

# **Tofaş Türk Otomobil Fabrikası A.Ş.**

## **2020 FORECAST RELATED PARTY TRANSACTIONS REPORT**

### **General Information**

This report is issued as per Article 10 of Corporate Governance Communiqué II-17.1 (the Communiqué) by Capital Markets Board (CMB). As per the referenced clause, in cases where it has been foreseen that the rate of the amount of common and continuous transactions between the corporations and subsidiaries thereof with their related parties within an account period, compared to

a) For purchases, the cost of sales in the latest annual financial statements disclosed to public,

b) For sales, the revenues in the latest annual financial statements disclosed to public,

exceed 10%, the board of directors of the corporation shall, in addition to its resolution, issue a report regarding the conditions of the transactions and comparison thereof with the market conditions and the entire report or its result only shall be disclosed at the PDP.

The purpose of this report is to disclose the terms of forecasted transactions between Tofaş Türk Otomobil Fabrikası A.Ş. (Company) and its subsidiaries with the related parties as defined by Turkish Accounting Standards (TAS 24) within the scope of CMB regulations in 2020 and estimated to exceed the amount set forth by the Communiqué, 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 on the Company's related party transactions in 2019 are given in footnote 27 of publicly disclosed financial tables on 2019 and this Report includes the terms of the transactions which are estimated to exceed 10% in 2020 accounting period.

### **Information on Tofaş Türk Otomobil Fabrikası A.Ş.**

The Company being established in 1968 as a Turkish-Italian partnership has operations of manufacturing, importing and sale of passenger cars, light commercial vehicles and their spare parts, second hand sales and their services under the license of FCA Italy S.p.A jointly managed by Koç Holding A.Ş. and FCA Italy S.p.A, the Company is run in cooperation based on the Joint Venture Agreement. Tofaş is a Koç Holding and Fiat Chrysler Automobiles (FCA) partnership in which each controls an equal stake. With 24.3% of its capital publicly-traded, Tofaş's shares are included in Borsa İstanbul as well as in that exchange's Corporate Governance Index and Sustainability indexes. The Head Office of the Company is at Büyükdere Cad. No:145 Zincirlikuyu Şişli-İstanbul. Manufacturing facilities are located in Bursa.

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The capital of the Company is TL 500,000,000 and the table on the shareholding structure is as follows.

Shareholder	Amount of Shares (TL)	Capital Ratio (%)	Voting Right	Voting Right Ratio
Koç Holding A.Ş.	187,938,121.26	37.5876	18,793,812,126	37.5876
Other Koç Group Shareholders	1,341,735.61	0.2684	134,173,561	0.2684
Koç Group Total	189,279,856.87	37.8560	18,927,985,687	37.8560
FCA Italy S.p.A.	189,279,856.87	37.8560	18,927,985,687	37.8560
Other Shareholders	121,440,286.26	24.2880	12,144,028,626	24.2880
<b>Total</b>	<b>500,000,000.00</b>	<b>100.00</b>	<b>50,000,000,000</b>	<b>100.00</b>

Summary financial data of the Company in 2017-2019 are as follows.

(000 TL)	12.31.2017	12.31.2018	12.31.2019
Total Assets	13,875,148	13,001,799	12,809,287
Shareholder's Equity	3,583,037	3,706,555	4,329,209

(000 TL)	1.1.2017-12.31.2017	1.1.2018-12.31.2018	1.1.2019-12.31.2019
Revenues	17,467,806	18,603,331	18,896,914
Cost of Sales	15,551,677	16,190,143	16,510,459
Net Profit	1,282,818	1,330,423	1,481,639

Based on above data, a board report is required in 2020 for purchases estimated to exceed TL 1,651,045 thousand (2019 SMM\*10%) and sales estimated to exceed TL 1,889,691 thousand (2019 Revenues\*10%).

### Information on FCA Italy S.P.A.

FCA Italy S.p.A. The Company was incorporated in 1899 by Giovanni Agnelli in Turin. It is among the largest automotive and industry groups of the world. Automotive industry operations are organized as passenger and commercial car, spare part divisions. FCA Italy S.p.A. owns 37.8560% of the Company with a capital of € 800 million. Common shares are listed and traded on both the New York Stock Exchange ("NYSE") and the Mercato Telematico Azionario ("MTA") operated by Borsa Italiana.

### Information on Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

The Company, headquartered from Istanbul, has been registered as Otokoç Otomotiv Ticaret ve Sanayi A.Ş. on June 21, 2001 following a number of changes and operates in retail, fleet and 2nd hand sales of Ford-Fiat-Alfa-Volvo-Jeep etc. vehicles and also provides maintenance

services, short- and long-term vehicle leasing services, wholesales of spare parts and financing services for vehicles.

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. The company has a capital of TL 136,000,000. Koç Holding A.Ş. has % 96.32 of the company's shares. The remaining shares are open to the public.

## Information on Future Terms of the Transactions with Related Parties and Comparisons with Market Conditions

The Company's related party transactions estimated to exceed 10% limitation in 1.1.2020-12.31.2020 accounting period will be with FCA Italy S.p.A and Otokoç Otomotiv Ticaret ve Sanayi A.Ş. The brief information transactions of FCA Italy S.P.A. are listed in the table below.

### Transactions with FCA Italy S.P.A.

Related Company (Name/Title)	Type of Transaction	Amount of Transaction (000 TL) (2019)	Rate of Transaction Amount to Revenues/SMM (2019)	Pricing/Profit Distribution Method
FCA Italy S.p.A.	Purchase of Vehicles	269,977	1,64%	Profit/Loss Distribution Method
	Spare Part Purchase	117,862	0,71%	Cost Plus Method
	Purchase of Manufacturing Materials	6,999,100	42,39%	Cost Plus Method
	Purchase of R&D	242,414	1,47%	Cost Plus Method
	Purchase of Fixed Assets	15,302	0,09%	Cost Plus Method
	Services and Other Purchases	26,386	0,16%	Cost Plus Method

<b>FCA Italy S.p.A. Total Purchases</b>		<b>7,671,041</b>	<b>%46,46</b>	
FCA Italy S.p.A.	Vehicle Sales	13.034.816	68,98%	Cost Plus Method
	Spare Part Sales	256.210	1,36%	Cost Plus Method
	R&D Sales	46.710	0,25%	Cost Plus Method
	Service Sales	8.683	0,05%	Cost Plus Method
<b>FCA Italy S.p.A. Total Sales</b>		<b>13,346,419</b>	<b>70,63%</b>	

The Company's general manufacturing and supply cooperation with the related party FCA Italy S.p.A. are based on the agreements MCV (Mini Cargo) dated March 1, 2016, Doblo 263 (New Doblo) dated October 15, 2007, 356 Sedan dated June 17, 2015 , 357 HB-SW dated December 23, 2015, license (dated July 1, 1997) and import&distributor contracts (dated February 25, 2008).

Imports and Exports as of 2019 are as follows:

<b>Import</b>	<b>Qty</b>
Commercial CBU	1.391
Passenger CBU	1.325
<b>Total</b>	<b>2.716</b>

<b>Export</b>	<b>Qty</b>
Commercial CBU	86.918
Passenger CBU	107.189
<b>Total</b>	<b>194.107</b>

## Transactions with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

Related Company (Name/Title)	Type of Transaction	Amount of Transaction (000 TL) (2019)	Rate of Transaction Amount to Revenues/SMM (2019)	Pricing/Profit Distribution Method
Otokoç Oto Tic. San. AŞ.	Vehicle Sales	1,667,973	8,83%	Comparable Price Method
Otokoç Oto Tic. San. AŞ.	Spare Part Sales	304,719	1,61%	Comparable Price Method
Otokoç Oto Tic. San. AŞ.	Services and Other Sales	15,968	0,08%	Comparable Price Method
<b>Otokoç Oto Tic. San. AŞ. Total Sales</b>		<b>1,988,660</b>	<b>10,52%</b>	Comparable Price Method

The Company has a dealership agreement dated January 1, 2007 with Otokoç Otomotiv Ticaret ve Sanayi A.Ş. and the commercial relations are handled in line with this agreement and additional protocols. The due date extension protocol was applied on 7/25/2016 for the due date specified in this agreement and a delay interest in accordance with the market conditions is applicable for the extended due date.

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 who are not related parties.

The Company has made a net sales of TL 1,988,660 thousand to Otokoç Otomotiv Ticaret ve Sanayi A.Ş. in 2019. The Company has made purchases of TL 213,034 thousand from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. in 2019.

## Conclusion

As per Article 10 of the Capital Markets Board's (CMB) II-17.1 Corporate Governance Communiqué (the Communiqué), the amount of the Company's continuous transactions with FCA Italy S.P.A and Otokoç Otomotiv Ticaret ve Sanayi A.Ş. in the form of product purchases and sales as well as raw material purchases within 2020 accounting period is estimated to exceed 10% of the revenues/goods sold as per 2019 financial tables, which are the last financial tables to be publicly disclosed, and this reports provides information on transactions made with FCA Italy S.P.A. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş. and estimated to continue with similar terms in 2020, pricing methods and reasons for choosing such methods and evaluates the compatibility of them as per the market conditions.