

**Ford Otomotiv Sanayi A.Ş.**  
**Report Regarding Transactions with Related Parties in 2013**

**General Information**

This report is drawn up within the framework of article 10 of the Capital Markets Board's (CMB) Corporate Governance Communiqué numbered II-17.1 (Communiqué). As per the said article, in case it is projected that the amount of the ordinary and routine transactions between a publicly traded company and its affiliated parties, would exceed 10% of the cost of sales to arise in the latest annual financial statements disclosed to the public, or 10% of the sales revenues to arise in the latest annual financial statements disclosed to the public, a report is required to be drawn up by the Board of Directors of the Company, providing a discussion of the transactions with reference to the applicable conditions, and a comparison of the transactions with the market practices.

Purpose of this report is to disclose terms and conditions of transactions made by Ford Otomotiv Sanayi A.Ş. (our Company) with related parties defined in International Accounting Standards no.24 within the framework of Capital Markets Laws and Regulations, on the condition that they are not within the scope of commercial secrets, and to show that they shall not give rise to any adverse consequence for our Company when compared to market conditions.

Detailed information about transactions executed by our Company with related parties in 2013, are explained in the footnote no.26 of our financial tables disclosed to public relating to our activities in 2013 and in this Report, only the compliance with the market conditions, of transactions of purchase-sale of vehicles, spare parts, services made with Ford Motor Company and sale of vehicles and spare parts made to Otokoç Otomotiv Ticaret ve Sanayi A.Ş. exceeding the 10% limit, is evaluated.

**Information Relating To Ford Otomotiv Sanayi A.Ş.**

Fields of activities of our Company cover manufacturing, assembling and sale of motor vehicles in particular commercial class vehicles; importing, sale of passenger cars and manufacturing, importing and sale of their spare parts. Our Company has been incorporated in 1959 and currently, maintains its activities according to terms and conditions of the Joint Venture Agreement signed in 1997 under equal shareholdings of Ford Motor Company and Koç Group companies. Our Company is a public company and 17,92% of its shares are traded on Borsa İstanbul (BIST).

Share capital of our Company is 350.910.000.-TL and the table regarding its shareholding structure is given below.

| Shareholder                                  | Share Amount (TL)  | Capital Rate (%) | Voting Right          | Voting Right Rate (%) |
|--|--------------------|------------------|-----------------------|-----------------------|
| Koç Holding A.Ş.                             | 134.953.357        | 38,46%           | 13.495.335.714        | 38,46%                |
| Vehbi Koç Vakfı                              | 3.428.592          | 0,98%            | 342.859.230           | 0,98%                 |
| Koç Holding Pensions and Aid Fund Foundation | 3.259.202          | 0,93%            | 325.920.232           | 0,93%                 |
| Temel Ticaret A.Ş.                           | 2.355.885          | 0,67%            | 235.588.500           | 0,67%                 |
| <b>Total Koç Group</b>                       | <b>143.997.037</b> | <b>41,04%</b>    | <b>14.399.703.676</b> | <b>41,04%</b>         |
| Ford Motor Company                           | 143.997.037        | 41,04%           | 14.339.703.676        | 41,04%                |
| Publicly Traded                              | 62.915.926         | 17,92%           | 6.291.592.648         | 17,92%                |
| <b>Total</b>                                 | <b>350.910.000</b> | <b>100,00%</b>   | <b>35.091.000.000</b> | <b>100,00%</b>        |

#### Information Regarding Ford Motor Company

Ford Motor Company has been established by Henry Ford in 1903 and today, with its headquarters in Dearborn Michigan USA, it has 181 thousand employees, 65 factories and 40 distribution centres all over the world and it is one of the leading companies of global automotive industry which conducts manufacturing and distribution of motor vehicles. As explained in our shareholding structure, Ford Motor Company holds 41,04% of the shares of our Company.

Operations of Ford Motor Company are mainly separated in two segments as Automotive and Financial Services. In the automotive segment, there are subdivisions of Ford America, Ford Europe and Ford Asia-Pacific-Africa. Financial services segment conducts mainly vehicle financing, insurance and leasing operations.

Automotive brands of the company are Ford and Lincoln and it has 11.772 retailer dealers all over the world. The company sold approximately 6.330.000 vehicles all over the world in 2013 and earned a turnover of approximately 147 billion USD. The company gained a total 7 billion USD before tax profits as a result of its financial operations in same year.

Shares of the company are traded on New York Stock Exchange in the United States of America.

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

Otokoç Otomotiv Ticaret ve Sanayi A.Ş. has been established by deceased Mr.Vehbi Koç in 1928 and it is first investment of Koç Holding in automotive industry.

The company conducts activities in the fields of sale of new vehicles, 2<sup>nd</sup> hand vehicles services, car rental, insurance and financial services, vehicle protection systems and consulting systems. Under the company with the trade name Otokoç Otomotiv Tic. ve San. A.Ş. 4 different brands namely Avis, Budget, Otokoç and Birmot provide services.

Currently, the company provides services with totally 18 branches located in the provinces of İstanbul, Ankara, İzmir, Adana, Antalya, Samsun, Konya, Eskişehir, Kütahya, Bursa and in the districts of Tarsus and Alanya, and with its 800 employees.

Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is the authorised dealer and authorised service provider of our company Ford Otomotiv Sanayi A.Ş. and within the scope of domestic dealership agreement between our Company and Otokoç, there is a relation of sale of vehicles and spare parts.

Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is not a public company.

**Information Regarding Terms and Conditions of Transactions Made With Related Parties and Their Compliance With Market Conditions**

Between the dates of 01.01.2013 – 31.12.2013, purchases of our Company exceeding 10% limit, have been made from Ford Motor Company and its sales exceeding 10% limit have been made to Ford Motor Company and Otokoç Otomotiv Ticaret ve Sanayi A.Ş. and the details relating to said transactions are given in below table.

| <b>Information Regarding Transactions Exceeding 10% of the Total Assets/Turnover of our Company</b> |                                    |                                     |   |
|---|------------------------------------|-------------------------------------|---|
| <b>Related Person<br/>(Name/Trade Name)</b>   | <b>Transaction Amount<br/>(TL)</b> | <b>Nature of Transaction</b>        | <b>Pricing/Profit<br/>Distribution Method</b> |
| Ford Motor Company  | 1.559.158.570                      | Purchase of vehicles                | Resale price method                           |
| Ford Motor Company  | 88.134.381                         | Purchase of spare parts             | Cost plus                                     |
| Ford Motor Company  | 3.122.855.898                      | Purchase of manufacturing materials | Cost plus                                     |
| Ford Motor Company  | 93.217.056                         | Purchase of services                | Cost plus                                     |
| Ford Motor Company  | 61.727.345                         | License                             | Method determined by the tax payer            |
| <b>Total</b>  | <b>4.925.093.250</b>               |                                     |   |
|   |                                    |                                     |   |
| Ford Motor Company  | 6.863.900.521                      | Sale of vehicles                    | Cost plus                                     |
| Ford Motor Company  | 52.419.616                         | Sale of spare parts                 | Cost plus                                     |
| Ford Motor Company  | 91.327.958                         | Manufacturing materials             | Cost plus                                     |
| Ford Motor Company  | 140.980.127                        | Sale of services                    | Cost plus                                     |
| Ford Motor Company  | 8.210.299                          | License                             | Method determined by the tax payer            |
| <b>Total Sales</b>  | <b>7.156.838.521</b>               |                                     |   |
|   |                                    |                                     |   |
| Otokoç Oto.Tic.San. A.Ş.  | 1.233.950.476                      | Sale of vehicles                    | Comparable price                              |
| Otokoç Oto.Tic.San. A.Ş.  | 102.369.263                        | Sale of spare parts                 | Comparable price                              |
| <b>Total</b>  | <b>1.336.319.739</b>               |                                     |   |
|   |                                    |                                     |   |

### **Ford Motor Company Transactions**

Our company realised purchases from Ford Motor Company in the amount of 4.925.093.250 TL and made sales to Ford Motor Company in the amount of 7.156.838.521 TL in 2013.

Purchases of vehicles conducted by our company from Ford Motor Company are carried out within the scope of “2003 Turkish Distributor Agreement” dated 30<sup>th</sup> June 2003. According to said agreement, our company is the sole distributor of Ford branded vehicles in Turkey. Vehicle transfer arrangements are done and are paid by Ford Motor Company.

In this context, quantities of vehicles purchased in 2013, are as follows:

### **Imported vehicles in 2013**

| <b>MODEL</b> | <b>Quantity</b> |
|--------------|-----------------|
| Focus        | 26.763          |
| Fiesta       | 23.495          |
| Cmax         | 4.691           |
| Bmax         | 1.565           |
| Kuga         | 1.507           |
| Mondeo       | 793             |
| Ranger       | 328             |
| Smax         | 34              |
| Galaxy       | 10              |
| Ka           | 2               |
| <b>Total</b> | <b>59.188</b>   |

Purchases of spare parts conducted by our company from Ford Motor Company, are carried out within the scope of “V227 Development Manufacturing Supply and Joint Business Agreement” dated 17<sup>th</sup> December 2002 and the “Pilot Agreement” and “The V184/5 Contract Manufacturing and Supply Agreement”.

Within the framework of the provisions of “1997 Technology and Manufacturing License Agreement” and “V227 Development Manufacturing Supply and Joint Business Agreement” made between our company and Ford Motor Company and effectiveness dates of which are 1<sup>st</sup> January 1998, our company pays license fee to Ford Motor Company on the net sale amount for light and middle class commercial vehicles (Transit Connect and Transit Series vehicles) which it manufactures by the technology it has taken from Ford and which it sells in the Turkish market. Vehicles sold by our company to Ford Motor Company cover Transit and Transit Connect models.

Sale of Transit model vehicles by our company are carried out within the scope of the agreements made between the parties, namely “The V184/5 Contract Manufacturing and Supply Agreement” effectiveness date of which is 1<sup>st</sup> April 2004, “The V36x Contract Manufacturing and Supply Agreement” effectiveness date of which is 14th August 2008 and the “Agreement for the Supply of Components” effectiveness date of which is 30<sup>th</sup> September 2011. In 2013, our company sold 173,453 Transit model vehicles to Ford Motor Company. Sale of Transit Connect model vehicles

by our company to Ford Motor Company are carried out within the scope of "V227 Development Manufacturing Supply and Joint Business Agreement" made between the parties and the effectiveness date of which is 17<sup>th</sup> December 2002. In 2013, 51,730 Transit Connect model vehicles have been sold to Ford Motor Company.

Sale of spare parts by our company to Ford Motor Company are carried out within the scope of "Service Parts Sales and Service Agreement V227 Vehicle Program" dated 8<sup>th</sup> July 2004. Sales of services by our company to Ford Motor Company mainly consist of engineering services. Our company has a branch in Tübitak MAM Gebze Settlement Technology Free Zone and said branch mainly provides engineering services to Ford Motor Company. Sales are carried out within the scope of "Engineering Services" agreement dated 8<sup>th</sup> April 2013.

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

Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is the authorised service, vehicle and spare parts dealer of our company. Between Otokoç Otomotiv Ticaret ve Sanayi A.Ş. and our company, there are agreements for authorised spare parts dealership, vehicle dealership and authorised service provider.

Said agreements are made with all the dealers of our company. Sales made to Otokoç Otomotiv Ticaret ve Sanayi A.Ş. have no difference with regards to pricing and other terms and conditions when compared with sales made to other dealers. In 2013, 37,249 vehicles have been sold by our company to Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

Prices of said sales are determined according to positions in the market, of competitors in the automotive industry which is highly competitive, targets of our company, demand for our products, stock positions of our dealers and general economic conditions and they are announced as list prices recommended to all our dealers. Sales to Otokoç Otomotiv Ticaret ve Sanayi A.Ş. and our all other dealers based on determined prices, as specified before.

### **Conclusion**

With reference to the Capital Markets Board's Corporate Governance Communiqué numbered II-17.1 (Communiqué), as the rate of the amount of the ordinary and routine transactions between our Company and Ford Motor Company and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., exceeds 10% of the rate over the cost of sales or revenues in the latest annual financial statements disclosed to the public, and as it is projected that transactions of the same character will continue in the accounting period 2014 as well, again in accordance with the principles established, the present report details the terms of the transactions with Ford Motor Company and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the pricing method, and the justifications for the selection of the pricing method, along with a comparison of the transactions with the market practices.