A.Ş.	B	2,355,885	0.67%	235,588,500	0.67%
Vehbi Koç Foundation	A	3,558,449	1.01%	355,844,870	1.01%
Koç Holding Pension and Assistance Foundation	A	3,259,202	0.93%	325,920,232	0.93%
Ford Motor Company	C	143,997,037	41.04%	14,399,703,676	41.04%
Publicly Held	A	62,786,070	17.89%	6,278,607,009	17.89%
Total		350,910,000	100.00%	35,091,000,000	100.00%

Our company's financial summary data for 2016, 201 and 2018 are listed below (thousands of TL).

	31.12.2016	31.12.2017	31.12.2018
Total Assets	9,286,152	12,011,740	13,184,440
Equity	3,163,619	3,695,859	3,893,239

	01.01.2016-31.12.2016	01.01.2017-31.12.2017	01.01.2018-31.12.2018
Revenue	18,289,107	25,341,290	33,292,030
Cost of Sales	16,203,045	22,704,095	29,833,459
Net Income	955,308	1,489,983	1,683,196

Information on Ford Motor Company

Established in 1903 by Henry Ford, Ford Motor Company is one of the undisputed leaders and best-selling brands of the global automotive sector based in Dearborn, Michigan. The company manufactures and distributes automobiles across six continents and employs approximately 187,000 personnel in 62 centers worldwide.

Ford Motor Company's operations are mainly divided into two segments Automotive and Financial Services. Automotive operations are based on Ford America, Ford of Europe, Ford Asia – Pacific, Ford Middle East and Africa sub units. In addition the company provides vehicle financing insurance and leasing services through the Ford Motor Credit Company.

The company's automotive brands are Ford and Lincoln, and operating with about 12 thousand dealers all over the world. The company has sold about 6 million vehicles worldwide in 2018 and achieved a turnover of 160 billion USD. The Company generated a total of 5.8 USD billion pre-tax profit as a result of operations in 2018.

The company's shares are traded in the United States New York Stock Exchange.

Information on Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

Otokoç, the first automotive industry investment of Koç Holding, was founded by Vehbi Koç in 1928.

The company operates in retail, fleet and 2nd hand sales and also provides maintenance services, short- and long-term vehicle leasing services with 5 different brands as Avis, Budget, Otokoç, Birmot and Zipcar in 4 countries with approximately 2,784 employees.

Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is the authorized dealer and service of the Company and purchases vehicles and spare parts from the company within the scope of a dealership agreement.

Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is not publicly traded.

Information on Terms of the Transactions with Associated Parties and Comparisons with Market Conditions

Our companies' purchases exceeding 10% from 01.01.2017 to 31.12.2017 is from Ford Motor Company and sales exceeding 10% is to Ford Motor Company and Otokoç Otomotiv Ticaret ve Sanayi A.Ş. The table listing the sales/purchases is as follows.

Information on Transactions Exceeding 10%			
Associated Party (Name/Title)	Amount of Transaction (TL)	Type of Transaction	Pricing/Profit Distribution Method
Ford Motor Company	1,340,698,940	Vehicle Purchase	Net Profit Margin based on Processing
Ford Motor Company	166,509,478	Spare Part Purchase	Net Profit Margin based on Processing
Ford Motor Company	12,303,168,481	Purchase of Manufacturing Materials	Net Profit Margin based on Processing
Ford Motor Company	118,657,276	Service Purchase	Cost Plus Method
Ford Motor Company	110,503,567	License	Comparable Price Method
Total Purchases	14,039,537,742		
Ford Motor Company	25,062,055,350	Vehicle Sales	Cost Plus Method
Ford Motor Company	140,992,834	Spare Part Sales	Cost Plus Method
Ford Motor Company	1,152,604,732	Sale of Manufacturing Materials	Cost Plus Method
Ford Motor Company	318,256,083	Service Sales	Cost Plus Method
Ford Motor Company	18,553,674	License	Comparable Price Method
Total Sales	26,692,462,673		
Otokoç Oto.Tic.San.A.Ş.	1,443,982,609	Vehicle Sales	Comparable Price Method
Otokoç Oto.Tic.San.A.Ş.	174,063,950	Spare Part Sales	Comparable Price Method
Total Purchases	1,618,046,559		

Transactions with Ford Motor Company

In 2018 our company purchased vehicles, spare parts, materials used directly for manufacturing and services at a total amount of 14,039,537,742 TL and made a net sales of 26,692,462,673 TL to Ford Motor Company.

The Company's manufacturing cooperation with the associated party is based on the "2003 Turkish Distributor Agreement" dated 30 June 2003. According to this agreement, our company is the sole distributor of Ford brand vehicles in Turkey.

In 2018 our company has made the purchase of vehicles in the following units:

2018 VEHICLE IMPORTS

MODEL	UNIT
cmax	125
connect	1.122
fiesta	1.301
focus	10.961
kuga	3.956
mondeo	375
ranger	1.685
edge	2
ecosport	999
smax	6
galaxy	3
mustang	5
TOTAL	20.540

Our company's production material purchases are based on "The V36x Contract Manufacturing and Supply Agreement" dated 14 August 2008 and "The B460 Development, Manufacturing and Supply Agreement" dated 1 December 2011.

Our company's purchase of spare parts are based on "Agreement for the Supply of Service Parts" dated 10 July 2014.

Our Company is paying license fee to Ford Motor Company for the net sales of light and medium commercial vehicles (Transit Custom, Transit Courier and Transit Series) produced and distributed in Turkish market based on "1997 Technology And Manufacturing License Agreement" dated 1 January 1998 and "The B460 Development, Manufacturing and Supply Agreement" dated 1 December 2011.

Our company's vehicle sales to Ford Motor Company covers Transit, Transit Custom and Transit Courier models.

Our Company's Transit model Sales are based on "The V36x Contract Manufacturing and Supply Agreement" dated 14 August 2008. Transit production parts are sold to Ford Sollers based on "Agreement for the Supply of Components" dated 30 September 2011. In 2018, our company has sold 120,161 Transit vehicles to Ford Motor Company.

Our Company's Transit Custom sales are based on "The V36x Contract Manufacturing and Supply Agreement" dated 14 August 2008 and "Agreement for the Supply of Components" dated 30 September 2011. In 2018 168,176 Transit Custom vehicles has been sold to Ford Motor Company.

Our Company's Transit Courier sales are based on "The B460 Development, Manufacturing and Supply Agreement" dated 1 December 2011. 38,565 Transit Courier vehicles has been sold to Ford Motor Company in 2018.

Our company is selling Transit vehicle manufacturing materials to Ford North America locations based on "V363N Program Component Supply Agreement" dated 10 December 2012. Also Cargo truck manufacturing materials to Ford Brazil are sold based on "H534 Program Component Supply Agreement" dated 3 August 2010 and "H566 Program Component Supply Agreement" dated 02 March 2016.

Our company's spare part sales to Ford Motor Company are based on the "Agreement for the Supply of Service Parts" dated 10 July 2014.

Our company's service sales to Ford Motor Company consists mainly of engineering services. Research and development operations which are also subject to service export is conducted with 1,078 employees in Sancaktepe R&D center, with 224 employees in R&D center in Kocaeli plant and with 111 employees in R&D center in İnönü plant, totally 1,413 employees as of 31 December 2018.

These sales are based on "Engineering Services Agreement" dated on 8 April 2013.

By means of an agreement signed with Chinese JMC in 2013, Ford Otosan agreed upon the production of Ecotorq engines, the intellectual property rights of which are wholly owned by Ford Otosan to be used in JMC branded vehicles and licence fee to be paid to our company for net sales revenue of Transit model vehicles produced in China with the technology support provided by Ford Otomotiv Sanayi A.Ş. based on "V348 Transit Vehicles Series Technology Licensing Contract" dated 2 July 2008.

In addition, license revenue is obtained from the engine that JMC used in JH476 Roller Skate product based on "Ecotorq Technology Licence Agreement" dated on 22 April 2013 and from the chassis that JMC produced based on "JH476 Roller Skate Technology Licence Agreement" dated on 25 July 2014.

Our company sells heavy commercial vehicle and engine production parts to the People's Republic of China with the "Agreement of Ecotorq Program Product Supply Agreement" and "JH476 Heavy Truck Program Product Supply Agreement" dated 30 March 2017 signed with Jiangling Motors Corporation LTD (JMC).

Transactions with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is the authorized dealer and service of the Company and purchases vehicles and spare parts from the company within the scope of a dealership agreement.

Our company has made total sales of 20,544 vehicles to Otokoç Otomotiv Ticaret ve Sanayi A.Ş. in 2018.

Sales prices are based on the market, inventory level, competitors and general economic conditions and they have exactly the same properties as the ones done with other dealers. Sales are made to Otokoç Otomotiv Ticaret ve Sanayi A.Ş. and other dealers over the recommended list price.

Result

It is estimated that the total amount of continuous transactions with Ford Motor Company and Otokoç Otomotiv Ticaret ve Sanayi A.Ş. in 2019 will be exceeding 10% of the total sales / cost of sales as listed in the publicly-disclosed annual financial tables for 2018 the limit set forth by Capital Markets Board Communiqué II-17.1 the Corporate Governance, this report explains the terms, pricing methods and reasons for choosing such methods for the transactions with Ford Motor Company and Otokoç Otomotiv Ticaret ve Sanayi A.Ş. and evaluates the compatibility of them as per the market conditions.