

**(Convenience translation of financial statements and audit report
originally issued in Turkish)**

Ford Otomotiv Sanayi Anonim Őirketi

**Financial statements for the period January 1-
December 31, 2013 together with report of
independent auditors**

Ford Otomotiv Sanayi A.Ş.

Contents

	<u>Page</u>
Independent auditor's report	1-2
Statement of financial position	3-4
Statement of profit or loss	5
Statement of other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9-74
Note 1 Organization and nature of the operations	9
Note 2 Basis of presentation of financial statements.....	9-30
Note 3 Segment reporting	30
Note 4 Cash and cash equivalents	31
Note 5 Financial assets	31
Note 6 Financial liabilities	31-32
Note 7 Trade receivables and payables	32-36
Note 8 Other receivables and payables	36-37
Note 9 Inventories	37
Note 10 Property, plant and equipment	38-40
Note 11 Intangible assets	40-41
Note 12 Prepaid expenses.....	41-42
Note 13 Provision, contingent assets and liabilities	42-44
Note 14 Commitments	45
Note 15 Employee benefits	45-47
Note 16 Other assets	47
Note 17 Equity	48-51
Note 18 Revenue and cost of sales	51-52
Note 19 Research and development expenses, marketing and sales expenses, general administrative expenses	52-53
Note 20 Expenses by nature	53
Note 21 Other operating income/expenses	53-54
Note 22 Financial income	54
Note 23 Financial expenses	54
Note 24 Tax assets and liabilities	54-58
Note 25 Earnings per share	58
Note 26 Transactions and balances with related parties	59-65
Note 27 Financial instruments and financial risk management	66-72
Note 28 Derivative financial instruments	73
Note 29 Income and expenses from investing activities	73-74
Note 30 Government incentives and grants	74
Note 31 Subsequent events	74
Note 32 Disclosure of other matters	74



Building a better
working world

Güney Bağımsız Denetim ve
SMMM AŞ
Büyükdere Cad.
Beytem Plaza No:20
K:9-10, 34381 - Şişli
İstanbul - Turkey

Tel: +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ford Otomotiv Sanayi A.Ş.;

Introduction

We have audited the accompanying statement of financial position of Ford Otomotiv Sanayi A.Ş. (the Company) as at 31 December 2013 and the related statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



Building a better
working world

Opinion

In our opinion, the accompanying financial statements present fairly the financial position of Ford Otomotiv Sanayi A.Ş. as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 10 July 2012 and it is comprised of 1 president and 2 members. The committee has met 8 times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has presented the relevant reports to the executive management.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erzan Ülgen, SMMM
Partner in charge

Istanbul, 14 February 2014

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Statement of financial position as at December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period Audited December 31, 2013	(Restated) Prior period Audited December 31, 2012
	Notes		
Assets			
Current assets		2,443,438,405	2,438,262,072
Cash and cash equivalents	4	238,128,147	301,518,353
Trade receivables			
- Due from related parties	26	976,334,894	752,478,555
- Trade receivables, third parties	7	474,919,300	478,607,642
Other receivables			
- Other receivables, third parties	8	330,799	4,552,464
Inventories	9	563,888,556	678,220,879
Prepaid expenses	12	22,250,708	53,341,648
Other current assets	16	167,586,001	169,542,531
Non-current assets		3,547,751,814	2,208,855,227
Financial investments	5	7,732,955	5,961,405
Trade receivables			
- Trade receivables, third parties	7	458,542	537,623
Property, plant and equipment	10	2,231,069,051	1,556,458,799
Intangible assets	11	415,312,279	238,360,675
Prepaid expenses	12	591,264,603	324,368,840
Deferred tax asset	24	301,914,384	83,167,885
Total assets		5,991,190,219	4,647,117,299

The financial statements were approved for issue by the Board of Directors on February 14, 2014 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager – Chief Financial Officer ("CFO") and Devrim Kılıçoğlu, Finance and Accounting Director.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Statement of financial position as at December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period Audited December 31, 2013	(Restated) Prior period Audited December 31, 2012
Liabilities			
Current liabilities		2,396,989,476	1,633,055,371
Short term financial liabilities			
- Bank loans	6	629,929,557	96,326,666
Short term portion of long term financial liabilities			
- Bank loans	6	441,633,045	267,189,582
Trade payables			
- Due to related parties	26	262,289,287	292,778,669
- Trade payables, third parties	7	919,806,623	827,494,766
Other payables			
- Due to related parties	26	5,618,330	1,449,061
- Other payables, third parties	8	24,471,994	21,750,636
Provision for taxation on income	24	-	7,741,631
Short term provisions			
- Other short term provisions	13	58,009,620	72,343,835
Employee benefit obligations	15	55,231,020	45,980,525
Non-current liabilities		1,357,596,409	1,018,397,093
Long term financial liabilities			
- Bank loans	6	1,219,653,201	896,037,316
Derivative financial instruments	28	713,095	1,683,905
Long term provision			
- Provision for employee benefits	15	94,304,955	85,541,327
- Other long term provisions	13	42,925,158	35,134,545
Equity	17	2,236,604,334	1,995,664,835
Equity attributable to the equity holders of the Company	17	2,236,604,334	1,995,664,835
Share capital		350,910,000	350,910,000
Adjustment to share capital		27,920,283	27,920,283
Share premium		8,252	8,252
Other comprehensive income/expense not to be reclassified to profit or loss			
- Actuarial (loss) arising from employee benefit		(11,053,834)	(9,880,836)
Other comprehensive income/loss to be reclassified to profit or loss			
- Revaluation fund of available for sale financial assets		6,418,090	4,712,623
- Cash flow hedge reserve		(102,334,951)	(1,298,245)
Restricted reserves		460,680,315	432,432,060
Retained earnings		862,584,393	505,957,103
Net income for the year		641,471,786	684,903,595
Total equity and liabilities		5,991,190,219	4,647,117,299

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Statement of profit or loss
for the period ended December 31, 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period Audited December 31, 2013	(Restated) Prior period Audited December 31, 2012
	Notes		
Continuing operations			
Revenue	18	11,404,912,894	9,767,937,257
Cost of sales	18	(10,277,155,728)	(8,681,010,804)
Gross profit		1,127,757,166	1,086,926,453
Sales and marketing expenses	19	(269,943,658)	(231,097,209)
General administrative expenses	19	(154,244,846)	(120,582,112)
Research and development expenses	19	(145,889,919)	(112,084,954)
Other operating income	21	175,973,737	102,306,416
Other operating expenses	21	(64,009,849)	(94,285,461)
Operating profit		669,642,631	631,183,133
Income from investing activities	29	929,987	3,070,317
Expenses from investing activities	29	(5,253,888)	(539,646)
Operating income before financial income/(expense)		665,318,730	633,713,804
Financial income	22	82,732,501	153,678,681
Financial expenses	23	(295,946,425)	(133,458,883)
Income before tax from continuing operations		452,104,806	653,933,602
Tax income/(expense) from continuing operations		189,366,980	30,969,993
- Taxes on income	24	(29,342,054)	(89,919,272)
- Deferred tax income	24	218,709,034	120,889,265
Net income for the period		641,471,786	684,903,595
Earnings per share with a nominal value Kr 1	25	1.83	1.95

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Statement of other comprehensive income

for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period Audited December 31, 2013	(Restated) Prior period Audited December 31, 2012
	Notes		
Net income for the period		641,471,786	684,903,595
Other comprehensive income/(expense)			
Not to be reclassified to profit or loss			
Actuarial loss arising from employee benefit	17	(1,466,248)	(12,351,043)
Actuarial loss arising from employee benefits, tax effect	17	293,250	2,470,207
To be reclassified to profit or loss			
Change in revaluation fund of available for sale financial assets	17	1,771,550	2,502,665
Change in revaluation fund of available for sale financial assets, tax effect	17	(66,083)	(125,133)
Loss from cash flow hedge reserve	17	(126,295,882)	(1,190,549)
Loss from cash flow hedge reserve, tax effect	17	25,259,176	238,110
Other comprehensive loss, after tax		(100,504,237)	(8,455,743)
Total comprehensive income		540,967,549	676,447,852

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Statement of changes in equity
for the period ended December 31, 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Share capital	Inflation adjustment to share capital	Share premium	Accumulated other comprehensive income/(loss) to be reclassified to profit or loss		Restricted reserves	Accumulated profit			
				Revaluation fund of available for sale financial assets	Cash flow hedge reserve		Actuarial fund arising from defined benefit pension plans	Retained earnings	Net income for the period	Share capital
Balance at January 1, 2012	350,910,000	27,920,283	8,252	2,335,091	(345,806)	-	390,984,519	464,337,418	662,088,726	1,898,218,483
Net income for the period	-	-	-	-	-	-	-	-	684,903,595	684,903,595
Other comprehensive income/(loss)	-	-	-	2,377,532	(952,439)	(9,880,836)	-	-	-	(8,455,743)
Total comprehensive income	-	-	-	2,377,532	(952,439)	(9,880,836)	-	-	684,903,595	676,447,852
Transfers	-	-	-	-	-	-	41,467,541	620,621,185	(662,088,726)	-
Dividend paid (Note 17)	-	-	-	-	-	-	-	(579,001,500)	-	(579,001,500)
Balance at December 31, 2012 (restated)	350,910,000	27,920,283	8,252	4,712,623	(1,298,245)	432,432,060	(9,880,836)	505,957,103	684,903,595	1,995,664,835
Balance at January 1, 2013 (previously reported)	350,910,000	27,920,283	8,252	4,712,623	(1,298,245)	432,432,060	-	505,957,103	675,022,759	1,995,664,835
Adjustments in accordance with change in accounting policies (Note 2.4)	-	-	-	-	-	-	(9,880,836)	-	9,880,836	-
Balance at January 1, 2013 (restated)	350,910,000	27,920,283	8,252	4,712,623	(1,298,245)	432,432,060	(9,880,836)	505,957,103	684,903,595	1,995,664,835
Net income for the period	-	-	-	1,705,467	(101,036,706)	-	(1,172,998)	-	641,471,786	641,471,786
Other comprehensive income/(loss)	-	-	-	1,705,467	(101,036,706)	-	(1,172,998)	-	-	(100,504,237)
Total comprehensive income	-	-	-	1,705,467	(101,036,706)	-	(1,172,998)	-	641,471,786	540,967,549
Transfers	-	-	-	-	-	28,248,255	-	656,655,340	(684,903,595)	-
Dividend paid (Note 17)	-	-	-	-	-	-	-	(300,028,050)	-	(300,028,050)
Balance at December 31, 2013	350,910,000	27,920,283	8,252	6,418,090	(102,334,951)	460,680,315	(11,053,834)	862,684,393	641,471,786	2,236,604,334

In accordance with the General Assembly Meeting dated March 21, 2013, the Company decided to pay dividend from the net profit of the year 2012 at 85.50%, amounting to TL 300,028,050 in total which was paid in April 3, 2013.

The accompanying notes form an integral part of these financial statements

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Cash flow as of December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current Period Audited December 31, 2013	(Restated) Prior Period Audited December 31, 2012
Cash flows from operating activities:			
Net income before tax		452,104,806	653,933,602
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	10	173,780,891	123,072,513
Amortization expense	11	12,506,156	18,005,120
Provision for employee benefits	15	12,123,996	11,170,878
Warranty expense provision	13	73,761,483	55,828,833
Interest income	22	(9,720,451)	(22,980,847)
Interest expense	23	25,237,418	12,607,844
Foreign exchange loss /(gain)		209,235,654	(10,700,719)
Provision for impairment on inventories	9	847,314	(1,254,020)
Change in provision for unused vacation pay liability, net		2,053,572	654,533
Other provisions		10,003,054	113,751
Changes in provisions for sales premium, net	13	(5,033,081)	8,210,368
Loss / (gain) on sale of fixed assets	29	4,698,832	(2,249,473)
Dividend income	29	(374,931)	(281,198)
Unrealized (loss) / gain of derivatives	29	(22,296)	68,506
Net operating profit before changes in operating assets and liabilities		961,202,417	846,199,691
(Increase) / decrease in accounts receivable		(220,088,916)	167,812,059
Decrease in inventories		113,485,009	5,058,313
Decrease / (increase) in other current asset		12,390,683	(20,970,792)
Decrease / (increase) in prepaid expenses		31,090,941	(7,300,620)
Increase / (decrease) in trade payable		61,822,475	(133,852,304)
Increase / (decrease) in other current liabilities)		16,141,092	(50,939,838)
Income tax paid		(17,847,295)	(130,925,592)
Warranty expenses paid	13	(85,258,189)	(72,167,970)
Employee benefits paid	15	(6,880,188)	(5,726,188)
Net cash generated from operating activities		866,058,029	597,186,759
Cash flows used in investing activities:			
Purchase of property, plant and equipment	10	(855,706,778)	(641,129,178)
Purchase of intangible assets	11	(189,457,760)	(161,005,039)
Proceeds from sale of property, plant and equipment		2,616,800	5,352,753
Increase in other non-current assets		(266,895,762)	(132,709,442)
Interest received		9,703,614	22,937,222
Dividends received	29	374,931	281,198
Net cash used in investing activities		(1,299,364,955)	(906,272,486)
Cash flows from financing activities:			
Interest paid		(21,462,053)	(12,667,340)
Dividends paid	17	(300,028,050)	(579,001,500)
Proceeds from borrowings		1,250,190,661	696,796,581
Payments of borrowings		(558,783,838)	(303,372,739)
Net cash generated / (used) in financing activities		369,916,720	(198,244,998)
Net decrease in cash and cash equivalents		(63,390,206)	(507,330,725)
Beginning balance of cash and cash equivalents	4	301,518,353	808,849,078
Ending balance of cash and cash equivalents	4	238,128,147	301,518,353

The accompanying notes form an integral part of these financial statements

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. Organization and nature of the operations

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the Borsa Istanbul ("BIST") (formerly known as Istanbul Stock Exchange), where 17.92% of its shares are currently quoted. The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

The Company presently has two plants located in Kocaeli and Eskişehir, has a spare part distribution warehouse in Kartal, İstanbul and a branch in Tübitak Marmara Research Centre, Gebze Campus Technological Free Zone ("TEKSEB"). The light commercial vehicle, "Transit Connect", Transit vehicles (minibuses, pick-ups and vans) and Transit Custom which was started production in 2012 are manufactured in Kocaeli plant, Ford Cargo trucks and their engines are manufactured in Eskişehir plant and in TEKSEB branch, established in 2007, research and development operations which are also subject to engineering service export is conducted with 919 employees as of December 31, 2013.

The number of the personnel employed by the Company as at 31 December 2013 and 31 December 2012 are as follows:

Year	Average		Year end	
	2013	2012	2013	2012
Blue Collar	7,020	7,314	6,926	7,069
White Collar	2,457	2,379	2,518	2,458
Total	9,477	9,693	9,444	9,527

2. Basis of presentation of financial statements

2.1 Basis of presentation

Financial reporting standards

The Company maintain its legal books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation. The year end financial statements have been prepared in accordance with Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TAS, Turkish Accounting Standards, comprise of Turkish Financial Reporting Standards, its appendix and interpretations.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards issued by the CMB ("CMB Financial Reporting Standards"). The Company's financial statements have been prepared in accordance with this decision

Except for the financial assets and derivative instruments measured at fair value, the financial statements are prepared on a historical cost basis.

Company's functional and presentation currency is accepted as TL.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Going concern

The financial statements of the Company are prepared on the basis of a going concern assumption.

Comparatives of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at December 31, 2013 has been provided with the comparative financial information of December 31, 2012 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the period between January 1, 2013 and December 31, 2013 have been provided with the comparative financial information, for the period between January 1, 2012 and December 31, 2012.

2.2 Amendments and interpretations in the standards

a) New and amended standards and interpretations:

The accounting policies adopted in preparation of the year end financial statements as at December 31, 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRYK interpretations effective as of January 1, 2013. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2013 are as follows:

- **TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)**

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements). New disclosures would provide users of financial statements with information that is useful in;

- i) Evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
- ii) Analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the statement of financial position that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the statement of financial position that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the year end financial statements of the Company.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

• **TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income**

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Company.

• **TAS 19 Employee Benefits (Amended)**

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The retrospective effects of the amendment to recognise actuarial gain and loss in the comprehensive income statement are disclosed in Note 2.4. Additionally, based on the amendment in the presentation of short term employee benefits, provision for unused vacation pay liability formerly presented in the other short term liabilities has been retrospectively reclassified to long term provisions.

• **TAS 27 Separate Financial Statements (Amended)**

As a consequential amendment to TFRS 10 and TFRS 12, the POA also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

• **TAS 28 Investments in Associates and Joint Ventures (Amended)**

As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

• **TFRS 10 Consolidated Financial Statements (Amended)**

TFRS 10, TAS 27 Consolidated and Separate Financial Statements address the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgement. This amendment is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

• **TFRS 11 Joint Arrangements**

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

• **TFRS 12 Disclosure of Interests in Other Entities**

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard affects presentation only and did not have an impact on the disclosures given by the Company.

• **TAS 13 Fair Value Measurement**

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. This standard did not have any impact on the financial statements of the Company.

• **TFRIC 20 Stripping Costs in the Production Phase of Surface Mine Entities**

Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

• **Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)**

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which TFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated For the same reasons TFRS 11 and TFRS 12 has also been amended to provide transition relief. These amendments is not applicable for the Company and did not have any impact on the year end financial statements of the Company.

b) Improvements to TFRS

Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Company.

TAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

TAS 32 Financial Instruments Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Financial Reporting:

Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

c) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the year end financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the year end financial statements and disclosures, after the new standards and interpretations become in effect

- **TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)**

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.

- **IFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

- **IFRIC Interpretation 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

• **IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)**

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.

• **IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)**

The IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

d) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

• **IFRS 10 Consolidated Financial Statements (Amendment)**

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. These amendments is not applicable for the Company and did not have any impact on the year end financial statements of the Company.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

- **IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective 1 July 2014. Earlier application is permitted.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments did not have an impact on the financial position or performance of the Company

IFRS 14 - interim standard on regulatory deferral accounts

In January 2014, the IASB issued this standard. IFRS 14 permits first-time adopter rate regulated entities to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. Existing IFRS preparers are prohibited from adopting this Standard. The Standard will be applied on a full retrospective basis and is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "Illustrative financial statement and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

2013-1 Financial Statement Examples and User Guide

The Public Oversight Authority promulgated "financial statement examples and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, individual retirement or capital market. The Company has made the classification adjustments stated in Note 2.4 in order to comply with the requirements of this regulation.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2013-2 Recognition of Mergers of Entities under Joint Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. These resolutions did not have an impact on the financial statements of the Company.

2013-3 Recognition of Dividend Right Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions did not have an impact on the financial statements of the Company.

2013-4 Recognition of Cross shareholding Investment

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been determined for each of them.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

These resolutions did not have an impact on the financial statements of the Company

2.3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 4).

Trade receivables and allowance for trade receivables

Trade receivables as a result of providing goods or services by the Company directly to a debtor are carried at amortized cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. Foreign exchange gain / loss and credit finance income of trade receivables are classified under "other operating income/expense".

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for receivables, debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the statement of the financial position date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

The Company collects most of the receivables from domestic vehicles and spare parts sales through the "Direct Debit System" (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Company's bank accounts at the due dates (Note 7 and 26).

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory's annual production plan are not associated with inventories and are recognized as cost of sales (Note 9).

Trade payables

Trade payables are recognized at initial cost and subsequently measured at amortized cost using effective interest rate method (Notes 7 and 26). Foreign exchange gain / loss and credit finance charges of trade payables are classified under "other operating income/expense".

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	14.5 - 30 years
Buildings	14.5 - 36 years
Machinery and equipment	5-25 years
Moulds and models	Project lifetime
Furniture and fixtures	4 - 14.5 years
Motor vehicles	9-15 years

Land is not depreciated as it is deemed to have an indefinite useful life.

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in income/expense from investing activities. Repair and maintenance expenses are charged to the statement of profit or loss as they are incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset (Note 10).

Intangible assets

Intangible assets comprise computer software, rights, leasehold improvements and development costs.

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period depending on the project's lifetime. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2.3 Research and development expenses (Note 11).

The estimated useful lifetimes of such assets are as follows:

Rights	3-5 years
Capitalized improvement expenses	Project lifetime
Other intangible assets	5 years

Impairment of long-lived assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of profit or loss.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Financial assets

Investments intended to be held for an indefinite period of time, and which may be sold in response to a need for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Available-for-sale financial assets are subsequently measured at fair value. Available-for-sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing models.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are accounted in equity net of tax under "financial assets fair value reserve". Unrealised gains and losses arising from changes in the fair value of available-for-sale debt securities are the differences between the fair value of such securities and their amortised costs at the reporting date. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are transferred to the consolidated income statement. If the difference between the cost and the fair value of the available-for-sale securities is permanent, gains and losses are transferred to the consolidated income statement.

Interest and dividends associated to the available-for-sale financial assets are accounted under corresponding interest income and dividend income accounts.

Share premium

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Notes 17 and 21).

Taxes on income

Taxes include current period income taxes and deferred taxes.

Current period income tax

Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of statement of financial position date.

Deferred tax

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilized or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liability is calculated on all taxable temporary differences whereas deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporarily differences can be utilized. Carrying values of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 24).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Current and deferred tax

Current and deferred taxes except those which are either related to the items directly recognized in the equity as receivable or payable (which, in such cases, the deferred tax regarding the related items are also recognized directly in the equity) or those which result from the initial recognition of an enterprise merger are recognized as income or loss in the income statement.

Revenue recognition

Goods & services sales

Revenue comprises the invoiced value for the sale of goods and services. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. For export sales significant risk and rewards are transferred to the buyer on FAS, "Final Assignment to Ship" terms. For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. For export service sales, significant risk and rewards are transferred to the buyer when services are given and revenue is determined reasonably. Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on an accrual basis (Note 18).

Dividend and interest income

Dividend income from the stock investments are recorded when the stockholders become entitled to receive a dividend.

Interest income is realized on a time period basis and the accrued income is determined by taking into account the valid interest rate and the interest rate that is to be effective until its maturity date.

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the Central Bank of Turkey (TCB) exchange rates prevailing at the statement of the financial position dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of profit or loss (Notes 22, 23 and 27).

Foreign currency exchange rates used by the Company at the time of statement of financial position dates are as follows:

	TL/USD	TL/Euro	TL/GBP
December 31, 2013	2.1343	2.9365	3.5114
December 31, 2012	1.7826	2.3517	2.8708

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Financial instruments and financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. All trade receivables are due mainly from dealers and related parties. The Company has established effective control procedures over its dealers and the credit risk arising from transactions with such dealers is regularly monitored by management and the aggregate risk to any individual counterparty is limited. The Company covered its credit risk from domestic vehicle sales to dealers by setting credit limits for dealers through arranged banks and collects its trade receivables from banks at the due date through the use of Direct Debit System. The use of DDS for receivables from dealers is an effective way to decrease the credit risk.

Collaterals obtained from dealers for the receivables regarding domestic spare part sales is another method in the management of the credit risk (Note 7).

Export sales mainly consist of sales to Ford Motor Company and its subsidiaries. Collection terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company and its subsidiaries, except vehicle sales, are collected in 30 days in average (for export vehicle sales 14 days). The collection of receivables resulting from export sales to customers other than Ford Motor Company is secured with letter of credit, letter of guarantee or cash payment.

Price risk

The Company is exposed to equity securities price risk because of investments classified on the statement of financial position as available-for-sale. The Company limits the available-for-sale financial assets in order to manage the price risk arising from investments in equity securities.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 80 million and factoring agreement amounting to Euro 70 million in case a requirement for use arises.

Interest rate risk

Management uses short-term interest bearing financial assets to manage the maturities of interest bearing assets and liabilities. The Company makes limited use of interest rate swaps, to hedge its floating rate borrowings, if needed.

Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities into local currency. This risk is monitored by management through Audit Committee and regular Board of Director's meetings.

Excess cash is invested mainly in hard currency to balance the net foreign currency assets and liabilities and in order to minimize the statement of financial position foreign exchange exposure. In addition to this, distribution of the amount of the export orientated production and sales in the related months can increase the foreign assets (Note 27).

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the "net financial debt to tangible capital ratio". This ratio is calculated as net financial debt divided by tangible capital. Net financial debt is calculated as total short and long term borrowings minus cash and cash equivalents, whereas tangible equity is calculated as equity, as shown in the statement of financial position minus intangible assets. According to the decision of Company management, this ratio is expected not to exceed 1.25.

	December 31, 2013	December 31, 2012
Net financial debt	2,053,087,656	958,035,211
Tangible equity	1,821,292,055	1,757,304,160
Net financial debt / tangible equity ratio	1.13	0.55

Fair value of financial instruments

The Company measures derivatives and available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Financial assets

The fair values of balances denominated in foreign currencies, which are translated using year-end exchange rates, are considered to approximate their carrying value. The fair values of certain financial assets carried at cost, including cash and amounts due from banks and deposits with banks are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables along with the related allowances for impairment are estimated to be their fair values due to their short-term nature.

Financial liabilities

Bank borrowings are recorded over their fair value of which the transaction costs are discounted. In the following periods, they are evaluated and recognized with their discounted costs by using the effective rate of interest method. The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Derivative financial instruments and cash flow hedge accounting

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Company.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of a non financial asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company has entered into swap transactions in order to manage its interest rate risk. Swap transactions are initially recognized at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. The fair value of interest swap contracts is determined by using valuation methods based on observable data in the market.

Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings (Note 6). With respect to assets which take long time to get ready for use and sale, borrowing costs related to production or construction are integrated to the cost of the asset. The borrowing costs include other costs incurred due to borrowing and interest.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Provision for employee benefits

a) Defined benefit plan:

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees or reasons except for resignation and behaviors stated in labor law, calculated in accordance with the Turkish Labour Law (Note 15). According to the amendments on IAS 19 "Employee Benefits", the actuarial gain/(loss) of employee benefits are recognized under other comprehensive income.

b) Defined contribution plan:

The Company has to compensate the Social Security Contribution of the employees. As long as this is compensated, there is no any other obligation for the Company. Social Security Contributions are classified as personnel expenses as of the accrual date (Note 15).

c) Other employee benefits

"Long term provisions for employee benefits" are composed of the unused vacation days accrued in the period incurred and if the impact is material, it is also discounted.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

Provisions for sales premium

Provision for dealer stock sales premium expenses is accounted based on the last approved sales premium programme (Note 8).

Warranty expenses provision

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization. The Company has reclassified warranty reserves to be expected to be realized in one year as current provision (Note 13).

Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred.

- If the cost related to the products can be defined and only if the cost can be measured reliably.
- If the technological feasibility can be measured.
- If the good will be sold or will be used within the Company.
- If there's a potential market or can be proved that it is used within the Company.
- If necessary technological, financial and other resources can be provided to complete the project.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the project lifetime (Note 11).

Leasing – the Company as the lessee

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leasing – the Company as lessor

Operational Leasing

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Related parties

Parties are considered related to the company (reporting entity) if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (Note 26).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

Earnings per share

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 25).

Reporting of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Company's operations.

The cash flows due to investing activities indicate the Company cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment. Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity (Note 4).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities (Note 13).

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the statement of financial position date and the date when the statement of financial position is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the statement of financial position date, the Company makes the necessary corrections on the financial statements (Note 30).

Offsetting

Financial assets and liabilities are offset when there is a legal basis, intention to disclose net amount of related assets and liabilities or the obtaining of an asset follows the settling its of liability.

Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Company has met all conditions required. Government grants and incentives regarding the capitalized projects, costs are recognized by netting from costs of property, plant and equipment and intangible assets. Incentives which are not subject to assets are shown as other income in the income statement.

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies and estimates or material errors are corrected retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current period and prospectively. As of December 31, 2013, there is no significant change in accounting estimates and error. The accounting policies adopted in preparation of the year end financial statements are consistent with those of the previous financial year of December 31, 2012, except for the adoption of new and amended IAS 19 "Employee Benefits".

- (i) Within the scope of the amendments to IAS 19 – Employee benefits, actuarial income/losses related to employee termination benefits are recognized under equity. This practice is effective for the periods starting as of January 1, 2013 and has been implemented retrospectively. As of January 1, 2012 the cumulative actuarial gain/loss amount, shown under retained earnings in the equity movement, could not reliably measured. The Company has classified the actuarial loss amounting to TL 9,880,836, with the deferred tax impact netted off, which was shown in net profit for the period ended December 31, 2012, under the actuarial fund arising from employee benefits under equity in the statement of financial position as of the same date.
- (ii) Provision for unused vacation pay liability amounting to TL 12,664,421 in the account of "other payables" in the statement of financial position of the Company as of December 31, 2012 were classified in "provision for employee benefits" under long term provisions.

Pursuant to the decree taken in the CMB's meeting dated June 7, 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the year end periods ended after March 31, 2013. Various classifications were made in the Company's statement of financial position pursuant to these formats which have taken effect. The classifications made in the statement of financial position of the Company as of December 31, 2012 and the statement of other comprehensive income for the period ended December 31, 2012 are as follows:

- (i) Advances given for inventories amounting to TL 48,595,153 in the account of "inventories" in the statement of financial position of the Company as of December 31, 2012 were classified under "prepaid expenses".
- (ii) Advances given for investments amounting to TL 324,368,840 in the account of "other non current assets" in the statement of financial position of the Company as of December 31, 2012 were classified under "prepaid expenses".
- (iii) Taxes and funds payable amounting to TL 23,536,379 and payables to personnel and expense accruals amounting to TL 21,715,472 and expense accruals amounting to TL 728,674 in the account of "other payables to third parties" in the statement of financial position of the Company as of December 31, 2012 were classified under "employee benefit obligations".
- (iv) Expense accruals amounting to TL 7,527,694 and payables to engineering companies amounting to TL 12,800,732 in the account of "other payables to third parties" in the statement of financial position of the Company as of December 31, 2012 were classified under "trade payables to third parties".

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

- (v) Credit finance income and foreign exchange gain due to credit sales amounting to TL 57,973,427 in the account of "financial income" in the statement of financial position of the Company as of December 31, 2012 were classified under "other operating income".
- (vi) Credit finance charge and foreign exchange loss due to credit purchase amounting to TL 91,151,360 in the account of "financial expenses" in the statement of financial position of the Company as of December 31, 2012 were classified under "other operating expenses".
- (vii) Gain on sale of property, plant and equipment amounting to TL 2,789,199 and dividend income amounting to TL 281,198 in the account of "other operating income" in the statement of profit or loss of the Company as of December 31, 2012 were classified under "income from investing activities".
- (viii) Loss from sale of property, plant and equipment amounting to TL 539,646 in the account of "other operating income" in the statement of profit or loss of the Company as of December 31, 2012 were classified under "expenses from investing activities".

Also in order to conform with the current period presentation, the following reclassifications have been made in the financial statements as of December 31, 2012;

- (i) Development costs in progress amounting to TL 182,884,687 in the account of "property, plant and equipment" in the statement of financial position of the Company as of December 31, 2012 were classified under "intangible assets"
- (ii) Provision for lawsuits amounting to TL 6,966,762 in the account of "other payables" in the statement of financial position of the Company as of December 31, 2012 were classified under "other long term provisions"
- (iii) Provisions for sales premium amounting to TL 31,329,263 in the account of "other payables" in the statement of financial position of the Company as of December 31, 2012 were classified under "other short term provisions".

2.5 Convenience translation into English of financial statements originally issued in Turkish

As at December 31, 2013, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.6 Significant accounting estimates and decisions

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

- (a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15).
- (b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7).
- (c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9).
- (d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counselor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.
- (e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).
- (f) Deferred tax assets are recorded when the occurrence of taxable income is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable income is probable. Deferred tax asset is recorded for the period ended December 31, 2013 since presumptions that the Company will have taxable income in the forthcoming periods are found to be sufficient (Note 24).
- (g) The Company recognizes depreciation and amortization for its property, plant and equipments and intangibles by taking into account their useful lives that are stated in Note 2.3 (Note 10 and 11).

3. Segment reporting

The Company, which is incorporated and domiciled in Turkey, has primary operation of manufacturing, assembling, importing and selling motor vehicles and spare parts. The Company's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Company structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Company are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Cash and cash equivalents

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for Euro denominated time deposits is 2.70% (December 31, 2012: 2.41%). The weighted average interest rate for the TL time deposits is 9% (December 31, 2012: 7.69%).

	December 31, 2013	December 31, 2012
Banks- foreign currency time deposits	207,185,399	268,395,160
Banks - TL demand deposits	24,104,281	26,610,646
Banks- TL time deposits	6,132,512	5,601,180
Banks - foreign currency demand deposits	705,955	911,367
	238,128,147	301,518,353

5. Financial assets

	December 31, 2013		December 31, 2012	
	Shareholding %	Amount	Shareholding %	Amount
Available-for-sale financial assets:				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	7,732,955	0.59	5,961,405
		7,732,955		5,961,405

(*) The Company's shareholding in Otokar was stated at market value per the closing stock quotes at BIST at December 31, 2013 and December 31, 2012 which is assumed to approximate its fair value.

6. Financial liabilities

	December 31, 2013		December 31, 2012	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
Short term borrowings:				
- Euro	1.56	619,497,400	1.00	88,024,131
- TL (*)	-	10,432,157	-	8,302,535
		629,929,557		96,326,666

(*) TL currency short term borrowings are interest-free loans used for short term purposes.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

6. Financial liabilities (continued)

Short-term portion of long-term borrowings

	December 31, 2013		December 31, 2012	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
- Euro	2.97	441,633,045	2.45	238,302,673
- USD	-	-	2.97	28,886,909
		441,633,045		267,189,582
Total short term borrowings		1,071,562,602		363,516,248

Long term borrowings:

- Euro	2.04	1,219,653,201	2.31	896,037,316
		1,219,653,201		896,037,316

The payment schedules of long-term bank borrowings as of December 31, 2013 and 2012 are as follows:

Payment period	December 31, 2013	December 31, 2012
	Total TL	Total TL
2014	-	211,392,012
2015	364,540,148	284,988,369
2016	307,556,508	98,460,416
2017	141,789,233	83,490,904
2018	135,544,438	78,686,683
2019	130,472,203	139,018,932
2020-2021	139,750,671	-
	1,219,653,201	896,037,316

The letters of bank guarantee given to financial institutions in connection with borrowings amount to TL 1,076,694,420 (December 31, 2012 - TL 685,574,000) (Note 13).

7. Trade receivables and payables

	December 31, 2013	December 31, 2012
Short term trade receivables:		
Trade receivables	479,252,823	481,044,572
Doubtful receivables	4,533,456	4,533,456
Less: Unearned credit finance income	(4,333,523)	(2,436,930)
	479,452,756	483,141,098
Less: Provision for doubtful receivables	(4,533,456)	(4,533,456)
	474,919,300	478,607,642

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables (continued)

The average turnover of trade receivables is 30 days (December 31, 2012: 30 days) and discounted by 0.63% monthly effective interest rate (December 31, 2012: 0.64%).

The collection of receivables from export sales other than Ford Motor Company is kept under guarantee with letter of credit, letter of guarantee or upfront cash collection.

	December 31, 2013	December 31, 2012
Long term trade receivables:		
Deposits and guarantees given	458,542	537,623
	458,542	537,623

	December 31, 2013	December 31, 2012
Trade payables:		
Trade payables	923,138,810	830,366,480
Less: Unearned credit finance expense	(3,332,187)	(2,871,714)
	919,806,623	827,494,766

The average turnover of trade payables is 60 days (December 31, 2012: 60 days) and discounted by 0.63% monthly effective interest rate (December 31, 2012:0.64%).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Notes to financial statement for the period ended December 31, 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of December 31, 2013 and 2012 is as follows:

	December 31, 2013		Trade receivables		Other receivables		Deposits in bank
	Related party	Other	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	976,334,894	474,919,300	-	330,799	-	238,128,147	
- <i>Credit risk covered by guarantees</i>	110,000,000	396,568,859	-	-	-	-	
Net book value of the financial assets that are neither overdue nor impaired	921,909,149	461,634,283	-	330,799	-	238,128,147	
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	12,670,000	-	-	-	-	
Net book value of financial assets that are overdue but not impaired	54,425,745	615,017	-	-	-	-	
- <i>Amount of risk covered by guarantees</i>	-	279,267	-	-	-	-	
Net book value of impaired assets	-	-	-	-	-	-	
- <i>Overdue (gross book value)</i>	-	4,533,456	-	-	-	-	
- <i>Provision for impairment (-)</i>	-	(4,533,456)	-	-	-	-	
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-	-	

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables (continued)

	Trade receivables		Other receivables	
	Related party	Other	Related party	Other
December 31, 2012				
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	752,478,555	478,607,642	-	4,552,464
- <i>Credit risk covered by guarantees</i>	110,000,000	432,038,087	-	-
Net book value of the financial assets that are neither overdue nor impaired	719,274,870	465,229,069	-	4,552,464
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	9,348,000	-	-
Net book value of financial assets that are overdue but not impaired	33,203,685	4,030,573	-	-
- <i>Amount of risk covered by guarantees</i>	-	1,864,174	-	-
Net book value of impaired assets	-	-	-	-
- <i>Overdue (gross book value)</i>	-	4,533,456	-	-
- <i>Provision for impairment (-)</i>	-	(4,533,456)	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables (continued)

The aging schedule of receivables that are overdue but not impaired is as follows:

December 31, 2013	Trade receivables	
	Related party	Other
1-30 days overdue	10,990,275	371,774
1-3 months overdue	7,339,035	-
3-12 months overdue	25,364,641	5,189
1-5 years overdue	10,731,794	238,054
	54,425,745	615,017
Risk covered by guarantees	-	279,267

The Company's overdue related party receivables are related to the long term engineering service bills and spare parts exports to Ford Motor Company.

December 31, 2012	Trade receivables	
	Related party	Other
1-30 days overdue	17,523,033	1,934,800
1-3 months overdue	3,776,451	339,845
3-12 months overdue	7,406,479	312,248
1-5 years overdue	4,497,722	1,443,680
	33,203,685	4,030,573
Risk covered by guarantees	-	1,864,174

Movements in the provision for impairment on trade receivables are as follows:

	2013	2012
At January 1	4,533,456	3,333,456
Provisions during the period	-	1,200,000
At December 31	4,533,456	4,533,456

8. Other receivables and payables

	December 31, 2013	December 31, 2012
Other receivables:		
Other miscellaneous receivables	330,799	4,552,464
	330,799	4,552,464

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

8. Other receivables and payables (continued)

	December 31, 2013	December 31, 2012
Other payables:		
Taxes and funds payable	18,341,531	16,842,769
Advances taken	2,869,027	2,283,107
Other	3,261,436	2,624,760
	24,471,994	21,750,636

9. Inventories

	December 31, 2013	December 31, 2012
Finished goods	191,087,991	219,100,521
Raw materials r	170,737,641	253,958,571
Vehicle spare parts	108,033,942	70,595,889
Import vehicles	38,105,200	40,831,183
Goods in transit	30,309,372	69,986,033
Spare parts	28,832,723	26,119,681
	567,106,869	680,591,878
Less: Provision for impairment of finished goods and vehicle spare parts	(3,218,313)	(2,370,999)
	563,888,556	678,220,879

The allocation of fixed production overheads to finished goods costs of conversion is based on the normal capacity of the production facilities.

The Company has accounted for the impairment of inventories as part of cost of sales and the movement in the balance within the year is as follows:

	2013	2012
At January 1	2,370,999	3,625,019
Change within the period	847,314	(1,254,020)
At December 31	3,218,313	2,370,999

The Company has provided a provision for impairment on the inventories when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The provision has been accounted under cost of sales (Note 18).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10. Property, plant and equipment

	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
December 31, 2012									
Cost	11,874,536	125,949,303	566,132,999	1,370,698,096	896,944,280	235,366,647	7,978,528	143,733,711	3,358,678,100
Accumulated depreciation	-	(50,880,186)	(257,856,098)	(735,121,107)	(619,856,337)	(136,164,272)	(2,341,301)	-	(1,802,219,301)
Net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	143,733,711	1,556,458,799
For the period ended December 31, 2013									
Opening net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	143,733,711	1,556,458,799
Additions (*)	-	4,664,936	4,724,620	259,693,369	332,787,655	26,500,473	2,800,125	224,535,600	855,706,778
Transfers	-	3,111,960	27,840,984	5,395,763	17,609,276	1,164,599	-	(55,122,682)	-
Disposals	-	-	-	(10,772,186)	(341,809)	(467,762)	(3,019,997)	-	(14,601,754)
Depreciation charge	-	(5,009,860)	(22,813,175)	(79,386,400)	(48,865,104)	(16,725,902)	(980,450)	-	(173,780,891)
Disposals from accumulated depreciation	-	-	-	5,780,882	337,391	461,625	706,221	-	7,286,119
Closing net book value	11,874,536	77,836,153	318,029,330	816,288,417	578,615,352	110,135,408	5,143,126	313,146,729	2,231,069,051
December 31, 2013									
Cost	11,874,536	133,726,199	598,698,603	1,625,015,040	1,246,999,402	262,563,957	7,758,660	313,146,729	4,199,783,126
Accumulated depreciation	-	(55,880,046)	(280,669,273)	(808,726,624)	(668,384,053)	(152,428,549)	(2,615,530)	-	(1,968,714,075)
Net book value	11,874,536	77,836,153	318,029,330	816,288,416	578,615,349	110,135,408	5,143,130	313,146,729	2,231,069,051

(*) The portion of TL 224,535,600 in the current year construction in progress additions are mainly related to the new light commercial vehicle factory investment and new generation Transit projects (December 31, 2012: TL 148,571,945).

The Company compared the borrowing costs of investment loans in foreign currency to the TL market loan interest and foreign exchange differences and interest costs equal to an amount of TL 97,223,956 (December 31, 2012: TL 21,091,127) has been recognized under property, plant and equipment according to the cumulative approach.

There is no pledge or mortgage on tangible assets as of December 31, 2013 (December 31, 2012: No pledge or mortgage).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10. Property, plant and equipment(continued)

	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
December 31, 2011									
Cost	11,874,536	100,439,184	373,182,635	1,452,681,721	629,094,207	86,071,505	8,844,880	60,319,014	2,722,507,682
Accumulated depreciation	-	(30,502,014)	(133,908,841)	(864,697,232)	(596,952,384)	(53,275,613)	(1,666,184)	-	(1,681,002,268)
Net book value	11,874,536	69,937,170	239,273,794	587,984,489	32,141,823	32,795,892	7,178,696	60,319,014	1,041,505,414
For the year ended									
December 31, 2012									
Opening net book value	11,874,536	69,937,170	239,273,794	587,984,489	32,141,823	32,795,892	7,178,696	60,319,014	1,041,505,414
Opening adjustment (**)	-	21,510,666	176,194,337	(326,865,103)	9,569,559	119,242,198	348,343	-	-
Additions (*)	-	3,452,047	3,050,864	238,921,258	210,498,795	29,044,237	3,003,927	153,158,050	641,129,178
Transfers	-	547,406	13,705,163	6,659,985	47,781,719	1,049,080	-	(89,743,353)	-
Disposals	-	-	-	(699,765)	-	(40,373)	(4,218,622)	-	(4,958,760)
Depreciation charge	-	(4,800,969)	(21,932,427)	(64,207,208)	(18,284,523)	(12,950,722)	(896,664)	-	(123,072,513)
Transfers from accumulated depreciation (**)	-	(15,577,203)	(102,014,830)	193,083,568	(4,619,430)	(69,968,966)	(903,139)	-	-
Disposals from accumulated depreciation	-	-	-	699,765	-	31,029	1,124,686	-	1,855,480
Closing net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	143,733,711	1,556,458,799
December 31, 2012									
Cost	11,874,536	125,949,303	566,132,999	1,370,698,096	896,944,280	235,366,647	7,978,528	143,733,711	3,358,678,100
Accumulated depreciation	-	(50,880,186)	(257,856,098)	(735,121,107)	(619,856,337)	(136,164,272)	(2,341,301)	-	(1,802,219,301)
Net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	143,733,711	1,556,458,799

(*) The portion of TL 153,158,050 in the current year construction in progress additions are mainly related to the new light commercial vehicle factory investment and new generation Transit projects (December 31, 2011: TL 55,139,144).

The Company compared the borrowing costs of investment loans in foreign currency to the TL market loan interest and foreign exchange differences and interest costs equal to an amount of TL 21,091,127 (December 31, 2011: TL 17,287,672) has been recognized under property, plant and equipment according to the cumulative approach.

There is no pledge or mortgage on tangible assets as of December 31, 2012 (December 31, 2011: No pledge or mortgage).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10. Property, plant and equipment(continued)

The carrying amounts of fully depreciated property, plant and equipment still in use are as follows:

	December 31, 2013	December 31, 2012
Moulds and models	366,313,427	352,273,187
Machinery and equipment	132,081,632	101,236,425
Furniture and fixtures	63,244,168	53,118,988
Buildings	18,709,946	15,035,700
Land improvements	1,999,158	1,522,776
Vehicles	847,711	377,996
	583,196,042	523,565,072

The allocation of depreciation expense as of December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Cost of production (Note 18)	160,258,897	113,073,259
General administrative expenses (Note 19)	5,569,646	4,089,233
Research and development expenses (Note 19)	4,673,355	3,206,364
Selling and marketing expenses (Note 19)	1,992,665	1,841,629
Associated with construction in progress	1,286,328	862,028
	173,780,891	123,072,513

11. Intangible assets

December 31, 2012	Rights	Development cost	Development costs in progress	Other	Total
Cost	24,942,594	473,722,783	182,884,687	6,097,543	687,647,607
Accumulated amortization	(20,709,417)	(426,240,957)	-	(2,336,558)	(449,286,932)
Net book value	4,233,177	47,481,826	182,884,687	3,760,985	238,360,675
For the period ended December 31, 2013					
Opening net book value	4,233,177	47,481,826	182,884,687	3,760,985	238,360,675
Additions	4,181,639	-	185,276,121	-	189,457,760
Transfers	2,546,152	5,991,896	(8,900,915)	362,867	-
Depreciation charge	(5,402,687)	(6,176,639)	-	(926,830)	(12,506,156)
Closing net book value	5,558,281	47,297,083	359,259,893	3,197,022	415,312,279
December 31, 2013					
Cost	31,670,385	479,714,678	359,259,892	6,460,411	877,105,366
Accumulated amortization	(26,112,104)	(432,417,596)	-	(3,263,387)	(461,793,087)
Net book value	5,558,281	47,297,082	359,259,892	3,197,024	415,312,279

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

11. Intangible assets (continued)

December 31,2011	Rights	Development cost	Development costs in progress	Other	Total
Cost	25,276,100	432,247,432	66,583,586	3,357,113	527,464,231
Accumulated amortization	(18,658,712)	(411,668,558)	-	(1,776,205)	(432,103,475)
Net book value	6,617,388	20,578,874	66,583,586	1,580,908	95,360,756
For the period ended December 31, 2012					
Opening net book value	6,617,388	20,578,874	66,583,586	1,580,908	95,360,756
Additions	10,893,778	31,069,730	116,301,101	2,740,430	161,005,039
Disposals	-	(821,663)	-	-	(821,663)
Transfers	(11,227,284)	11,227,284	-	-	-
Depreciation charge	(2,050,705)	(15,394,062)	-	(560,353)	(18,005,120)
Disposals from accumulated depreciation	-	821,663	-	-	821,663
Closing net book value	4,233,177	47,481,826	182,884,687	3,760,985	238,360,675
December 31, 2012					
Cost	24,942,594	473,722,783	182,884,687	6,097,543	687,647,607
Accumulated amortization	(20,709,417)	(426,240,957)	-	(2,336,558)	(449,286,932)
Net book value	4,233,177	47,481,826	182,884,687	3,760,985	238,360,675

The allocation of amortization charges relating to December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Cost of production (Note 18)	5,585,523	15,389,751
General administrative expenses (Note 19)	3,704,802	1,508,053
Research and development expenses (Note 19)	3,036,487	1,107,316
Selling and marketing expenses (Note 19)	142,195	-
Associated with construction in progress	37,149	-
	12,506,156	18,005,120

12. Prepaid expenses

Short term prepaid expenses:	December 31, 2013	December 31, 2012
Advances given for inventories	17,272,254	48,595,153
Other prepaid expenses	4,978,454	4,746,495
	22,250,708	53,341,648

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

12. Prepaid expenses (continued)

Long term prepaid expenses:	December 31, 2013	December 31, 2012
Advances given for investments	591,264,603	324,368,840
	591,264,603	324,368,840

(*) Investment advances given are related to the Company's new vehicle investments. TL 172,436,235 (December 31, 2012: TL 95,502,110) is given to domestic vendors as mould advances and TL 418,828,368 (December 31, 2012: TL 231,866,730) is given for the new light commercial vehicle factory investment in Kocaeli plant and assembly line investment for the new age Transit projects procured from vendors abroad

13. Provision, contingent assets and liabilities

The Company recognizes 2 and 3 years of warranty provision for the vehicles sold by dealers for malfunctions described in the sales agreements. Warranty expense provision is estimated by considering vehicles under warranty as of the statement of financial position date and warranty claims of vehicles sold in previous years on a model basis.

Short term provisions:

	December 31, 2013	December 31, 2012
Short term warranty expense provision	31,713,438	41,014,572
Provisions for sales premium (*)	26,296,182	31,329,263
	58,009,620	72,343,835

(*) Provisions for sales premium is primarily composed of discount accruals as of reporting date that dealers earned but not invoiced and expense accruals related with dealer vehicle stock at the reporting date (Note 2.3).

Long term provisions:

	December 31, 2013	December 31, 2012
Long term warranty expense provision	25,972,211	28,167,783
Provisions for lawsuit risks	16,952,947	6,966,762
	42,925,158	35,134,545

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

13. Provision, contingent assets and liabilities (continued)

The provisions for lawsuit risks relating to period is as follows:

	2013	2012
At January 1	6,966,762	6,896,636
Paid during the period	(3,210,689)	(1,705,245)
Additions during the period	13,196,874	1,775,371
At December 31	16,952,947	6,966,762

Movements in the warranty expense provision during the period is as follows::

	2013	2012
At January 1	69,182,355	85,521,492
Paid during the period	(85,258,189)	(72,167,970)
Additions during the period (Note 19)	73,761,483	55,828,833
At December 31	57,685,649	69,182,355

Letters of guarantee and letters of credit	December 31, 2013	December 31, 2012
Letters of guarantee given to financial institutions due to bank loans	1,076,694,420	685,574,000
Letters of guarantee given to customs	29,446,155	28,124,155
Letters of guarantees given to other parties	16,119,980	16,677,764
	1,122,260,555	730,375,919

Letters of guarantee given	December 31, 2013		December 31, 2012	
	Original currency	TL	Original currency	TL
Euro	376,717,791	1,106,231,793	301,581,428	709,229,045
TL	15,908,315	15,908,315	16,501,139	16,501,139
GBP	26,400	92,701	-	-
USD	13,000	27,746	2,606,157	4,645,735
		1,122,260,555		730,375,919

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

13. Provision, contingent assets and liabilities (continued)

The allocation of collaterals, pledges and mortgages as of December 31, 2013 and 2012 as follows:

Collaterals, pledges and mortgages given by the Company	December 31, 2013	December 31, 2012
A.Total amount of collaterals/pledges/mortgages given for its own legal entity	1,122,260,555	730,375,919
B.Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C.Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	-	-
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of collaterals/pledges/mortgages given for the parent company	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section	-	-
Total	1,122,260,555	730,375,919

As of December 31, 2013, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows :

Letters of guarantee taken

	December 31, 2013		December 31, 2012	
	Original currency	TL	Original currency	TL
TL	265,500,997	265,500,997	138,348,665	138,348,665
Euro	12,269,304	36,028,811	12,318,405	28,969,193
USD	463,000	988,181	82,140	146,423
		302,517,989		167,464,281

Tax dispute:

Fiscal Administration, imposed tax amount related to the fuel consumption for export vehicles for the years between 2007 and 2009, amounting to TL 11,982,710 which includes Special Consumption Tax, tax penalty and related interest. As a result of consultations with their advisors, the Company filed an appeal lawsuit at the court, The Company won the lawsuit relating to one of them with an amounting of TL 11,982,710. The Tax Office filed an appeal at the court and the appeal process is continuing.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

14. Commitments

Commitments related with bank loans used by the Company are as follows:

- a) Based on the credit agreements made by the Company in 2013, amounting to Euro 80,000,000 with Citibank A.Ş., Euro 20,000,000 with T.C. Ziraat Bankası A.Ş., Euro 20,000,000 with Akbank TA.Ş and based on the credit agreements made by the Company in 2011, Euro 60,000,000 with Vakıflar Bankası T.A.O., the Company is required to ensure that its export proceeds up to an amount equal to Euro 180,000,000 is transacted through the accounts of these banks. The Company fulfilled these commitments as of December 31, 2013.
- b) Based on the 1 year credit agreements made by the Company in 2013, amounting to Euro 40,000,000 with Garanti Bankası A.Ş. and amounting to Euro 40,000,000 with İş Bankası A.Ş. totally Euro 80,000,000, the Company is required to ensure that its export proceeds up to an amount equal to Euro 80,000,000 is transacted through Garanti Bankası accounts and Euro 80,000,000 is transacted through İş Bankası totally TL 160,000,000 for the year 2013. The Company fulfilled these commitments as of December 31, 2013.
- c) Based on the 4 month term credit agreements made by the Company in November 2012 amounting to Euro 37,430,000 and in 2013 Euro 104,410,000 with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank), the Company is required to ensure that its export proceeds equals to an amount of Euro 144,000,000. The Company fulfilled this commitment as of December 31, 2013. Also, based on the 4 month term credit agreements made by the Company in October and December 2013 amounting to Euro 65,010,000 and based on the 8 month term credit agreement made by the Company in September 2013 amounting to Euro 65,325,000 with Eximbank, the Company is required to ensure that its export proceeds equals to an amount of Euro 66,000,000 and Euro 67,000,000.

Operational lease commitments

Future lease payments under non-cancellable operating lease of the Company is as follows:

Operational lease commitments	December 31, 2013	December 31, 2012
Within 1 year	3,469,320	3,852,436
Between 1 year to 5 years	6,449,565	7,839,168
	9,918,885	11,691,604

15. Employee benefits

Employee benefit obligations:

	December 31, 2013	December 31, 2012
Salaries and social charges payable	27,072,077	20,609,956
Withholding income tax payable	13,664,724	11,378,019
Social security premiums payable	13,199,786	11,864,029
Other payables to personel	1,294,433	2,128,521
	55,231,020	45,980,525

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. Employee benefits (continued)

Long-Term provisions:

	December 31, 2013	December 31, 2012
Provision for employee benefits	79,586,962	72,876,906
Provision for unused vacation pay liability	14,717,993	12,664,421
	94,304,955	85,541,327

Provision for employee benefits:

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 3,254.44 for each year of service as of December 31, 2013 (December 31, 2012 – TL 3,033.98). As of January 1, 2014 the maximum limit of one month's salary is increased to TL 3.438,22.

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

TFRS requires actuarial valuation methods to be developed to estimate the Company's obligation under defined benefit plans, accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2013	December 31, 2012
Discount rate (%)	9.5	7.5
Expected salary increase rate(%)	4.5	3.5
Net discount rate	4.78	3.86
Turnover rate to estimate the probability of retirement (%)	4.3	5

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits every six months, the maximum amount of TL 3,254.44 which was effective between July 1, 2013 and December 31, 2013 (July 1, 2012 - December 31,2012 - TL 3,033.98) has been used in the calculations.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. Employee benefits (continued)

Movements in the provision for employee benefits during the year are as follows:

	2013	2012
At January 1	72,876,906	55,081,174
Interest cost	5,465,768	5,508,117
Current year service cost	6,658,228	5,662,760
Paid during the period	(6,880,188)	(5,726,188)
Actuarial loss	1,466,248	12,351,043
At December 31	79,586,962	72,876,906

16. Other assets

Other current assets::	December 31, 2013	December 31, 2012
VAT to be deductible (*)	146,841,719	144,221,205
Prepaid taxes and withholding	8,586,800	4,109,902
Other r	12,157,482	21,211,424
	167,586,001	169,542,531

(*) VAT to be deductible is related to the ongoing process of refund of export VAT receivable related to November, and December of 2013.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Equity

The composition of the Company's paid-in capital as of December 31, 2012 and 2013 is as follows:

Shareholders	Shareholders		Shareholders	
	December 31, 2013	percentage (%)	December 31, 2012	percentage (%)
Koç Holding A.Ş.	134,953,357	38.46	134,953,357	38.46
Vehbi Koç Vakfı	3,428,592	0.98	3,428,592	0.98
Koç Holding Emekli Yardım Sandığı Vakfı	3,259,202	0.93	3,259,202	0.93
Temel Ticaret A.Ş.	2,355,885	0.67	2,355,885	0.67
Total Koç Group	143,997,036	41.04	143,997,036	41.04
Ford Motor Company	143,997,036	41.04	143,997,036	41.04
Other (Publicly held)	62,915,928	17.92	62,915,928	17.92
Total	350,910,000	100.00	350,910,000	100.00
Inflation adjustment to share capital	27,920,283		27,920,283	
Inflation adjusted paid in capital	378,830,283		378,830,283	

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share.

There are 35,091,000,000 unit of shares (December 31, 2012 - 35,091,000,000 unit) with a nominal value of Kr 1 each.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC; the legal reserves can be used only to offset losses.

In accordance with Corporate Tax Law No. 5520, dated June 13, 2006, Exemption for Sale of Participation Shares and Property, 75% portion of corporations' profits arising from the sale of subsidiary shares which shares that have been carried at least for two years on the statement of financial position and the profits from the sale of which are not withdrawn within five years are followed in special reserves. The Company has reserves amounting to TL 5,992,339 related to this exemption in its tax financial statements (31 December 31, 2012: TL 5,992,339).

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 460,680,315 as of December 31, 2013 (December 31, 2012 – TL 432,432,060).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Equity (continued)

"In accordance with Communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13 2013 which is published on Official Gazette numbered 28676, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- "the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings"
- Other equity items shall be carried at the amounts calculated based on TAS

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on year end financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In accordance with the General Assembly Meeting dated March 21, 2013, the Company decided to pay dividend from the net profit of the year 2012 at 85.50%, that is, gross TL 85.50 (net Kr 72.6750) per TL 1 share, amounting to TL 300,028,050 in total which was paid in April 2013.

The Company decided to pay dividend from the net profit of the year 2011 at 100%, that is, gross TL 1 (net Kr 95.0976) per TL 1 share, amounting to TL 350,910,000 in total which was paid in April 2012. The Company had also decided to pay dividend at 65%, that is, gross Kr 65 (net Kr 57.2693) per TL 1 share, amounting to TL 228,091,500 in total which was paid in October 2012.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Equity (continued)

In accordance with Communiqué No: II-14,1, "Communiqué on the Principles of Financial Reporting In Capital Markets", equity schedule at December 31, 2013 and December 31, 2012 are as follows:

	December 31, 2013	December 31, 2012
Share capital	350,910,000	350,910,000
Inflation adjustment to share capital	27,920,283	27,920,283
Share premium	8,252	8,252
Revaluation funds	6,418,091	4,712,623
Net loss on cash flow hedge	(102,334,951)	(1,298,245)
Actuarial (loss) arising from employee benefits	(11,053,834)	(9,880,836)
Restricted reserves	460,680,315	432,432,060
- Legal reserves	454,687,974	426,439,719
- Special reserves	5,992,341	5,992,341
Retained earnings	862,584,393	505,957,103
- Inflation adjustment to equity	428,301,244	428,301,244
- Extraordinary reserves	424,402,313	77,655,859
- Other retained earnings	9,880,836	-
Net income for the period	641,471,786	684,903,595
Share capital	2,236,604,335	1,995,664,835

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended December 31, 2013 and 2012 are as follows:

December 31, 2013:	Historical values	Adjusted values	Equity inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	454,687,974	513,440,578	58,752,604
Extraordinary reserves	424,402,313	793,547,329	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	5,992,341	6,042,484	50,143
	1,236,000,880	1,692,222,407	456,221,527
December 31, 2012:	Historical values	Adjusted values	Equity inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	426,439,719	485,192,323	58,752,604
Extraordinary reserves	77,655,859	446,800,875	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	5,992,341	6,042,484	50,143
	861,006,171	1,317,227,698	456,221,527

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Equity (continued)

Inflation adjustment difference in equity can be utilized in issuing bonus shares and in offsetting accumulated losses; the carrying amount of extraordinary reserves can be utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

Otokar shares which are publicly traded in BIST are valued at their closing price as of December 31, 2013 and December 31, 2012. As of December 31, 2013 fair value change (positive) amounting to TL 1,705,467, net of deferred tax, (December 31, 2012 – TL 2,377,532) is shown in statement of other comprehensive income.

The effects of the changes in revaluation fund in the statement of other comprehensive income are as follows:

	2013	2012
January 1	(6,466,458)	1,989,285
Increase in revaluation fund of available for sale financial assets	1,705,467	2,377,532
Actuarial (loss) arising from employee benefits	(1,172,998)	(9,880,836)
Accumulated (loss) from cash flow hedge	(101,036,706)	(952,439)
December 31	(106,970,695)	(6,466,458)

18. Revenue and cost of sales

	December 31, 2013	December 31, 2012
Export sales	7,299,181,116	5,936,332,099
Domestic sales	4,561,836,223	4,366,124,292
Other sales	68,998,825	83,258,381
Less: Discounts	(525,103,270)	(617,777,515)
	11,404,912,894	9,767,937,257

Units of vehicle sales:

	December 31, 2013			December 31, 2012		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit	23,788	121,252	145,040	28,179	113,502	141,681
Transit Connect	21,711	51,796	73,507	29,162	75,081	104,243
Passenger vehicles	58,618	307	58,925	45,919	613	46,532
Transit Custom	3,399	52,304	55,703	1,113	14,328	15,441
Cargo	5,936	1,002	6,938	5,811	955	6,766
Ranger	519	10	529	827	10	837
	113,971	226,671	340,642	111,011	204,489	315,500

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

18. Revenue and cost of sales (continued)

Summaries of cost of production as of December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Raw material cost	(7,447,749,842)	(6,546,593,774)
Production overhead costs	(683,816,123)	(624,980,659)
Depreciation and amortization expenses	(165,844,420)	(128,463,010)
Change in finished goods inventory	(28,717,540)	144,649,161
Total production cost	(8,326,127,925)	(7,155,388,282)
Cost of trade goods sold	(1,951,027,803)	(1,525,622,522)
Total cost of sales	(10,277,155,728)	(8,681,010,804)

19. Research and development expenses, marketing and sales expenses, general administrative expenses

	December 31, 2013	December 31, 2012
Selling and marketing expenses:		
Warranty expenses	(73,761,483)	(55,828,833)
Advertising expenses	(53,047,821)	(47,424,649)
Vehicle transportation expenses	(49,294,526)	(47,900,238)
Personnel expenses	(43,822,852)	(37,188,390)
Spare parts transportation and packaging expenses	(15,749,259)	(16,944,752)
Dealer and service development expenses	(10,691,646)	(9,565,370)
Depreciation and amortization expense	(2,134,860)	(1,841,629)
Other	(21,441,211)	(14,403,348)
	(269,943,658)	(231,097,209)
General administrative expenses:		
Personnel expenses	(54,911,556)	(51,081,421)
Legal, consulting and auditing expenses	(22,949,218)	(12,206,087)
New project administrative expenses	(17,203,756)	(13,934,069)
Duties, taxes and levies	(12,252,068)	(2,785,861)
Grants and donations	(12,235,154)	(13,214,246)
Depreciation and amortization expense (Notes 10 and 11)	(9,274,448)	(5,597,286)
Repair, maintenance and energy expenses	(4,206,381)	(4,014,969)
Travel expenses	(3,595,571)	(3,385,758)
Warranty expenses excluding sales	(1,142,130)	(1,892,354)
Other	(16,474,564)	(12,470,061)
	(154,244,846)	(120,582,112)

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

19. Research and development expenses, marketing and sales expenses, general administrative expenses (continued)

Research and development expenses:

Personnel expenses	(63,918,739)	(60,033,883)
Project costs	(54,922,399)	(35,774,742)
Research and development administrative expenses	(13,923,250)	(7,006,757)
Depreciation and amortization expense (Notes 10 and 11)	(7,709,842)	(4,313,680)
Other	(5,415,689)	(4,955,892)
	(145,889,919)	(112,084,954)

20. Expenses by nature

The classification of expenses by nature for the year ended at December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Raw material cost	(7,447,749,842)	(6,546,593,774)
Cost of trade goods sold	(1,951,027,803)	(1,525,622,522)
Personnel expenses	(531,468,977)	(476,027,438)
Other operational expenses	(388,246,224)	(303,899,396)
Other overhead expenses	(315,060,195)	(297,065,505)
Financial expenses	(295,946,425)	(133,458,883)
Depreciation and amortization expenses	(184,963,570)	(140,215,605)
Change in finished goods inventory	(28,717,540)	144,649,161
Expenses from investing activities	(5,253,888)	(539,646)
Other operational expenses	(64,009,849)	(94,285,461)
Total Expenses	(11,212,444,313)	(9,373,059,069)

21. Other operating income/expenses

	December 31, 2013	December 31, 2012
Other operating income and gains:		
Foreign exchange gains	81,524,684	11,244,305
Credit finance gains	36,353,789	46,729,122
Income related to tax exceptions	11,792,633	5,740,521
Price difference and claim recovery	10,549,724	13,203,774
License fees income	8,210,298	4,413,044
Commission income	7,279,504	7,076,706
Rent income	3,782,462	3,563,296
Other	16,480,643	10,335,648
	175,973,737	102,306,416

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

21. Other operating income/expenses(continued)

	December 31, 2013	December 31, 2012
Other operating expenses and losses:		
Credit finance charge	(41,848,088)	(51,327,108)
Foreign exchange losses	(19,731,933)	(39,824,252)
Other	(2,429,828)	(3,134,101)
	(64,009,849)	(94,285,461)

22. Financial income

	December 31, 2013	December 31, 2012
Foreign exchange gains	73,012,050	130,697,834
Interest income	9,720,451	22,980,847
	82,732,501	153,678,681

23. Financial expenses

	December 31, 2013	December 31, 2012
Foreign exchange losses	(261,531,449)	(117,091,190)
Interest expenses	(25,237,418)	(12,607,844)
Other financial expenses	(9,177,558)	(3,759,849)
	(295,946,425)	(133,458,883)

24. Tax assets and liabilities

Corporate Tax Law was amended by the Law No, 5520 dated June 13, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from January 1, 2006. Accordingly, the corporate tax rate for the fiscal year 2013 is 20% (December 31, 2012 - 20%). Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax, otherwise, dividends paid are subject to withholding tax at the rate of 15%, an increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Tax assets and liabilities (continued)

Corporations are required to pay advance corporate tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax declarations to the Tax Office within the 25th of the fourth month following the close of the financial year.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate.

The Company capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code. As of December 31, 2013 the Company used R&D deduction of TL 94,456,192 (December 31, 2012: TL 55,811,632) in return for the legal tax.

The decree on Government Subsidies for Incentives regulating investment incentives was published in the official gazette and became effective on 16 July 2009. Within the scope of this decree, the Company acquired a large-scaled investment incentive certificate in December 2010 amounting to TL 1,342,219,988. Subject investment is located in the 1. Region and has a 30% rate of contribution to investment. As of the statement of the financial position date, in the framework of the related investment incentive certificates, an investment expense of TL 559,816,554 (December 31,2012: TL 531,833,087) was made. The Company used a discount on corporate tax for its Transit Custom model for TL 812,070 and this amount has been deducted from the total deferred tax asset.

The decree on Government Subsidies for Incentives re-regulating investment incentives was published in the official gazette and became effective on 19 June 2012. The Company reevaluated its existing investments and within the scope of above mentioned new decree acquired a privileged investment incentive certificate amounting to TL 954,816,039 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. The investments will benefit from the 5. Region contributions according to the new incentive regulation and has a 40% rate of contribution to investment. As of the date of statement of financial position, the investment expenditures amounting to TL 630,033,496 was made in the framework of the related new investment incentive certificates and the Company utilized discounted corporate taxation amounting to TL 12,324,418 in the current year and this amount has been deducted from the total deferred tax asset.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Tax assets and liabilities (continued)

The Company's net tax position as of December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Current year corporate tax	3,893,175	89,919,272
Prepaid tax and withholding	(3,893,175)	(82,177,641)
	-	7,741,631

The taxation on income for the periods ended December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Current year corporate tax	(3,893,175)	(89,919,272)
Current year tax effect of cash flow hedge	(25,448,879)	-
Deferred tax	218,709,034	120,889,265
	189,366,980	(30,969,993)

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at December 31, 2013 and 2012 and current tax ratio based on income before tax is as follows:

	December 31, 2013	December 31, 2012
Income before tax:	452,104,806	653,933,602
Effective tax rate	20%	20%
Current year tax expense	(90,420,961)	(130,786,720)
R&D deduction	18,891,238	12,113,555
Investment incentive exemption	260,408,438	147,464,410
Other temporary differences	488,265	2,178,748
	189,366,980	30,969,993

The Company calculates deferred tax assets and liabilities from the temporary differences identified during the evaluation of the differences between the statement of financial position prepared under TFRS and financial statements prepared for tax purposes.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Tax assets and liabilities (continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at December 31, 2013 and 2012 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Deferred tax assets:				
Investment incentive tax asset	1,189,850,050	531,833,087	405,775,774	158,503,824
Expense accruals and other	74,089,837	66,429,815	15,111,217	13,285,962
Employee benefits provision	79,586,962	72,876,906	16,210,642	14,575,381
Warranty expense provision	57,685,649	69,182,355	11,537,130	13,836,471
Inventories	47,030,202	10,269,456	9,406,040	2,053,891
			458,040,803	202,255,529
Deferred tax liabilities:				
Difference between financial statements adjusted under TFRS and tax-based financial statements:				
Tangibles and intangibles	758,636,789	573,640,754	(151,727,358)	(114,728,151)
Income accruals and other	21,995,304	21,797,462	(4,399,061)	(4,359,493)
			(156,126,419)	(119,087,644)
Net deferred tax asset			301,914,384	83,167,885

Deferred tax movements are as follows:

	January 1, 2013	Charged to income statement as profit/(loss)	Charged to other comprehensive income statement as profit/(loss)	December 31,
				2013
Deferred tax liabilities:				
Temporary difference between financial statements adjusted under TFRS and tax:				
Tangible and intangible assets	(114,728,151)	(36,999,207)	-	(151,727,358)
Income accruals and other	(4,359,493)	26,514	(66,082)	(4,399,061)
Deferred tax assets:				
Investment incentive tax asset	158,503,824	247,271,950	-	405,775,774
Expense accruals and other	13,285,962	2,014,958	(189,703)	15,111,217
Provision for employee benefits	14,575,381	1,342,011	293,250	16,210,642
Warranty expense provision	13,836,471	(2,299,341)	-	11,537,130
Inventories	2,053,891	7,352,149	-	9,406,040
Deferred tax asset, net	83,167,885	218,709,034	37,465	301,914,384

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Tax assets and liabilities (continued)

	January 1, 2012	Charged to income statement as profit/(loss)	Charged to comprehensive income statement as profit/(loss)	December 31, 2012
Deferred tax liabilities:				
Temporary difference between financial statements adjusted under TFRS and tax:				
Tangible and intangible assets	(85,620,677)	(29,107,474)	-	(114,728,151)
Income accruals and other	(5,681,112)	1,446,752	(125,133)	(4,359,493)
Deferred tax assets:				
Warranty expense provision	17,104,299	(3,267,828)	-	13,836,471
Investment incentive tax asset	12,085,516	146,418,308	-	158,503,824
Provision for employee benefits	11,016,235	1,088,938	2,470,208	14,575,381
Expense accruals and other	10,791,174	4,310,569	238,110	15,339,853
Deferred tax liability, net	(40,304,565)	120,889,265	2,583,185	83,167,885

25. Earnings per share

	December 31, 2013	December 31, 2012
Net income for the year (TL)	641,471,786	684,903,595
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000
Earnings per share with nominal value of Kr 1 each	1.83 Kr	1.95 Kr

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Company, is controlled by Koç Holding A.Ş. and Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies' assets are shown as related parties.

The related party balances at December 31, 2013 and December 31,2012 and the transactions with related parties during the year are as follows:

a) Receivables from related parties:

i) Trade receivable from related parties

	December 31, 2013	December 31, 2012
Due from shareholders:		
Ford Motor Company and its subsidiaries	654,172,884	547,996,541
	654,172,884	547,996,541
Due from group companies (*):		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	321,909,112	201,024,921
Other	3,239,372	4,514,189
	325,148,484	205,539,110
Less: Unearned credit finance income	(2,986,474)	(1,057,096)
	976,334,894	752,478,555

(*) The Company's shareholders' subsidiaries and affiliates.

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from the Ford Motor Company are due in 14 days and receivables are collected regularly.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company's receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 30 days on average

b) Payables to related parties:

i) Trade payables to related parties

	December 31, 2013	December 31, 2012
Due to shareholders::		
Ford Motor Company and its subsidiaries	205,020,830	233,527,483
	205,020,830	233,527,483
Due to group companies (*):		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	28,945,112	28,779,476
Ram Dış Ticaret A.Ş.	13,612,335	16,622,916
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	5,042,210	1,549,714
Setur Servis Turistik A.Ş.	3,009,643	1,908,907
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1,904,462	4,542,232
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	1,451,733	1,389,750
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	943,514	2,463,770
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	880,764	861,421
Ram Sigorta Aracılık Hizmetleri A.Ş.	855,710	572,244
Opet Petrolcülük A.Ş.	190,121	71,778
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	184,548	131,375
Divan Turizm İşletmeleri A.Ş.	175,027	84,255
Koç Üniversitesi	155,001	114,217
Aygaz A.Ş.	70,723	-
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	37,105	24,765
Otokar Otomotiv ve Savunma Sanayi A.Ş.	33,641	24,225
Arçelik A.Ş.	1,558	-
Tofaş Türk Otomobil Fabrikası A.Ş.	-	5,496
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	288,487
Promena Elektronik Ticaret A.Ş.	-	44,722
	57,493,207	59,479,750
Less: Unearned credit finance expense	(224,750)	(228,564)
	262,289,287	292,778,669

(*) The Company's shareholders' subsidiaries and affiliates

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

ii) Other payables to related parties

	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş.	5,263,690	1,221,174
Koç Holding A.Ş.	204,856	168,707
Other	149,784	59,180
	5,618,330	1,449,061

c) Sales to related parties:

	December 31, 2013	December 31, 2012
Ford Motor Company and its subsidiaries(*)	7,148,628,222	5,846,254,699
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.(**)	1,336,319,739	1,223,507,084
Other r	62,811,372	58,433,987
	8,547,759,333	7,128,195,770
Less: Financial income from credit sales	(11,149,834)	(13,720,173)
	8,536,609,499	7,114,475,597

(*) The Company, exports vehicle, spare parts and research and development related service to Ford Motor Company.

(**) The Company has a vehicle and spare parts trade in accordance with domestic dealer agreement with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

d) Material, service and fixed asset purchases from related parties:

	January 1 – December 31, 2013			
	Material	Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	8,139,178	149,262,769	97,057	157,499,004
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	74,822,453	74,822,453
Ram Dış ticaret A.Ş.	61,856,877	3,100	-	61,859,977
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	8,561,874	6,861,126	15,423,000
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	15,274,789	-	-	15,274,789
Setur Servis Turistik A.Ş.	-	9,632,000	-	9,632,000
Koç Holding A.Ş.	-	9,132,730	-	9,132,730
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	8,356,103	-	-	8,356,103
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,950,174	-	7,950,174
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	7,361,058	-	431,950	7,793,008
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	4,544,092	1,721,452	6,265,544
Opet Petrolcülük A.Ş.	3,661,317	-	-	3,661,317
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,684,792	-	1,684,792
Callus Bilgi ve İletişim Hizmetleri A.Ş. (*)	-	1,020,146	-	1,020,146
Divan Turizm İşletmeleri A.Ş.	-	555,078	-	555,078
Koç Üniversitesi	-	443,000	-	443,000
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	394,726	-	394,726
Promena Elektronik Ticaret A.Ş.	-	388,000	-	388,000
Otokar Otomotiv ve Savunma Sanayi A.Ş.	785	218,828	-	219,613
V.K.V Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	-	179,047	-	179,047
Aygaz A.Ş.	106,450	-	-	106,450
Tofaş Türk Otomobil Fabrikası A.Ş.	-	58,245	-	58,245
Arçelik A.Ş.	1,254	-	508	1,762
	104,757,811	194,028,601	83,934,546	382,720,958
Less: Financial expense from credit sales	(1,267,604)	-	-	(1,267,604)
	103,490,207	194,028,601	83,934,546	381,453,354

(*) Koç Holding A.Ş. has transferred Callus Bilgi ve İletişim Hizmetleri A.Ş. shares as of July 2, 2013.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

	January 1 – December 31, 2012			
	Material	Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	14,732,196	135,159,753	60,763	149,952,712
Ark İnşaat	-	-	74,299,597	74,299,597
Ram Dış ticaret A.Ş.	60,280,743	-	-	60,280,743
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	14,780,943	-	-	14,780,943
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	7,113,946	6,430,220	13,544,166
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	12,362,700	-	-	12,362,700
Setur Servis Turistik A.Ş.	-	11,514,929	-	11,514,929
Koç Holding A.Ş.	-	8,872,406	-	8,872,406
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	7,410,968	-	455,506	7,866,474
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,422,987	-	7,422,987
Arçelik A.Ş.	5,630	7,024,497	-	7,030,127
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	4,992,109	1,321,196	6,313,305
Opet Petrolcülük A.Ş.	4,008,894	-	-	4,008,894
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	1,381,439	-	1,381,439
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,270,173	-	1,270,173
Palmira Turizm Ticaret A.Ş.	-	602,448	-	602,448
Promena Elektronik Ticaret A.Ş.	-	531,800	-	531,800
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	514,092	-	514,092
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	293,888	-	293,888
Koç Üniversitesi	-	170,468	-	170,468
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	-	145,295	-	145,295
Aygaz A.Ş.	128,877	-	-	128,877
Özel Med Amerikan Polikliniği	-	8,969	-	8,969
Tofaş Türk Otomobil Fabrikası A.Ş.	-	7,637	-	7,637
Bilkom Bilişim Hizmetleri A.Ş.	-	1,437	-	1,437
	113,710,951	187,028,273	82,567,282	383,306,506
Less: Financial expense from credit sales	(1,785,553)	-	-	(1,785,553)
	111,925,398	187,028,273	82,567,282	381,520,953

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

Material, vehicle and service purchases from abroad:

	December 31, 2013	December 31, 2012
Ford Motor Company and its subsidiaries	4,863,365,905	3,959,541,682

e) License fees paid to Ford Motor Company included in cost of sales:

	December 31, 2013	December 31, 2012
	61,727,345	63,348,604

f) License fees received from Jiangling Motors Corporation, a subsidiary of Ford Motor Company, included in other income:

	December 31, 2013	December 31, 2012
	8,210,299	4,413,044

g) Donations to Koç Group foundations, included in general administrative expenses:

	December 31, 2013	December 31, 2012
	10,777,946	12,691,187

h) The details of deposits in related banks and loans obtained from related banks:

Deposits in related banks:	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş.		
- Banks - foreign currency time deposits	54,622,940	81,026,491
- Banks - TL demand deposits	15,631,713	14,774,853
- Banks - foreign currency demand deposits	153,211	63,678
- Banks - TL time deposits	-	4,600,958
	70,407,864	100,465,980

Loans obtained from related banks	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş.	10,432,157	8,231,871

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Transactions and balances with related parties (continued)

i) Commission income:

	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş.	7,209,509	7,967,886

i) Commission expense:

	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş.	34,133,867	50,742,453
Koç Tüketici Finansmanı A.Ş.	824,930	2,829,930
	34,958,797	53,572,383

Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. are credit commissions related to sales to last customers by dealers and are recorded as sales discounts in statement of profit or loss.

j) Interest income:

	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş.	2,375,453	6,153,305

k) Dividend income:

	December 31, 2013	December 31, 2012
Otokar Otomotiv ve Savunma Sanayi A.Ş.	374,931	281,198

l) Compensation of key management personnel:

The Company defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (Note 2).

Compensation of key management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees.

The total amount of compensation given to key management personnel of the Company as of December 31, 2013 was TL 16,763,843 (December 31, 2012 - TL 15,126,090).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Notes to financial statement for the period ended December 31, 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management

The table below summarizes the Company's exposure to foreign currency exchange rate risk at December 31, 2013 and 2012. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below.

December 31, 2012

	TL (Functional currency)	USD	Euro	GBP
1. Trade receivables	608,426,291	2,723,303	204,629,744	489,463
2. Monetary financials assets (including cash and cash equivalents)	207,891,355	62,999	70,724,752	21,240
3. Other	28,845,162	-	9,658,133	137,852
4. Current assets (1 + 2 + 3)	845,162,808	2,786,302	285,012,629	648,555
5. Monetary financial assets	196,511	92,073	-	-
6. Non-current assets (5)	196,511	92,073	-	-
7. Total assets (4+6)	845,359,319	2,878,375	285,012,629	648,555
8. Trade payables	280,308,753	18,188,454	80,501,494	1,451,415
9. Financial liabilities	1,061,130,445	-	361,358,912	-
10. Other monetary liabilities	3,194,380	754,129	506,813	27,506
11. Short term liabilities (8 + 9 + 10)	1,344,633,578	18,942,583	442,367,219	1,478,921
12. Financial liabilities	1,220,366,296	-	415,585,321	-
13. Long term liabilities (12)	1,220,366,296	-	415,585,321	-
14. Total liabilities (11 + 13)	2,564,999,874	18,942,583	857,952,540	1,478,921
15. Net foreign currency assets / (liabilities) position (7 - 14)	(1,719,640,555)	(16,064,208)	(572,939,911)	(830,366)
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(1,748,485,717)	(16,064,208)	(582,598,044)	(968,218)

(*) The Company's net foreign exchange position is mainly due to long term Euro denominated loans obtained to fund its investments. The Company is hedged for the foreign currency exchange risk of a portion of those Euro denominated loans amounting to TL 691,450,364 by export agreements signed with Ford Motor Company. Additionally, the foreign currency exchange losses and interest expenses to the extent that the standard limits in accordance to IAS 23 related to the investment loans used for property, plant and equipment purchases amounting to TL 970,238,795 is capitalized (Note 10).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

December 31, 2012

	TL (Functional currency)	USD	Euro	GBP
1. Trade receivables	499,992,758	1,965,806	207,944,342	2,600,601
2. Monetary financial assets (including cash and cash equivalents)	270,124,448	20,051,098	99,661,889	2,263
3. Other	67,668,583	-	28,687,123	71,435
4. Current assets (1 + 2 + 3)	837,785,789	22,016,904	336,293,354	2,674,299
5. Monetary financial assets	163,576	91,763	-	-
6. Non-current assets (5)	163,576	91,763	-	-
7. Total assets (4+6)	837,949,365	22,108,667	336,293,354	2,674,299
8. Trade payables	312,600,674	25,546,455	111,554,369	1,643,847
9. Financial liabilities	355,213,713	16,204,930	138,762,089	-
10. Other monetary liabilities	2,132,641	178,584	763,678	6,394
11. Short term liabilities (8 + 9 + 10)	669,947,028	41,929,969	251,080,136	1,650,241
12. Financial liabilities	897,721,221	-	381,732,883	-
13. Long term liabilities (12)	897,721,221	-	381,732,883	-
14. Total liabilities (11 + 13)	1,567,668,249	41,929,969	632,813,019	1,650,241
15. Net foreign currency assets / (liabilities) position (7 - 14)	(729,718,884)	(19,821,302)	(296,519,665)	1,024,058
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(797,387,467)	(19,821,302)	(325,206,788)	952,623

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk primarily against to Euro and partly against to USD. The foreign exchange risk of the Company arises from long-term Euro investment loans.

December 31, 2013

	Profit/(loss) before taxation	
Appreciation in foreign currency / Depreciation in foreign currency	Increase by %10	Decrease by %10
Change in USD against TL		
US Dollar net (liabilities) / assets	(3,428,584)	3,428,584
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	(3,428,584)	3,428,584
Change in Euro against TL		
Euro net (liabilities) / assets	(168,243,805)	168,243,805
Euro net hedged amount	71,911,727	(71,911,727)
Euro net (loss) / gain	(96,332,078)	96,332,078
Change in other foreign currency against TL		
Other foreign currency denominated net assets/(liabilities)	(291,666)	291,666
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net gain/(loss)	(291,666)	291,666

December 31, 2012

	Profit/(loss) before taxation	
Appreciation in foreign currency / Depreciation in foreign currency	Increase by %10	Decrease by %10
Change in USD against TL		
US Dollar net (liabilities) / assets	(3,533,345)	3,533,345
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	(3,533,345)	3,533,345
Change in Euro against TL		
Euro net asset/(liabilities)	(69,732,530)	69,732,530
Euro net hedged amount	-	-
Euro net gain/(loss)	(69,732,530)	69,732,530
Change in other foreign currency against TL		
Other foreign currency denominated net asset/(liabilities)	293,987	(293,987)
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net gain/(loss)	293,987	(293,987)

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

The comparative amounts for total export and import amounts for the year ended December 31, 2013 and 2012 are as follows;

	December 31, 2013	December 31, 2012
Total export amount	7,299,181,116	5,936,332,099
Total import amount	6,162,335,697	5,079,439,096

The Company's net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk the Company follows a balanced foreign currency position policy. The foreign currency exposure arising from foreign currency denominated borrowings and trade payables is managed through assets denominated in foreign currency.

Interest rate risk

The Company's interest rate sensitive financial instruments are as follows:

	December 31, 2013	December 31, 2012
Fixed interest rate financial instruments		
Financial assets	213,301,075	273,952,715
Financial liabilities	904,174,322	511,098,797
Floating interest rate financial instruments		
Financial liabilities(*)	1,369,230,992	736,549,267

(*) As of December 31, 2013, the Company, signed an interest swap agreement in order to mitigate the cash flow interest risk related to the floating interest loan amounting to Euro 28,571,429 (TL 83,900,001) with a maturity of December 9, 2015.

If the interest rates of floating interest-bearing USD and Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 1,386,362.93 at December 31, 2013 (December 31, 2012 – TL 615,024) due to higher/lower interest expense.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Notes to financial statement for the period ended December 31, 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

Liquidity risk

The table below shows the liquidity risk arising from financial liabilities of the Company:

December 31, 2013	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	2,291,215,303	2,388,821,952	113,600,631	972,175,285	995,929,686	307,116,351
Trade payables		262,514,037	262,514,037	-	-	-
- Related party	262,289,287	923,138,810	923,138,810	-	-	-
- Other	919,806,623					
Other liabilities		5,618,330	5,618,330	-	-	-
- Related party	24,471,994	24,471,994	24,471,994	-	-	-
- Other						
Derivative financial liabilities						
Derivative financial instruments	713,095	713,095	-	-	713,095	-

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.
Notes to financial statement for the period ended December 31, 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

December 31, 2012	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	1,259,553,564	1,337,741,736	113,206,045	258,374,650	703,559,582	262,601,459
Trade payables						
- Related party	292,778,669	293,007,233	293,007,233	-	-	-
- Other	827,494,766	830,366,480	830,366,480	-	-	-
Other liabilities						
- Related party	1,449,061	1,449,061	1,449,061	-	-	-
- Other	21,750,636	21,750,636	21,750,636	-	-	-
Derivative financial liabilities						
Derivative financial instruments	1,683,905	1,683,905	-	-	1,683,905	-

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Financial instruments and financial risk management (continued)

Fair value hierarchy table

The Company classifies the fair value measurement of financial instruments reported at fair value according to their source of valuation inputs, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques that includes direct or indirect observable inputs

Level 3: Valuation techniques that does not contain observable market inputs

As of December 31,2013 and 2012, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

December 31, 2013	Level1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Financial asset available-for-sale -Otokar	7,732,955	-	-
Total assets	7,732,955	-	-
Liabilities at fair value			
Cash flow hedge swap transaction	-	713,095	-
Total Liabilities	-	713,095	-

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date,

(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e, derived from prices).

December 31, 2012	Level1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Financial asset available-for-sale -Otokar	5,961,405	-	-
Total Assets	5,961,405	-	-
Liabilities at fair value			
Cash flow hedge swap transaction	-	1,683,905	-
Total Liabilities	-	1,683,905	-

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date.

(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e, derived from prices)

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

28. Derivative financial instruments

	December 31, 2013	December 31, 2012
Derivative financial instruments:		
Long term financial derivatives	713,095	1,683,905
	713,095	1,683,905

The Company has obtained a long term loan in foreign currency with a floating rate from the international market and entered into a long-term swap transaction to fix the interest rate and hedge against interest rate risk.

As of December 31, 2013, the Company has entered into swap transaction for Euro 28,571,429 with a maturity of December 9, 2015 to hedge itself from the risk caused by fluctuations in interest rates. The critical terms of the swap contract such as due date, repayment, and changes in interests are in line with the foreign currency loan agreement subject to the swap transaction as of December 31, 2013. The fair value of the related swap transaction as of December 31, 2013 is amounting to TL 713,095 and presented in "Non-current liabilities".

	December 31, 2013	December 31, 2012
Cash flow hedge reserve:		
Amount recognized in other comprehensive income	150,814,957	-
Amount recycled from other comprehensive income to statement of profit or loss	(23,570,560)	-
	127,244,397	-

There is an effective foreign currency cash flow hedge relationship between foreign currency long term financial borrowings related with investment expenditures (non derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Company will associate a portion of export revenue from April 1, 2013 to December 2019 with long term financial borrowings.

29. Income and expenses from investing activities

	December 31, 2013	December 31, 2012
Income from investing activities:		
Gain on sales of property, plant and equipment	555,056	2,789,119
Dividend income	374,931	281,198
	929,987	3,070,317

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2013

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29. Income and expenses from investing activities (continued)

	December 31, 2013	December 31, 2012
Expenses from investing activities:		
Loss on sales of property, plant and equipment	(5,253,888)	(539,646)
	(5,253,888)	(539,646)

30. Government incentives and grants

The Company received two investment incentives both greater than TL 250 million in the last quarter of 2010, under the scope of the Council of Minister's decision numbered 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of the costs of fixed assets purchases related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned.

Additionally, the Company reevaluated its existing investments within the scope of the decree on Government Subsidies for Incentives re-regulating investment incentives, which was published in the official gazette and became effective on 19 June 2012, and acquired a privileged investment incentive certificate amounting to TL 954,816,039 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. Subject investment incentives has a 40% rate of contribution to investment (Note 24).

31. Subsequent events

There is no significant subsequent event to be disclosed.

32. Disclosure of other matters

There are no other matters other than stated above, which would materially affect or that would have material effect on the financial statements, required for the purpose of understanding and interpreting the financial statements or on their interpretation and understandability.