

**Continued leadership for 9 consecutive years...**





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Ford Otosan, the leader of the Turkish automotive industry for the last nine years, increased its market share to 15.6% up from 15.1% in 2009 and expanded its export volume by a remarkable 37% in 2010 when the Turkish automotive industry broke all-time sales record.

Registered Capital : TL 500,000,000  
Paid-in Capital : TL 350,910,000

Prepared in accordance with the Capital Markets Board regulations for submitting in the Ordinary General Shareholders' Meeting which is held on March 23, 2011, Wednesday at 11:00 am, at Divan City Hotel (Büyükdere Caddesi, No:84, 34398 Gayrettepe / Istanbul).





## MASSIVE INVESTMENT IN THE FUTURE

Having produced its 6 millionth Transit in the year 2010, Ford Otosan disclosed its plans to invest USD 630 million for the production of the new Ford Transit series by 2013.



HIGHLIGHTS

In 2010, during which the domestic market broke its all-time sales record, Ford Otosan reinforced its leadership in the automotive industry for the ninth consecutive year and attained an income of TL 7.6 billion, owing to 123,802 units sales volume and 15.6% market share.

	2006	2007	2008	2009	2010
Net Sales (Mn. TL)	6,521	7,231	7,007	5,574	7,649
Export Revenues (Mn. Euro)	1,971	2,497	2,511	1,456	2,001
Operating Profit (Mn. TL)	569	690	613	389	610
Operating Margin (%)	8.7	9.5	8.7	7.0	8.0
Profit Before Tax (Mn. TL)	621	657	616	409	619
Net Income (Mn. TL)	501	484	436	333	505
Financial Debt (Mn. TL)	452	416	380	388	528
Capex (Mn. Euro)	109	78	37	34	42
Return on Equity (%)	31	29	26	20	29
Financial Debt / Equity	0.28	0.24	0.22	0.24	0.30
Dividend Paid (Mn. TL)	451	402	439	397	400
Year-End Market Cap. (Bn. Dollars)	2.9	3.7	1.0	2.1	3.0
Total Automotive Ind. (Units)	667,753	632,561	524,414	573,968	791,543

Ford Otosan Market Shares (%)

Total Market	17.1	16.8	14.7	15.1	15.6
Passenger Car	10.2	9.2	8.5	9.0	10.8
LCV	25.1	26.2	21.0	22.8	19.5
MCV	29.7	31.9	30.5	36.3	36.9
Truck	21.4	16.3	14.7	17.3	18.3

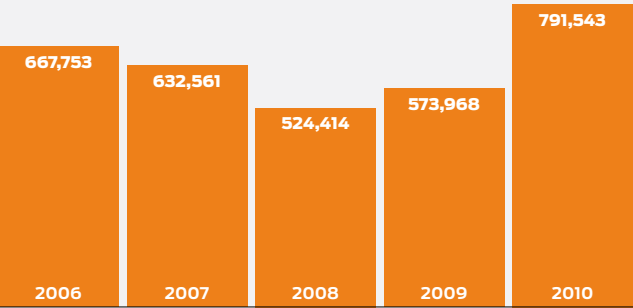
Number of Employees

Hourly	6,737	8,074	6,657	6,197	6,635
Salaried	1,254	1,447	1,507	1,396	1,778
Total	7,991	9,521	8,164	7,593	8,413

Total Automotive Industry (Units)

791,543 units

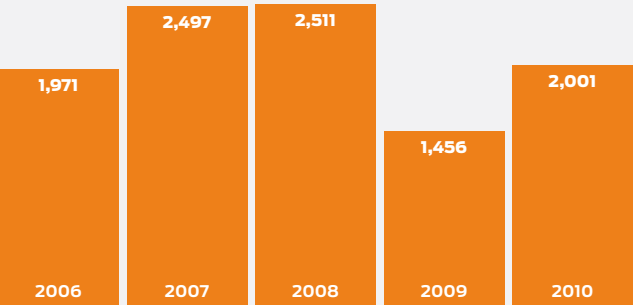
In 2010, the Turkish Automotive Industry achieved a record sales figure compared to recent years and ended the year with sales of 791,543 vehicles. Ford Otosan with its market share of 15.6% became the leader of the automotive industry for the ninth consecutive year.



Export Revenues (EUR million)

EUR 2,001 million

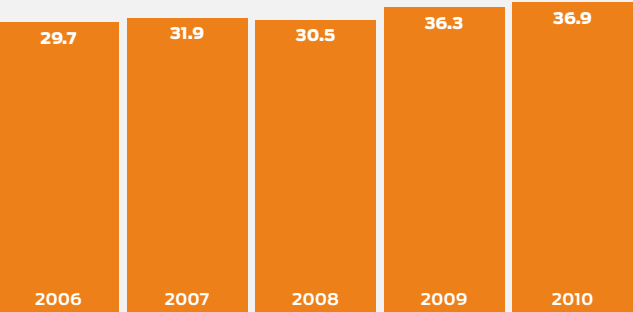
Having boosted its export revenues by over 30% to EUR 2,001 million, Ford Otosan once again figured among the top three exporters in Turkey.



Medium Commercial Vehicle

36.9%

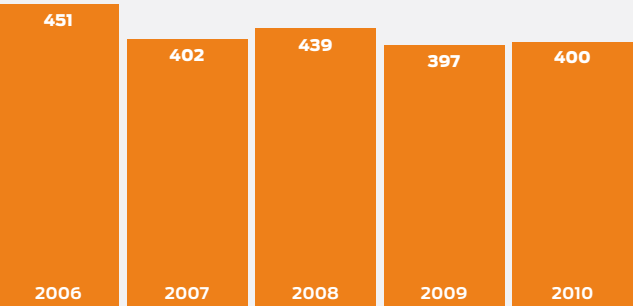
The driving force of the Medium Commercial Vehicle segment, Transit continued its leadership in 2010 with a market share of 36.9%.



Dividend Paid (TL million)

TL 400 million

In 2010, Ford Otosan continued its maximum dividend distribution policy and distributed a total of TL 400 million to its shareholders and the Company's year-end market value reached to USD 3 billion.





## AGENDA

### AGENDA OF FORD OTOMOTİV SANAYİ A.Ş. ORDINARY GENERAL ASSEMBLY OF SHAREHOLDERS MEETING DATED MARCH 23, 2011

1. Opening and election of Chairmanship Panel,
2. Reading and discussion of the Board of Directors' Report, Statutory Auditors' Report and Summary Report of the Independent Audit Firm Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member of Ernst & Young Global Limited) about 2010 activities and accounts, and approval or approval with amendments or refusal of the Board of Directors' proposal of the year 2010 Balance Sheet and Income Statement,
3. Release of the Members of the Board of Directors and the Statutory Auditors separately for year 2010 activities,
4. Approval or approval with amendments or refusal of the Board of Directors' proposal of the profit distribution for the year 2010 and the distribution date,
5. Determination of the number and the term of the Members of the Board of Directors, election of the members base on the determined number,
6. Election of Statutory Auditors,
7. Determinations of the monthly gross remunerations and fees to be paid to the Members of the Board of Directors and Statutory Auditors,
8. Informing the General Assembly relating to the donations and contributions made by the Company for social charity purposes in 2010, to foundations and societies,
9. Giving information to shareholders on transactions realized with related-parties during the year,
10. In accordance with the Corporate Governance Principles, giving information to shareholders on the Company's "Profit Distribution Policy" for 2011 and the following years,
11. In accordance with the Corporate Governance Principles, giving of information to shareholders on the Company's "Disclosure Policy",
12. Approval of the decision of the Board of Directors as to the assignment of the independent external audit firm, as per the recommendation of the Audit Committee and the Communiqué on Standards of Capital Market Independent Audit, issued by the Capital Markets Board,
13. Granting permission to the Members of the Board of Directors to conduct the activities within the fields of business of the Company in their own name or in the name of other persons, and to participate in other companies engaged in the same fields of business, and for other deals, pursuant to Sections 334 and 335 of the Turkish Commercial Code,
14. Authorization of the Chairmanship Panel to sign the meeting minutes of the General Assembly of Shareholders,
15. Wishes.





## BOARD OF DIRECTORS



**Rahmi M. Koç (81)**  
Chairman



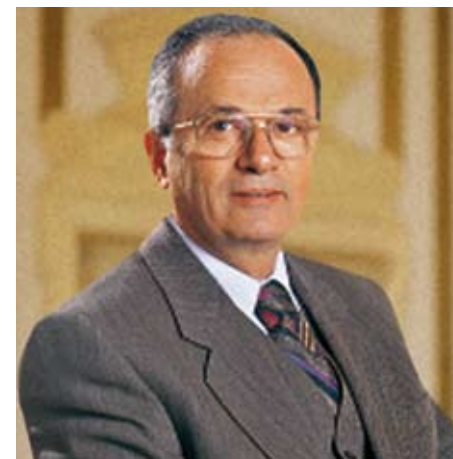
**Stephen T. Odell (56)**  
Vice Chairman



**Bülent Bulgurlu (64)**  
Member



**Y. Ali Koç (44)**  
Member – Audit Committee Member



**Ali İhsan İlkbahar (72)**  
Member



**O. Turgay Durak (59)**  
Member



**John Fleming (60)**  
Member



**Stuart John Rowley (44)**  
Member – Audit Committee Member



**Steven Adams (56)**  
Member



**Michael R. Flewitt (49)**  
Member



**Nuri K. Otay (54)**  
Member – General Manager



**Theodore J. Cannis (45)**  
Member - Deputy General Manager

## BOARD OF DIRECTORS

All members of the Board of Directors have been elected for the period of 25.03.2010 - 23.03.2011.

Due to the changes in the organization of Ford Motor Company, Mr. Ingvar Magnar Sviggum and Mr. Bryan David Myers resigned from their membership in the Company's Board of Directors. For the completion of the remaining term, Board of Directors appointed Mr. Stephen Terrence Odell, Vice President of Ford Motor Company and President

of Ford of Europe, and Mr. Stuart John Rowley, CFO to Ford of Europe to the Board of Directors' membership positions as of October 14, 2010. Mr. John Fleming resigned from his duty as Vice Chairman of Board of Directors. Mr. John Fleming will be replaced by Mr. Stephen Terrence Odell as Vice Chairman but he will maintain his position as Board Member.

The Board of Directors manages and represents the company with the authority vested by articles 8 and 9 of the Company's Articles of Incorporation.

## AUDIT COMMITTEE

Board Members Y. Ali Koç and Bryan David Myers have served on the Audit Committee. On October 14, 2010, Stuart J. Rowley replaced Bryan David Myers in the Audit Committee.

## STATUTORY AUDITORS

Mehmet Apak  
Adnan Nas

Statutory Auditors have been elected for the period of 25.03.2010 – 23.03.2011. Statutory Auditors audit the Company with the authorities vested by the pertinent provisions of the Turkish Commercial Code and article 13 of the Company's Articles of Incorporation.

## INDEPENDENT AUDIT FIRM

2010 calendar year accounts of the Company have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst & Young Global Limited).



## CURRICULA VITAE OF BOARD OF DIRECTORS



**Rahmi M. Koç (81)**  
Koç Holding A.Ş. Honorary Chairman

Receiving a degree in Business Administration from John Hopkins University, Mr. Rahmi Koç started his career in 1958 at Otokoç. In 1964, he was appointed as Koç Holding General Coordinator. Subsequently, he became the Chairman of the Executive Committee in 1970. He served as Vice-Chairman of the Management Board in 1975 and as Chairman of the Management Committee in 1980. Between 1984 and 2003, he was the Chairman of the Board of Koç Holding. During 1995-1996, he served as Chairman of the International Chamber of Commerce. Currently, Rahmi M. Koç is the Honorary Chairman of Koç Holding A.Ş. and he is serving as a member of Ford Otosan Board of Directors since 1961.



**Stephen T. Odell (56)**  
President and CEO, Ford of Europe

Stephen Odell joined Ford UK in 1980 as an intern and served in various managerial positions in UK and USA before being appointed in 1997 as Vice President of Marketing and Sales to Jaguar North America. In 2002, Odell became President of Mazda Europe and in May 2003, he became a Senior Executive Manager responsible for marketing, sales and customer relations at Mazda Motor Corporation Japan. Between 2005 and 2008, he served as Vice President – Marketing, Sales and After-Sales at Ford of Europe. Between October 2008 and August 2010, Odell was Vice Chairman at Ford Motor Company, and Chairman and CEO of Volvo Car Corporation. Stephen Odell was appointed Vice Chairman of Ford Motor Company, as well as President and CEO of Ford of Europe on August 2, 2010. He has been serving on the Board of Directors of Ford Otosan since October 14, 2010.



**Bülent Bulgurlu (64)**

Bülent Bulgurlu graduated from Architectural Faculty of Norwegian Technical University and had a Ph.D in 1977 at the same university and same faculty. He started his career in 1972 as a Construction Engineer at Elliot Strømme A/S in Oslo, and in 1977, he joined Intes A.Ş. as a Construction Engineer. He worked in various positions at Garanti İnşaat A.Ş., including Engineering, Planning and Construction Manager, Construction Site Coordination and Construction Manager, Assistant General Manager and General Manager. He was appointed Vice-President of the Tourism and Services Group at Koç Holding A.Ş. in 1996, and became the President of this Group in 2000. In 2001, he was named President of the Tourism and Construction Group until he was appointed as the President of the Consumer Durables and Construction Group in 2004. Bülent Bulgurlu served as the CEO of Koç Holding A.Ş. from May 2007 onwards and retired from this position in 2010. He is a member of Company Board of Directors since March 27, 2007.



**Y. Ali Koç (44)**

Mr. Koç worked between 1991 and 1992 as Coordinator of Ramerica International, Inc., and participated in the Securities Analyst Trainee Program at Morgan Stanley Group after his MBA from Harvard Business School. He was appointed as New Business Development Coordinator at Koç Holding in 1997 as part of the Strategic Planning Group and joined Ford Otosan Board in the same year. He served as the Information Group Operating Committee Chairman as well as the New Business Development Coordinator between 2000 and 2002. From 2002 to 2006 he served as Koç Holding A.Ş. Information Group President and as Koç Holding A.Ş. Corporate Communications and Information Group President from 2006 to 2010.



**Ali İhsan İlkbahar (72)**

Graduated from Istanbul Technical University Mechanical Engineering (MSc.), A. İhsan İlkbahar started working as a Manufacturing Engineer at Otosan in 1964. He spent his whole professional life at Ford Otosan where he served as a General Manager during the last 14 years and retired at the beginning of the year 2000. In this Company, he was involved in the projects of construction of the Otosan Engine Plant in Eskişehir-İnönü in 1980 and the production at Gölcük Plant. He was the Chairman of Automotive Manufacturers Association's Board of Directors, continuously 15 years, from 1989 to February 2004. He is a member of Board of Directors since 1991.



**O. Turgay Durak (59)**  
Koç Holding A.Ş. CEO

After graduating and obtaining a Master Degree from Mechanical Engineering of Northwestern University, O. Turgay Durak started his career at Otosan as Application Engineer in 1976. Same year, he continued working as Product Development and Design Engineer. In 1979, he became İnönü Project Leader. He was appointed to the Management of Project Coordination in 1982 and the Site Management of Project Coordination in 1984. He was assigned as AGM - Marketing in 1986 and AGM - Purchasing in 1987. Becoming the Deputy General Manager in 2000, O. Turgay Durak became the General Manager in 2002 and has been a member of the Board of Directors of the Company. Being assigned as Koç Holding Automotive Group President in May 2007, Mr. Durak is CEO of Koç Holding A.Ş. as of 2010.



CURRICULA VITAE OF BOARD OF DIRECTORS



**John Fleming (60)**  
Vice President – Production and Industrial Relations, Ford Motor Company

John Fleming graduated from North East London Polytechnic, Department of Manufacturing Engineering and holds an Honorary Ph.D from the John Moores University in Liverpool. He joined Ford Motor Company in 1967 at the Company's Halewood plant in Merseyside, where he was involved in the manufacturing processes for Ford Escort. John Fleming was appointed as Production Manager of the plant's paint facility in 1984 and became General Manufacturing Manager of Halewood Operations in 1991. After several assignments, he served as Director of Global Manufacturing Engineering and New Model Programs, and as Executive Director of the Ford Stamping Business Unit in the USA. Prior to his current position, John Fleming was President at Ford of Europe and before that Vice President – Manufacturing at Ford of Europe, responsible for all manufacturing facilities and operations. He joined Ford Otosan's Board of Directors in 2002.



**Stuart John Rowley (44)**  
CFO, Ford of Europe

Stuart John Rowley graduated from University of Leeds, Department of Engineering with honors and completed his MBA at Manchester Business School. He joined Ford UK in 1990 as Financial Analyst. Before being appointed as Finance Director to Ford Motor Company Philippines in January 1998, he held various managerial positions in the UK and USA. Stuart John Rowley served as Vice President – Finance at Ford of Australia from 2000 to July 2004. He worked as CFO and Senior Vice President at Volvo Car Corporation Gothenburg starting from March 2005. On August 2, 2010 Stuart John Rowley was appointed CFO to Ford of Europe and joined the Company's Board of Directors on October 14, 2010.



**Steven Adams (56)**  
Commercial Vehicle Line Director, Ford of Europe

Steven Adams completed his Bachelor of Science degree with honors in mechanical engineering at the City University, London. He joined Ford in 1976 and has had assignments in Britain, the US and Germany. His early career with Ford included a number of product planning and project management positions associated with a variety of vehicle, engine and transmission programs. He worked three years as the Ford of Europe PD Quality Director and four years as a Body Engineering Manager. After leading the vehicle line team responsible for the Ford Mondeo, S-MAX (Car of the Year 2007) and Galaxy range of products, he became Ford's Global Vehicle Line Director as of September 2008. Mr. Adams began serving in Ford Otosan Board of Directors since December 23, 2008.



**Michael R. Flewitt (49)**  
Director of Manufacturing, Ford of Europe

Michael R. Flewitt graduated with a Higher National Diploma in Manufacturing and Mechanical Engineering in 1987. He has completed his post graduate studies on "Management" in 1992 at Salford University and "Project Management" in 1996 at the same university. Michael started his career as a trainee at Ford Motor Company Halewood Assembly Plant in 1983 and then held a variety of positions in Manufacturing. Moving on to work as Production Director at Rolls Royce Motor Cars in 1995 and progressing his career in 1998 as Management Director at AutoNova AB/Volvo Sweden, he became Production and Operations Group Director at TWR Group Limited in 2000. Returning to Ford Motor Company in August 2003, he started working as Production Quality Director, responsible for all European Manufacturing Operations. Mr. Flewitt was assigned as the Deputy General Manager at Ford Otosan and joined the Board of Directors in May 2005. He served as General Manager from 2007 until March 2010, when he was appointed Director of Manufacturing at Ford of Europe.



**Nuri K. Otay (54)**  
General Manager

As a graduate of Istanbul Boys' High School and Boğaziçi University, Department of Mechanical Engineering, Nuri K. Oktay started his career in 1983 at Ford Otosan as the automotive industry had fascinated him since childhood days. His first task was the commissioning of the automation system of the Electrophoresis Paint Plant project. In the following years, he served as Foreign Purchases Department Manager and Istanbul Plant Manager. He was the first plant manager of the Kocaeli Plant, which was established in 2000 and currently reached a capacity of 320,000 vehicles; in other words, he witnessed to the growth of a global production facility. In 2007 and 2008, he served at Ford Motor Company as Director of the Cologne Production Plant, where the headquarters of Ford of Europe is located. Having completed the 26th year of his career, he is the General Manager of Ford Otosan as of 2010.



**Theodore J. Cannis (45)**  
Deputy General Manager

A graduate of University of Michigan, Department of Philosophy, Theodore J. Cannis, completed his MBA at Indiana University and joined Ford as a profit analyst in 1989. He served at the finance departments in Brazil and USA for 11 years. In 2000, he was appointed Finance Director to Ford Venezuela and, in 2002, President to Ford Argentina. In Argentina, he also served as Chairman of ADEFA (Association of Automotive Plants) between 2004 and 2005. Between 2005 and 2008 he held various managerial positions in marketing in the USA. From 2008 until 2009, he served as Director of Export Strategies and Operations in the USA and as of March 1, 2010 he is Deputy General Manager at Ford Otosan.



## BOARD OF DIRECTORS' REPORT

We have maintained our leadership in the Turkish automotive industry for the ninth consecutive year and, in the medium commercial vehicle segment, our product Transit has surpassed the cumulative market share of the five brands that trail behind.

Dear Shareholders,

In presenting the Board of Directors' Report on the operations of Ford Otomotiv Sanayi A.Ş in 2010, we welcome all of our esteemed shareholders to the 52nd Ordinary General Meeting.

In 2007, the world's automotive production had peaked at 73 million vehicles. Due to the global economic crisis, which started in mid-2008, global production slid down to 63 million. In 2009, the automotive industry contracted across the world and tried to stand its ground with subsidies; the following year, however, especially with the growth in Asia and developing countries the industry boosted production by 14% and the total production figure of 72 million came close to the 2007 level.

In Europe, the scrapping incentives launched by governments in 2009 to overcome the crisis have now come to an end. As a result, the recovery process advances at a slow pace. In 2010, the aggregated European markets did not show growth and the total market stood at around 19 million units.

In Turkey, on the other hand, following contracting demand, falling sales and low capacity utilization in 2009, the industry had started 2010 with many uncertainties. Owing to the successful performance of the Turkish economy, the consumer confidence index rose during the year, the healthy and robust Turkish banking sector granted consumer loans at convenient rates, interest rates remained low, and the Turkish

lira appreciated. As a result of all these factors, the automotive demand in 2010 surpassed expectations and the market volume reached 792 thousand vehicles. The Turkish automotive market grew 38% over the year 2009. In December 2010, 154 thousand vehicles were sold domestically and the highest monthly market figure was attained.

The Turkish Automotive Industry, which exports a large share of its production, managed to expand its export volume by 20% to reach a number of 755 thousand. The number of total target countries rose from 170 to 180. The Turkish Automotive Industry maintained its position as the "leading export sector" in 2010, just as it has done since 2006.

The domestic market and exports boosted the demand in the Turkish Automotive Industry, and thus automotive production increased 26% in 2010 to attain 1 million 95 thousand. Accordingly, the industry has regained the 2007 level and has a positive outlook.

#### Operational Results

With its performance in the Turkish market in 2010, Ford Otosan surpassed 39 national Ford branches in Europe, including UK, in terms of market share. The Company displayed managerial sensitivity regarding inventories and availability, and responded to market demand in the most efficient manner. Ford Otosan's retail sales attained 123,802 vehicles and its market share rose to 15.6%; accordingly, it has been market leader for the ninth consecutive year. Another source of pride was Ford's leadership in 63 provinces of Turkey.

As can be seen through the evaluation of Turkish market data in the Annual Report, in all segments except light commercial vehicles, the Company has succeeded in increasing its market share. The Ford brand attained a 10.8% market share and the second rank in the passenger car segment with the successful sales performance of Fiesta and Focus. In the Istanbul Autoshow, which opened its doors on October 28, Ford launched a total of 6 new models, 8 new engines and 17 new vehicles were launched technologies, and as a result became the star brand in the show. The Company preserved its traditional leadership in the commercial vehicle segment. In the medium commercial vehicle segment, Ford Otosan's Transit has surpassed the total market share of the five brands that follow. Particularly in the truck segment, where competition is fierce, the Company's Cargo trucks went through a product development process, and tractors and construction vehicles were launched. Accordingly, in the second half of the year, a serious momentum was gained and the cumulative annual growth in the Company's market share in this segment reached 1 percentage point. During the year, the "Ford Options" consumer finance model offered to Ford clients and the "F-Kasko", a special automobile insurance proposed to all Ford owners, have made a significant contribution to the innovative image of the Ford brand in the eyes of the consumer.

In 2010, due to an increase in domestic sales and export orders, the Company's total production volume increased by 40% over the previous year to a number of 242,077. At the Kocaeli Plant, 151,989 Transit and 85,216 Connect and at the İnönü Plant 4,872 Cargo trucks were manufactured. The capacity utilization rate increased significantly over the previous year to more than 73%.

In 2010, a total of 302,496 vehicles were sold, of which 176,928 were shipped to foreign markets and 125,568 to the domestic market. This sales volume has been recorded as the second highest sales performance figure since 2007. Compared to the previous year, the domestic sales volume rose by 47%, exports by 37% and total vehicles sold by 41%.

In line with its strategies for increasing its market diversity and thus becoming more resilient to crises, Ford Otosan added North America to its export markets and in the period of 2009-2010, it started to ship almost half of all the Connect vehicles it manufactures to this market. In 2010, approximately 23 thousand Connect vehicles were dispatched to North America.

The Company's 50th anniversary celebrations took its place among the most important events of 2010. The celebrations demonstrated the Company's influence and position in the sector and in particular, the 50th year gala dinner was a highlight. It will be remembered as a remarkable occasion, which had brought the Ford and Koç families, senior managers of Ford and Koç Holding, dealers, the suppliers as well as the nation's prominent figures together.



The total number of vehicles sold in 2010

**302,496 units**

In 2010, a total of 302,496 vehicles were sold, of which 176,928 were shipped to foreign markets and 125,568 to the domestic market. Compared to the previous year, the domestic sales volume rose by 47%, exports by 37% and total vehicles sold by 41%.

In line with its strategies for increasing its market diversity and thus becoming more resilient to crises, Ford Otosan added North America to its export markets and in 2010, approximately 23 thousand Connect vehicles were dispatched to North America.



BOARD OF DIRECTORS' REPORT

Ford Otosan announced its investment plans of USD 630 million for the production of the New Transit series, and in doing so, the Company demonstrated that it looks ahead with confidence and believes in continued growth.



In 2010, Transit Connect achieved yet another success and received the North American Truck of the Year award at Detroit's International Auto Show from the hands of a jury comprising 49 American journalists. Additionally, at the sales and communication awards ceremony of the Turkish Automotive Distributors' Association, Transit Connect was designated as the most preferred Light Commercial Vehicle of the year 2010 in Turkey.

The Company's export revenues increased around 30% to TL 4.1 billion. An important factor was the 70% boost in the export figures of Transit, whose 6 millionth unit rolled off the production line this year. Ford Otosan figured among the top three export companies across Turkey in 2010.

In October 2010, Ford Otosan announced its investment plans of USD 630 million for the production of the New Transit, and in doing so, the Company demonstrated

that it looks ahead with confidence and believes in continued growth. The Transit investment went down in Turkish automotive industry as the largest investment in a specific product.

While carrying out its operations Ford Otosan makes utmost effort to protect the environment, a fact confirmed by numerous awards that it received. In 2010, the Company won the prestigious Şahabettin Bilgisu Environment Award for the fourth time. The Kocaeli Plant's "Waste Treatment Facility Sludge Drying Project" was granted the Ford 2010 Environmental Leadership Award given for the first time by Ford of Europe.

Research & Development Activities

The number of personnel working at the Company's office in Gebze Technology Free Zone and the Kocaeli Plant's R&D Center surpassed 800 as of 2010 year-end, and these highly qualified employees have continued their R&D and product development activities without interruption. As a result of these efforts, 8x4 and 6x4 damper-mixer versions of the Cargo Construction series of vehicles were produced and marketed. Engines at Euro 5 emission levels were installed on Transit Connect vehicles and the North America Transit Connect was improved as regards to electric car and taxi features. The development of Transit vehicles also continues with particular focus on the engine. The boost in R&D operations continues to bring awards to the Company. Transit Connect not only received the "North America Truck of the Year" award, but also the project reached the finals in the 9th edition of the "Technology Awards" organized by the Scientific and Technological Research Council of Turkey (TÜBİTAK), Technology Development Foundation of Turkey (TTGV) and Turkish Industry and Business Association (TÜSİAD). In addition, the Company's patent applications, an important indicator of the level of its R&D efforts, increased by approximately 25% over 2009 to amount of 50 in 2010.

The Company's total R&D expenditures covering a number of projects attained TL 84.7 million in 2010.

Investments

At Ford Otosan, approximately TL 85 million was spent in 2010 on modernization and product development projects (2009: TL 73 million).

The Company received two new investment incentives of TL 976,513,444 and TL 367,892,491 (a total of TL 1,344,405,935) in 2010 to be used for new product projects. In 2010, TL 15,087,152 of the fixed asset investments was undertaken under the scope of these new investment incentives.

As of December 31, 2010, the Company has an unused investment incentive allowance for an amount of TL 497,311,236. As explained in detail in the footnote 24 of Financial Statements, TL 83,666,317 of this sum will be used in the calculation of the tax base. The Company has an ongoing court case as regards the use of the remaining TL 413,644,919 in the calculation of the 2009 corporate tax base.

Social Responsibility and Donations

Ford Otosan and its employees contribute to numerous social responsibility projects in the fields of education, health, environment and culture. The large budget projects are usually implemented under the leadership of Vehbi Koç Foundation. In 2010, the Company donated a total of TL 12 million to the foundation.

Including the donation to Vehbi Koç Foundation, total donations to tax-exempt foundations and associations in 2010 were TL 12,595,086.

Changes in Board of Directors

Pursuant to the decision taken on October 14, 2010, Ingvar Magnar Sviggum and Bryan David Myers, who resigned from Board membership due to organizational changes were replaced by Stephen Terrence Odell and Stuart John Rowley upon suggestion of the Ford Motor Company, in order to represent C Group Shares in the remaining term of the Board of Directors and to be submitted for approval in the next general shareholders' meeting. John Fleming resigned from his position as



Ted Cannis-Mike Flewitt-Nuri Otay

Vice Chairman. Stephen Terrence Odell will serve as Vice Chairman and John Fleming will remain as Board Member. Bryan David Myers' resignation also led to a vacancy in the Audit Committee, which was filled by Stuart John Rowley.

Changes in Company Management

Since Michael Robert Flewitt was assigned to a new position at Ford of Europe and thus would leave his position as General Manager of the Company as of February 28, 2010, Ford Otosan Board of Directors decided on February 11, 2010 that Deputy General Manager Nuri Kamil Otay to be appointed General Manager, effective as of March 1, 2010 and Theodore John Cannis to be appointed Deputy General Manager, effective as of the same date.

As per the Board of Directors' resolution on September 29, 2010 Ahmet Kinay was appointed to the newly formed position of Assistant General Manager - Cargo Business Unit. Cengiz Kabatepe was assigned as Assistant General Manager – Purchasing and Güven Özyurt as Assistant General Manager –Material Planning and Logistics.

Number of Employees and Personnel

In 2009, in order to minimize the impact of the crisis on employees, the Company made use of the Short Term Working Allowance and filled empty positions due to retirement or military service by internal

rotations. As a result, no mass layoffs resulted and the total drop in employment was limited to 7%. During the economic recovery of 2010, the Company started recruiting once again and boosted its total employment by over 10%, as it shaking off the impact of the crisis.

Another indication of the importance that the Company attaches to the lives of employees is the numerous awards received in yearly competitions in this field. In 2010 the "Let's Remove Barriers (Engelleri Kaldırılım)" project, which focuses on the needs of Ford Otosan employees with disabilities, aims to ensure better employment and social conditions, and allow disabled employees to transform their difference into a contribution to their own development and that of society. It has received both the "Chairman's Leadership Award for Diversity" and the "Valuing a Diverse Workforce Award" from the Ford organization achieving a significant success.

As of 31.12.2010, Ford Otosan employs 1,778 white-collar and 6,635 blue-collar employees, totaling a number of 8,413 personnel (December 31, 2009: 1,396 white-collar and 6,197 blue-collar employees, totaling a number of 7,593 personnel). Blue-collared workers of the Company are under the coverage of the Group Collective Labor Contract signed between Turkish Metal Union and MESS, which will expire on 31.08.2012.



## BOARD OF DIRECTORS' REPORT

# Ford Otosan continued to be one of the highest dividend paying companies in Istanbul Stock Exchange.

## Financial Results

2010 Financial Statements and their explanatory footnotes, audited by the Independent Auditors, have been submitted for your review at the relevant sections of the Annual Report.

Owing to buoyant domestic and foreign markets, the net income increased by 37% and reached to TL 7.6 billion. Gross profit rose by 48% and the operating profit by 57%. The year-end operating profit margin attained 8%, owing to the significant increase in the sales volume and capacity utilization, as well as continuous cost reduction and efficiency measures. This figure indicates a 1% point increase compared to 2009.

Profit before Tax increased by 52% to TL 618,994,239. After the deduction of TL 114,385,976 for tax provisions, the net profit for the period stands at TL 504,608,263.

In 2010, the Company obtained Euro 213 million of new borrowings and made Euro 139 million of debt repayment. As a result, total financial liabilities increased by Euro 74 million. On the other hand, the Company's cash increased by 40%. According to the balance sheet dated 31.12.2010, the Company holds TL 521 million cash versus TL 528 million financial debt.

The Company is pursuing extremely cautious policies against financial risks. Data related with such risks is closely monitored and the financial metrics set up by the Board of Directors and Audit



Committee is kept within the limits. Explanations on risk management policies, the nature of financial risks and levels are detailed in the footnotes to financial statements.

## Dividend Policy and Dividend Proposal

The favorable developments in the business and in cash flow during the months following last year's Ordinary General Shareholders' Meeting, allowed the Company to make once again a high dividend payment. The total dividends paid in 2010 surpassed TL 400 million. Accordingly, the Company has once again fulfilled its commitment of distributing the highest possible dividend to its shareholders and Ford Otosan continued to be one of the highest dividend paying companies in Istanbul Stock Exchange.

We aim to continue our policy of predictable and stable dividends this year as well. In this respect, we hereby propose to distribute a dividend of TL 301,782,600, at a ratio of 86% over a basis of gross=net 86 Kuruş per share with the nominal value of TL 1 and to begin payment on April 1, 2011. Detailed information on the dividend distribution proposal can be found in the Dividend Distribution Proposal enclosed in the annual rapport.

## Choice of Independent Auditors

After making extensive research and consulting the Audit Committee, the Board of Directors has selected Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited) as

the Independent Audit firm for the 2011 financial year. We present this selection to the approval of the General Assembly.

## 2011 Outlook

Following the economic recovery of 2010, the general opinion is that recession is finally over and that the economic momentum of 2010 will be maintained throughout 2011 even if strong growth may not realize. A similar outlook is also valid for the automotive industry.

Ford Otosan's main export markets in Western Europe and North America are expected to display partial recovery in terms of demand to automotive products. In this regard, the Company expects its 2011 export volume to surpass that of the previous year.

The Company does not expect the government that will be formed following parliamentary elections in mid-2011 to make any significant economic policy changes in terms of foreign exchange rate, interest rate and credit availability. Therefore, the prediction is that the domestic market will preserve its volume in 2010 and attain 750-800 thousand units. The Company's aim is to preserve the market leadership for the tenth consecutive year and to display a rising production and sales performance in 2011, when the Company will take the lead with large investments.



As the Company enters a year of high expenditures related to new launches and new project costs, it will be a priority to increase the cost reduction and efficiency boosting measures.

## Dear Shareholders,

Established in 1959 with the visionary launch of Vehbi Koç, Otosan leaves behind half a century that is full of great achievements. The pride-inspiring level of know-how, ambition, mutual trust and professional commitment attained today by Ford Otosan family in Turkish Automotive Industry is already a very reliable guarantee for our future achievements.

We hereby extend our deepest gratitude to our founders, as well as to our business partners, our former and current employees, Turkish Metal Union, our suppliers, our dealers and to all of our customers for their great contribution to make Ford Otosan one of the biggest and most successful industrial corporations in Turkey.

Best regards,

**Rahmi M. Koç**  
Chairman of the Board



DIVIDEND DISTRIBUTION PROPOSAL

According to our financial statements for the accounting period 01.01.2010 - 31.12.2010 prepared in accordance with the International Financial Accounting Standards within the framework of the Capital Markets Board's Communiqué Serial: XI, No: 29 and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited), a net income of TL 504,608,263 has been generated. Our dividend proposal for the Company's dividend policy can be found below. Dividend distribution transactions mentioned below will begin on April 1, 2011 according to the General Assembly Resolution.

Ford Otomotiv Sanayi A.Ş. 2010 Dividend Distribution Proposal Table (TL)

1. Paid-in / Issued Capital		350,910,000
2. Total Legal Reserves (According to Tax Book)		320,149,080
If there is dividend privilege in the Articles of Association, information regarding this privilege		-
	According to CMB	According to Tax Book
3. Income for the Period	618,994,239	708,287,230
4. Taxes Payable (-)	(114,385,976)	(141,913,739)
5. Net Income for the Period (=)	504,608,263	566,373,491
6. Retained Losses (-)	-	-
7. First Series of Legal Reserves (-)	0	0
8. Distributable Net Income for the Period (=)	504,608,263	566,373,491
9. Donations within the year (+)	12,595,086	
10. Distributable Net Income for the Period including Donations to Calculate First Dividend	517,203,349	
11. First Dividend to the Shareholders	103,440,670	
-Cash	103,440,670	
-Bonus	0	
-Total	103,440,670	
12. Dividend Distribution to Shareholder with Privileged Shares	0	
13. Dividend Distribution to Board of Directors, employees etc.	0	
14. Dividend Distribution to Redeemed Shareholders	0	
15. Second Dividend to Shareholders	198,341,930	
16. Second Series of Legal Reserves	28,423,710	
17. Statutory Reserves	0	0
18. Special Reserves	0	0
19. Extraordinary Reserves	174,401,953	236,167,181
20. Other Reserves Distributable		
-Retained Earnings		
-Extraordinary Reserves		
-Other Reserves Distributable per Law and Articles of Incorporation		

Information about the Ratio of Distributed Dividend (in terms of privileged / non-privileged shares)

DIVIDEND INFORMATION PER SHARE			
GROUP	TOTAL DIVIDEND	DIVIDEND FOR EACH SHARE WITH THE NOMINAL VALUE OF TL 1	
		AMOUNT (TL)	RATIO (%)
GROSS	A	2,402,127	0.860000
	A	59,859,200	0.860000
	B	115,683,822	0.860000
	C	123,837,451	0.860000
	TOTAL	301,782,600	
NET	A	2,402,127	0.860000
	A	52,876,764	0.759683
	B	115,683,822	0.860000
	C	109,392,100	0.759683
	TOTAL	280,354,813	
THE RATIO OF THE DISTRIBUTED DIVIDEND TO DISTRIBUTABLE NET INCOME FOR THE PERIOD INCLUDING DONATIONS			
DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)		THE RATIO OF THE DISTRIBUTED DIVIDEND TO DISTRIBUTABLE NET INCOME FOR THE PERIOD INCLUDING DONATIONS (%)	
301,782,600		58.35	

1. There is no privileged share group in income.
2. Since TL 67,100,386 of the 2010 net income is subject to investment incentive withholding tax, it was considered as exceptional revenue and thus not included in the calculation of the dividend withholding tax.
3. 0% withholding tax rate is applied to dividend of TL 2,402,127 allocated to Koç Holding A.S., 15% withholding tax rate is applied to dividend of TL 5,751,503 allocated to Koç Holding Emekli ve Yardım Sandığı Vakfı and Vehbi Koç Vakfı, and 15% withholding tax rate is applied to the remaining dividend of TL 54,107,697 assuming that all the shares belong to individual shareholders within A Group.
4. 0% withholding tax rate has been applied for B Group in calculating the net dividend amount as all the shares belong to legal corporations.
5. 15% withholding tax rate has been applied to the C Group in calculating the net dividend amount as all the shares belong to our foreign-based taxpayer shareholder, Ford Motor Company.





## INDEPENDENT AUDITORS' REPORT

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

**Introduction**

We have audited the accompanying financial statements of Ford Otomotiv Sanayi A.Ş. (the “Company”) which comprise the balance sheet as at December 31, 2010 and the statement of income, statement of 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 other 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 financial reporting standards accepted by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Independent auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards accepted by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ford Otomotiv Sanayi A.Ş. as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the Capital Markets Board.

**Other matter**

The financial statements of Ford Otomotiv Sanayi A.Ş. prepared in accordance with the financial reporting standards accepted by the Capital Markets Board as of December 31, 2009 had been audited by another audit firm whose independent auditors' report thereon dated February 17, 2010 expressed an unqualified opinion.

**Additional paragraph for convenience translation to English:**

As described in Note 2 to the accompanying financial statements, accounting principles and standards applied in the accompanying financial statements (CMB financial accounting standards) are based on International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board except for the adoption of an earlier date for discontinuation of application of IAS 29 (Financial Reporting in Hyperinflationary Economies). As per CMB financial accounting standards application of inflation accounting was ceased effective as of January 1, 2005, whereas per IFRS it was ceased effective January 1, 2006.

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



Erdem Tecer, SMMM  
Partner, Lead Auditor

February 21, 2011  
İstanbul, Turkey

## STATUTORY AUDITORS' REPORT

**TO THE GENERAL ASSEMBLY OF FORD OTOMOTİV SANAYİ A.Ş.**

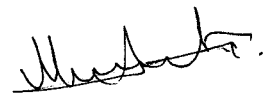
The audit results regarding the Company's 2010 calendar year activities are as follows:

- According to the Turkish Commercial Code and the related regulations, it has been observed that:
  - Books and records that are mandatory have been kept properly per legal requirements,
  - Documents validating the records are kept decently, and
  - The Board of Directors resolutions were recorded and kept properly according to relevant procedures.
- In this framework, in our opinion, taking into consideration the situation of the Company, the attached financial statements prepared as of 31.12.2010 according to the Communiqué Serial: XI No: 29 “The Financial Reporting Standards in the Capital Markets” issued by the Capital Markets Board and the explanatory disclosures, reflect the true view of the financial position of the Company and of its operational performance for the period.

Consequently, we submit to the approval of the General Shareholders' Meeting, the Board of Directors' Report summarizing the Company operations, the financial statements prepared in accordance with the Capital Market regulations, the proposal of the Board of Directors related to the period results and the acquittal of the Board regarding the above.

Yours Sincerely,

İstanbul, 24.02.2011



MEHMET APAK



ADNAN NAS



## EXECUTIVE MANAGEMENT

**Nuri K. OTAY**

General Manager

**Theodore J. CANNIS**

Deputy General Manager

**Oğuz TOPRAKOĞLU**Assistant General Manager  
(Finance - CFO)**Aykut ÖZÜNER**Assistant General Manager  
(Marketing, Sales and After-Sales)**Haydar YENİGÜN**Assistant General Manager  
(Kocaeli Plant)**Ahmet KINAY**Assistant General Manager  
(Cargo Business Unit)**Cengiz KABATEPE**Assistant General Manager  
(Purchasing)**Taylan AVCI**Assistant General Manager  
(New Projects)**Ernur MUTLU**Assistant General Manager  
(Product Development)**Burak GÖKÇELİK**Assistant General Manager  
(Engineering)**Ahmet ŞATIROĞLU**Assistant General Manager  
(Total Quality)**Güven ÖZYURT**Assistant General Manager  
(Material Planning & Logistics)**Mustafa MENKÜ**Assistant General Manager  
(Inönü Plant)**Nursel ÖLMEZ ATEŞ**Director (Human Resources and  
Corporate Communications)





## CONTINUED LEADERSHIP FOR 9 CONSECUTIVE YEARS...

In 2010, Ford Otosan succeeded in becoming the leader of the Turkish automotive industry for the ninth consecutive year, with a sales figure of 123,802 and a market share of 15.6%.



FORD OTOSAN IN BRIEF

As one of the largest exporters of the Turkish automotive industry, Ford Otosan has been contributing to the national economy for a long period of time.

Two well-established corporations, who operate internationally as well as in Turkey, Ford Motor Company and Koç Holding, hold equal number of shares in the publicly traded Ford Otosan (Ford Otomotiv A.Ş.) whose strong base and synergy form the essence of 50 year corporate culture.

Having celebrated its 50th anniversary in 2010, Ford Otosan employs a total of 8,413 people (as of December 31, 2010) in four facilities, namely the Kocaeli and İnönü plants, Kartal Parts Distribution Center, and Engineering Center in Gebze Teknopark.

Ford Otosan has a total production capacity of 330 thousand commercial vehicles and 66 thousand engines, with Kocaeli Plant producing Transit and Transit Connect, and the İnönü Plant Cargo trucks, engines and power train. Kocaeli Plant has the logistic advantages of being very close with suppliers and has also its own port. These advantages, as well as its low cost and highly flexible production capacity, allow the Company to undertake a large scale exportation program.

Ford Otosan's Kocaeli and İnönü Plants have been assessed as the "Best Manufacturing Plants" among all European factories.

Ford Otosan boasts Turkey's largest automotive spare parts distribution center with 25,000 m<sup>2</sup> warehouse, which at any given moment holds 56,200 different kinds of parts in its inventory and distributes these to 200 different locations in Turkey and 44 nations worldwide.

In September 2007, Gebze Engineering Center was launched in the TÜBİTAK Gebze Teknopark. This facility was created in order to design new products and promote advanced technologies that will enhance the Company's competitive edge and to perpetuate and constantly improve Ford Otosan's achievements in both domestic and export markets.

Ford Otosan boasts the widest automotive product range in Turkey, and offers choices suitable for every customer profile, from the smallest passenger car to heavy commercial vehicles. In this manner, it can respond to the expectations of a vast customer base with numerous models and versions. At the same time, it provides the highest quality sales and after-sales services to its customers.

Turkey's largest automotive parts distribution center

25,000 m<sup>2</sup>

Ford Otosan boasts Turkey's largest automotive spare parts distribution center with 25,000 m<sup>2</sup> warehouse, which holds 56,200 different kinds of parts in its inventory at any given moment and distributes these to 200 different locations in Turkey and 44 nations worldwide.

Production Capacity

330,000

Ford Otosan has a total production capacity of 330 thousand commercial vehicles and 66 thousand engines, with Kocaeli Plant producing Transit and Transit Connect, and the İnönü Plant Cargo trucks, engines and power train.



Total Number of Employees

8,413

Having celebrated its 50th anniversary in 2010, Ford Otosan employs a total of 8,413 people (as of December 31, 2010) in four facilities, namely the Kocaeli and İnönü plants, Istanbul Kartal Parts Distribution Center, and Gebze Engineering Center in Gebze Teknopark.

Gebze Engineering Center

In September 2007, the Gebze Engineering Center was launched in the TÜBİTAK Gebze Teknopark, in order to design new products and promote advanced technologies that will enhance the Company's competitive edge and to perpetuate and constantly improve Ford Otosan's achievements in both domestic and overseas markets.

Owing to successful cooperation and well established business relations with dealers, Ford Otosan is represented across Turkey by names that have in turn contributed to and embraced this culture of cooperation. The Company also provides maintenance, repair and services through its 116 authorized dealers and 159 authorized services.

As one of the largest exporters of the Turkish automotive industry, Ford Otosan has been contributing to the national economy for a long period of time. Moreover, it made yet another breakthrough on May 22, 2009 by becoming the first Turkish corporation to ship vehicles made in Turkey to USA, the motherland of the automotive industry. In 2010, when the domestic market broke its record, Ford Otosan became the industry leader for the ninth consecutive year and further reinforced its robust position.

Ford Otosan intends to continue creating value for its shareholders, customers, business partners and employees by maintaining its leadership in the Turkish automotive industry in terms of domestic and overseas market performance, drawing on its superior production capacity, human resources, R&D, distribution and logistics, as well as its wide product range which vary from high quality passenger cars to commercial vehicles, and customer-focused innovative sales and after-sales services.



## VISION

To become Turkey's customer-focused, leader company in automotive products and services

## MISSION

To be Turkey's leading automotive company with optimal automotive products and services to fit customer needs and expectations and to be the commercial vehicle center of Ford of Europe





## PRODUCTS

Ford Otosan maintains its leadership of the domestic automotive industry with its product range covering passenger cars and commercial vehicles and its innovative sales as well as after-sales services.

### COMMERCIAL VEHICLES



#### Ford Transit

As the longest-running model in the product range of Ford of Europe, Transit has not only been the first choice of consumers for a long period of time owing to its endurance, comfort and compliance with customer expectations, but it also increases its market share every year and continuously reinforces its position in its segment. The 700 thousand Transit manufactured at the Kocaeli Plant for 45 years, provided over USD 10 billion of exports revenue to Turkey and maintained its leadership with a market share of 36%, above the market shares of the following five brands. Transit

proved that it is the pride of the whole nation, as the 6 millionth Transit rolled off the production line in 2010. Offering solutions to every business need with its front drive and rear drive engine versions and boasting the strongest engine in its segment, the 3.2 lt. 200PS engine, which exceeds customer expectations. Ford Transit continues to be the first choice of a great number of discerning customers due to its reliability, adaptation to all road and weather conditions, and ability to satisfy every requirement.

#### Ford Transit Connect

Introduced to the market in 2002, Transit Connect is the leader of its category due to its endurance and robustness, as well as its superior hardware and comfort, and is, consequently; on the verge of breaking a record with the number of prizes, it has been awarded. In the USA, the Transit Connect received the "Truck of the Year" award -which it had already received in Europe- and, even more, it has been designated as the highest-selling light commercial vehicle in Turkey according to the 2010 year-end data of the Turkish Automotive Distributors' Association.



#### Ford Cargo

Ford Cargo construction truck, transport truck, and tractors series continue to carry the heaviest load in their segment. Reinforcing its market position by consistently meeting the customers' performance and quality demands at low operation costs, Ford Cargo enjoyed a 17.3% market share in 2009, before realizing 18.3% in 2010. The reason for this success is that its product range was supplemented with a new tractor and construction vehicle series and as a result, it placed second position in its segment. In 2011, there are plans for Cargo to take the lead with innovations and launches responding to customer expectations. This vehicle continues to be a reliable partner allowing its owner to transport cargo in a reliable and timely manner.



#### Ford Ranger

Ford Ranger offers handling, drivability and comfort both in the city and in challenging off-road conditions, and stands out in its sector with its robustness and endurance. The powerful Wildtrak series equipped with a supreme 156PS 3lt. engine is suitable both for business purposes and in off-road conditions.





PRODUCTS

PASSENGER CARS

Ford Kuga

With is design and sophisticated equipment, Ford Kuga proves itself as a vehicle that stands out of the common. Its PowerShift automatic gearbox, which blends the sporty feel of a manual gearbox with the comfort of an automatic, and its smart 4X4 drive system give the vehicle superior handling performance both on motorways and in off-road conditions. Boasting one of the lowest fuel consumption levels in its segment, Kuga offers complete driving pleasure with its potent 140 PS engine.



S-Max

Designated as the vehicle of the year in 2007, Ford S-Max stands out among other cars in its segment owing to a design that blends the dynamism of a passenger car with the functional interior space of a minivan. Following a renewal in 2010, S-Max fully responds to customers' needs with a kinetic design reflecting its sporty character, highly functional and comfortable seven-passenger seating, as well as highly advanced equipment and smart technologies.



Galaxy

Renewed in 2010, Ford Galaxy blends first class drivability with vast inner space and high comfort, owing to an exterior appearance shaped by kinetic design, advanced technology, and premium interior

design. Its superior equipment, security and first class comfort make Ford Galaxy the best family vehicle to appear on the road.



Fiesta

Rewarded with the international Red Dot design prize in 2009, Ford Fiesta continued to be the leader of its segment in 2010. As the leader vehicle of the five-door

B segment sales in 2010, Fiesta captures the essence of kinetic design and that further differentiates it from its competitors.



PRODUCTS



Mondeo

As an impressive and exquisite expression of Ford's unique "kinetic design", New Ford Mondeo is Ford's flagship among upper segment vehicles -the CD segment- with its large choice of diesel and gasoline engine options.



Fusion

As part of the B-MAV segment, Fusion is designed to offer a vast inner space rarely seen in small automobiles and it does more than surpasses drivers' expectations with its high drive position dominating the road and its panoramic view angle.

Focus

A symbol of Ford's innovative spirit that knows no boundaries, Ford Focus offers more than one expects from a vehicle, on account of its dynamic design, elaborate details reflecting perfect craftsmanship, and driving dynamics that make it the leader in its segment. When it was launched in 1999, Focus received the "Car of the Year" awards on both sides of the Atlantic, and up until now, 10 million units have been sold in 80 nations. It has closed the year 2010 as the highest-selling vehicle of its segment.



C-MAX

First launched in 2003, C-MAX stands out among the other vehicles in the MAV segment, with its automobile-like design and its blend of driving dynamics with functionality. Its vast and comfortable interior space, diverse seating configurations, and drive position that dominate the road have allowed C-MAX to become the leader of its segment in a short period of time and further helped to

increase public interest and appreciation towards the Ford brand. The new C-MAX and Grand C-MAX, which are launched at the end of the year 2010 with a brand new body design and with a seven-passenger seating version, continue to be the forerunners in the segment with new smart technologies, security features and driving dynamics.





## PLANTS

Ford Otosan has a total production capacity of 330 thousand commercial vehicles, 66 thousand engines, 140 thousand rear axles and 45 thousand gearboxes, with Kocaeli Plant producing Transit and Transit Connect, and the İnönü Plant, Cargo trucks, engines and power train.

## Ford Otosan Kocaeli Plant

**320,000** units/year

The annual production capacity of Kocaeli Plant, where Transit and Transit Connect are manufactured, is **320,000** units/year. In 2010, the **6 millionth** Transit rolled off the production line. Opened in 2001, from 2004 onwards the Kocaeli Plant has become the Transit's main production center in the world, owing to the production quality of Turkish workers and state-of-the-art manufacturing technology. The Kocaeli Plants stands out among global Ford manufacturing facilities with its high quality standards. This year the Company announced its plans to invest USD 630 million to the Kocaeli Plant to manufacture the New Transit.



## Ford Otosan İnönü Plant

**66,000** units/year

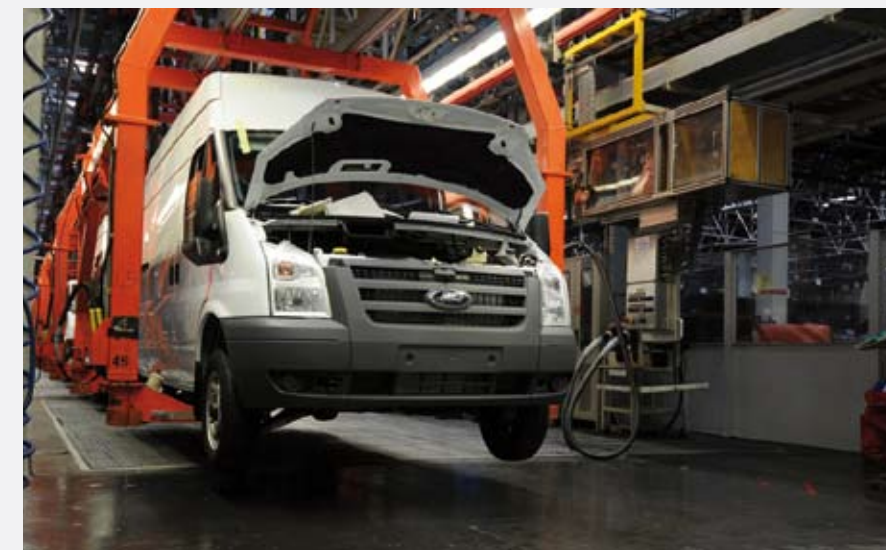
Located in Eskişehir, the İnönü Plant produces Cargo trucks, engines and power train. The plant's annual production capacity is **66,000** engines, **10,000** trucks, 140 thousand rear axles and 45 thousand gearboxes.



49 out of every 100 commercial vehicles produced in Turkey

**242,077** units

Ford Otosan manufactured 151,989 Transit, 85,216 Transit Connect and 4,872 Cargo in 2010, with a total of **242,077**. Ford Otosan produces 49 out of every 100 commercial vehicles produced in Turkey.

Europe's 3<sup>rd</sup> Biggest Spare Parts Distribution Center

**25,000** m<sup>2</sup>

With a warehouse of **25,000 m<sup>2</sup>**, Kartal Parts Distribution Center is the centre of Ford Otosan's marketing, sales, after-sales and spare parts operations.



## Gebze Engineering Center

**465** engineers

TÜBİTAK-MAM Technology Free Zone Branch Office was established at the TÜBİTAK Gebze Techno Park in 2007 for ensuring Ford Otosan's consistent success in domestic and export markets by developing the newest products and technologies with more than 460 Research & Development engineers.

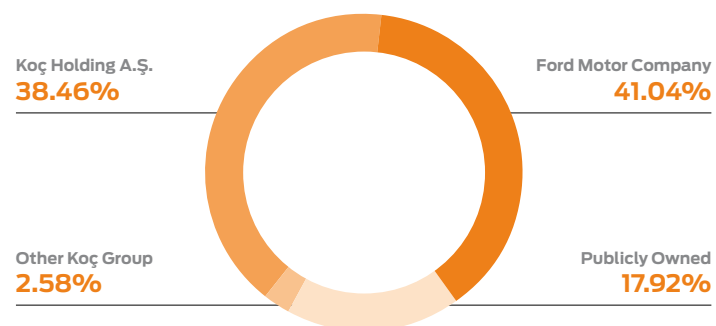




## SHAREHOLDER INFORMATION

Owing to its robust shareholder structure, Ford Otosan displayed a successful share performance in 2010, increased its market value by 60% and distributed TL 400 million to shareholders.

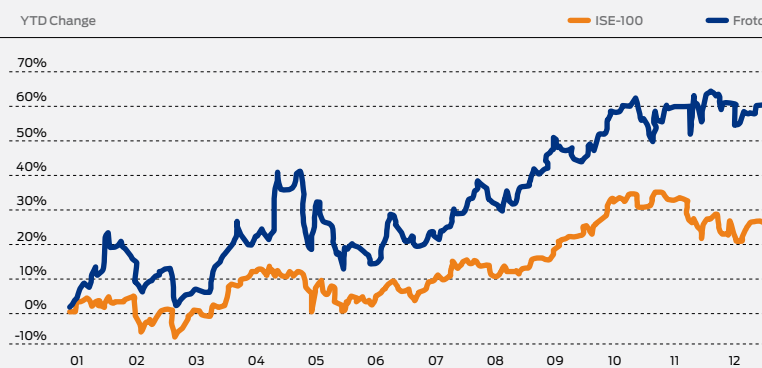
Shareholders	Shares (%)	Shareholder Structure
Koç Holding A.Ş.	134,953,357	38.46
Vehbi Koç Vakfı	3,428,592	0.98
Koç Holding Emekli Yardım Sandığı Vakfı	3,259,202	0.93
Temel Ticaret A.Ş.	2,355,885	0.67
Total Koç Group	143,997,036	41.04
Ford Motor Company	143,997,036	41.04
Other (Publicly owned)	62,915,928	17.92
<b>Total</b>	<b>350,910,000</b>	<b>100.00</b>



## Ford Otosan's Market Value

**TL 4.58 billion**

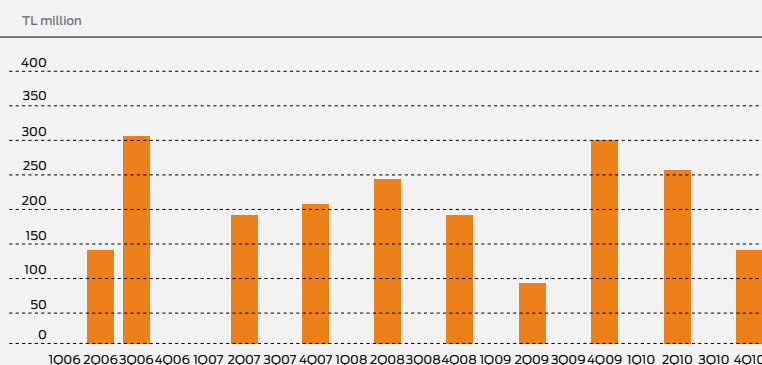
In 2010, the automotive sector in general displayed a performance pleasing investors. In line with this, Ford Otosan's market value increased by nearly 60% to close the year at TL 4.58 billion.



## Dividend Distribution in 2010

**TL 400 million**

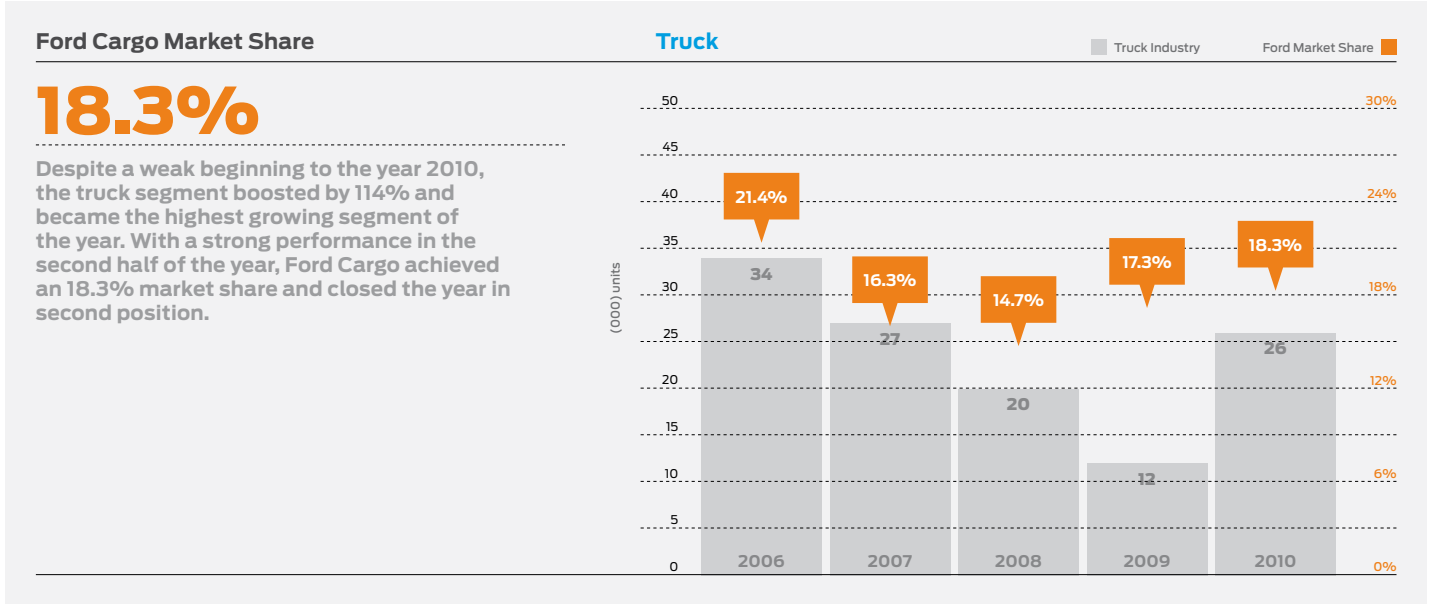
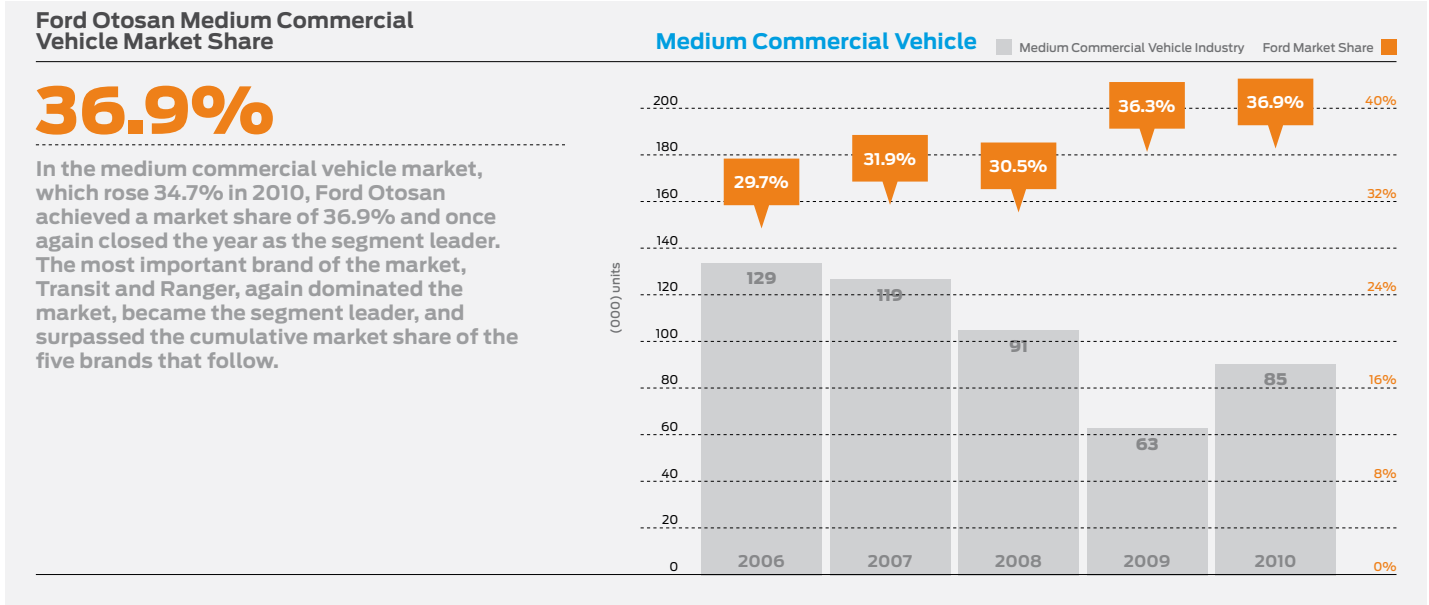
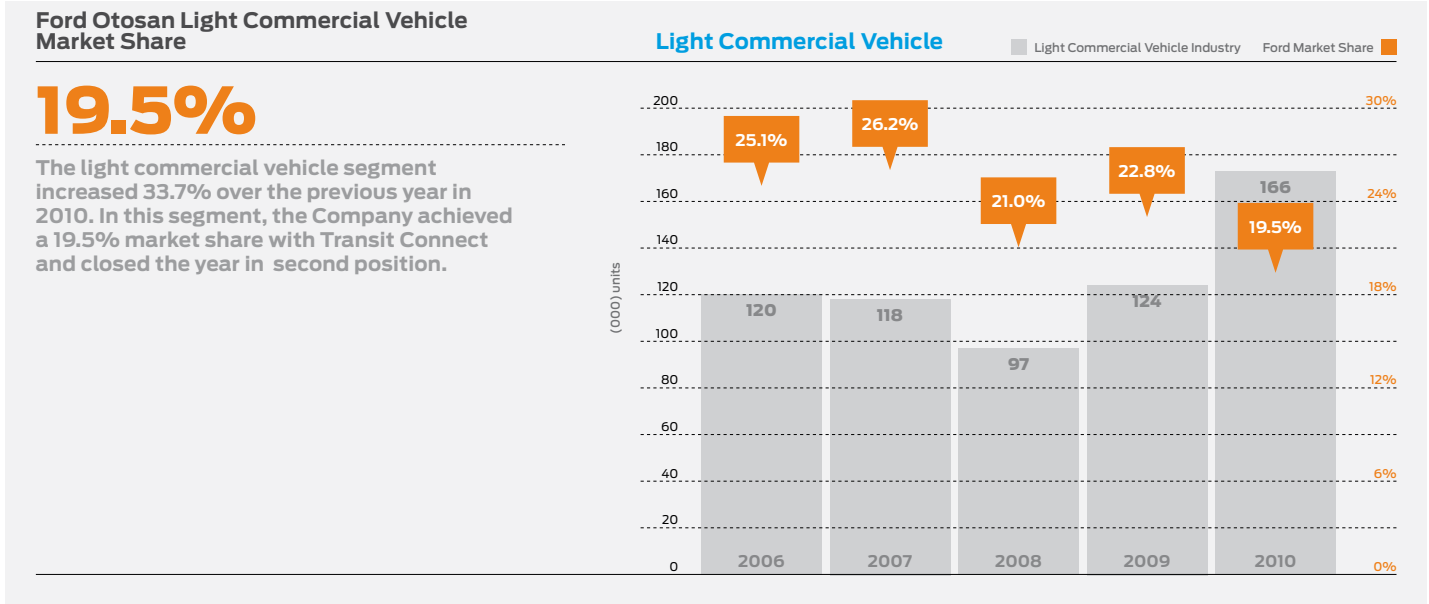
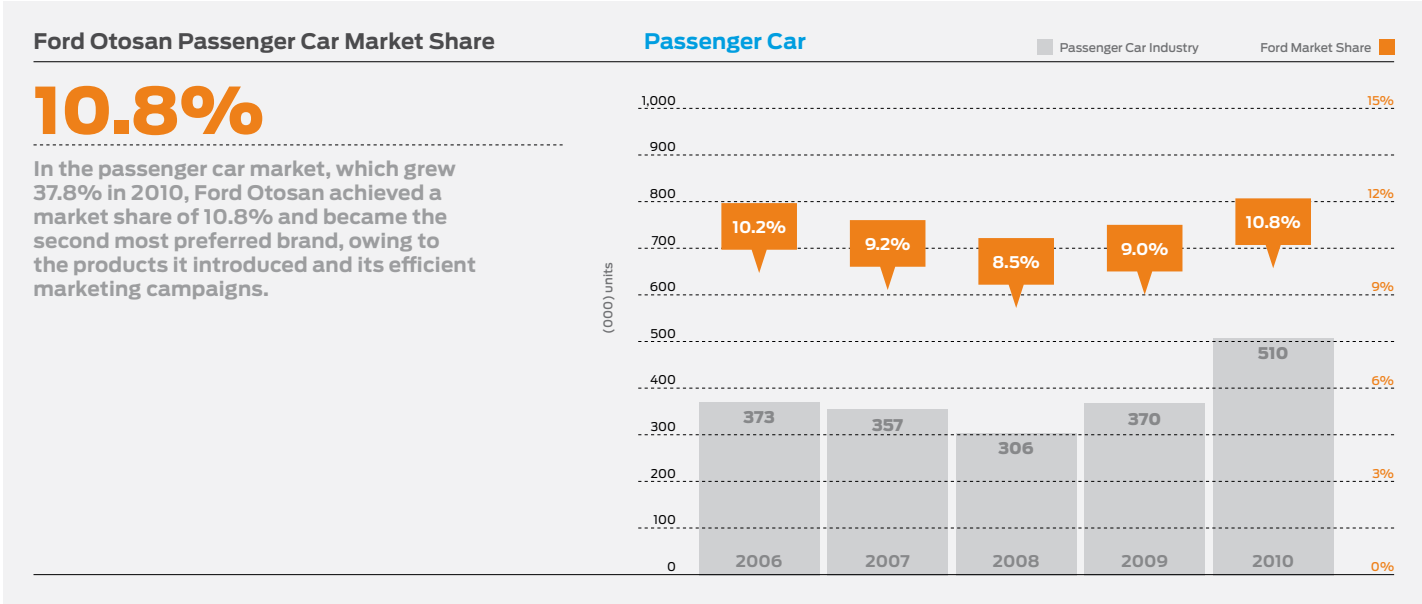
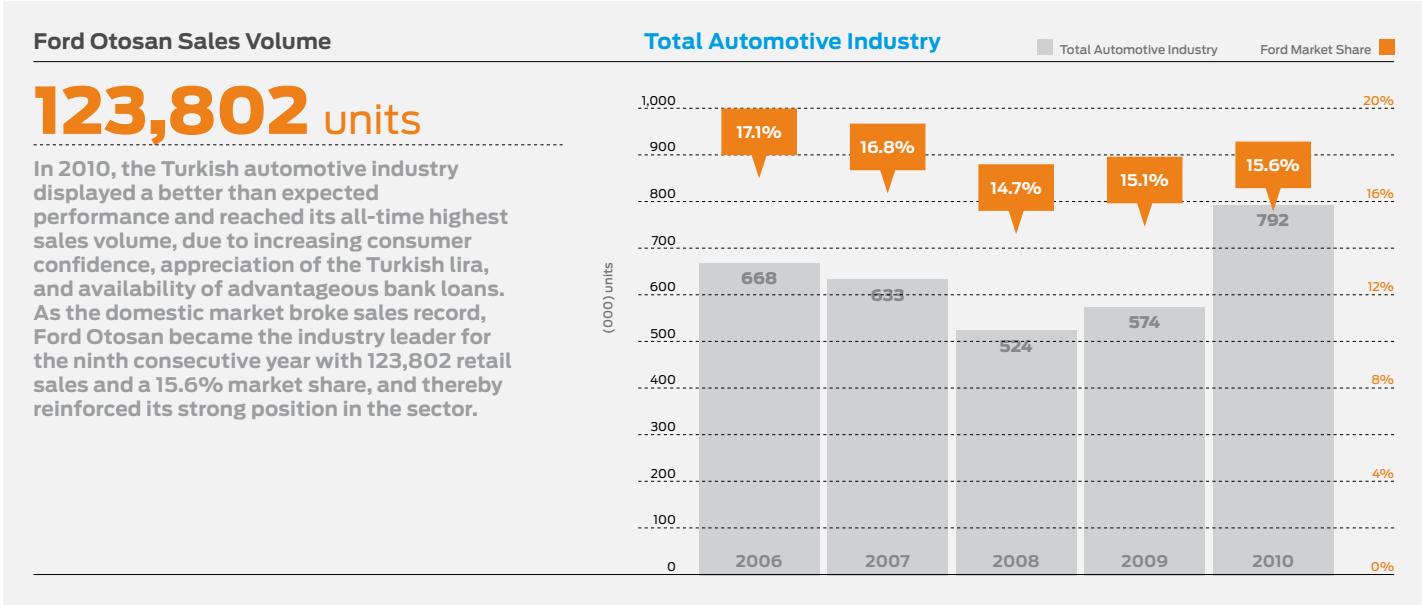
Ford Otosan continued its maximum dividend distribution policy in 2010 and distributed total of TL 400 million to its shareholders. The total dividend distributed to shareholders in the last five years is over USD 1.5 billion.





TURKISH AUTOMOTIVE INDUSTRY

Ford Otosan increased its market share and reinforced its leadership in 2010, when the Turkish automotive industry broke all-time sales record.





**BY SHARING, OUR  
SUCCESS IS GROWING.**

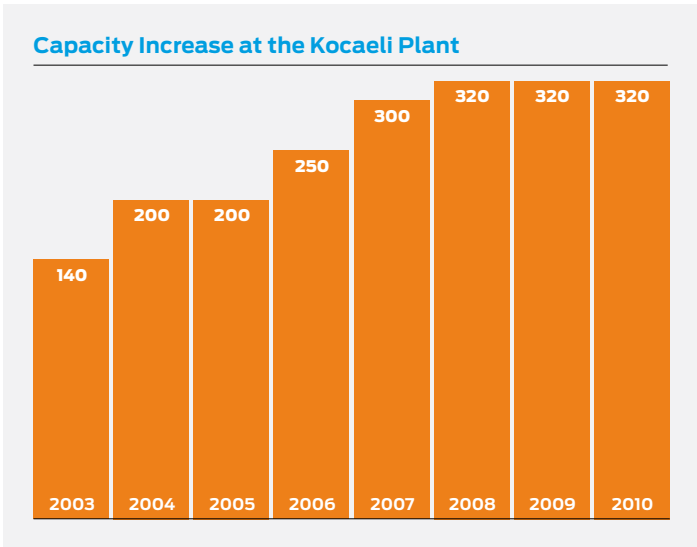
Having distributed a total of around USD 2 billion in dividend to its shareholders since 2004, Ford Otosan distributed TL 400 million in 2010.



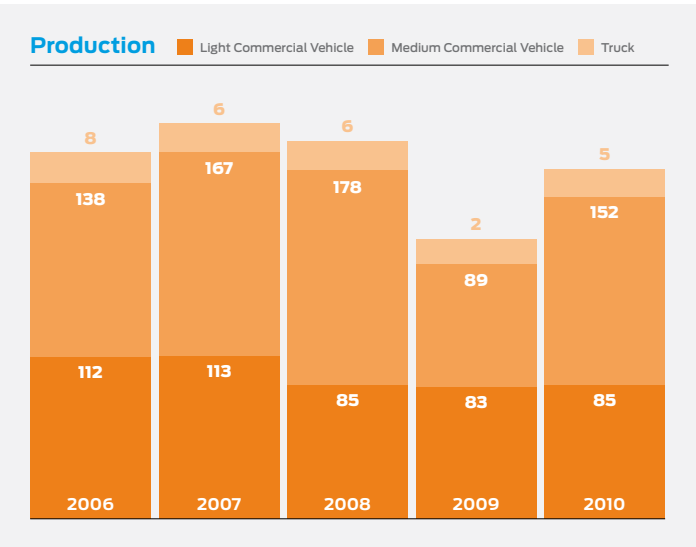


PRODUCTION

Ford Otosan increased its total production volume by 40% to 242,077 units and succeeded in maintaining its capacity utilization rate above 73%.



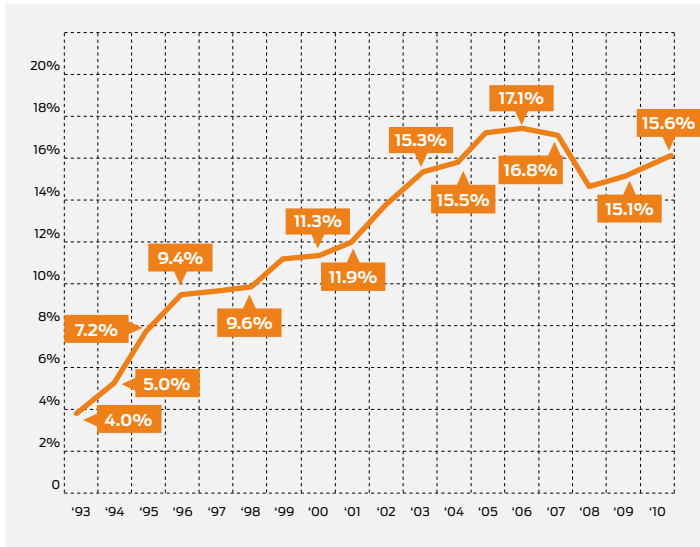
The Kocaeli Plant, which manufactures Transit and Transit Connect, has an annual production capacity of 320,000 units. Production increased significantly over previous years to 242,077 in 2010. The main production center of Transit since 2004, the Kocaeli Plant made history in 2010 by producing the 6 millionth Transit. In 2010, the Company announced investment plans of USD 630 million to the Kocaeli Plant for the production of New Transit series, one of the most crucial investments ever made by Ford Otosan.



SALES AND EXPORTS

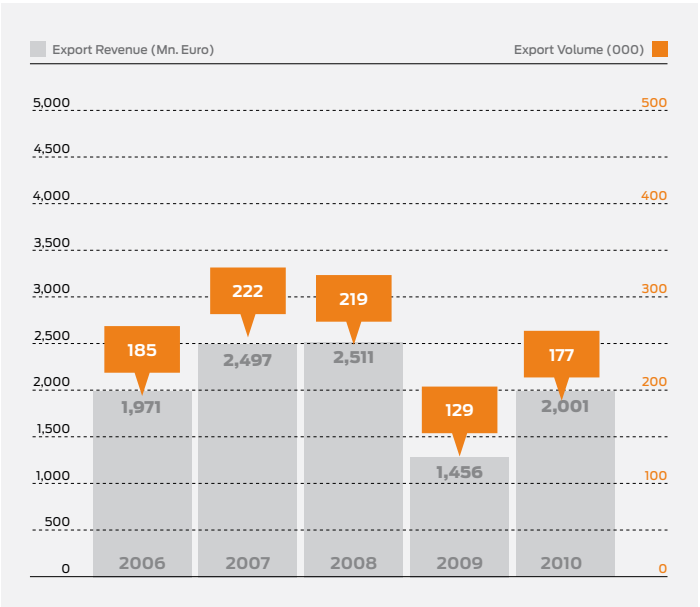
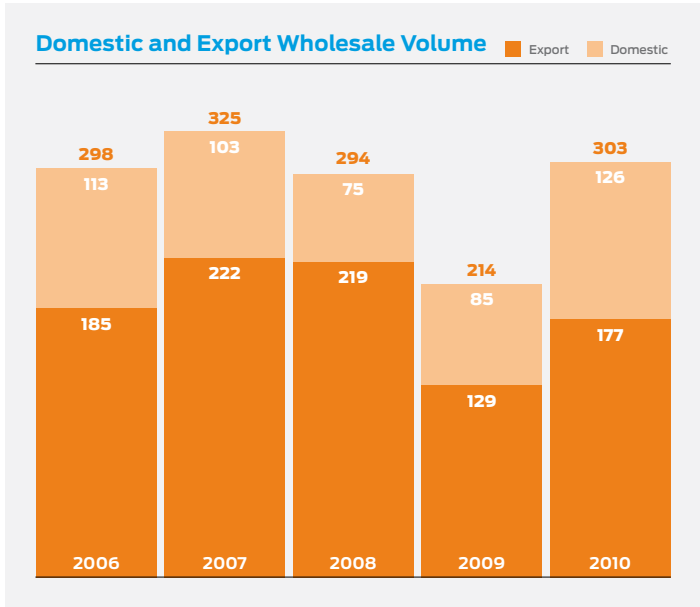
Market Performance		2010		2009	
	Market share (%)	Rank	Market share (%)	Rank	
Total Market	15.6	1	15.1	1	
Passenger Car	10.8	2	9.0	3	
Light Commercial Vehicle	19.5	2	22.8	2	
Medium Commercial Vehicle	36.9	1	36.3	1	
Truck	18.3	2	17.3	2	

Main Brands in the Total Automotive Industry			2010
Rank	Brand	Market Share (%)	
1	Ford	15.6	
2	Fiat	13.9	
3	Renault	12.0	
4	Volkswagen	8.1	
5	Hyundai	6.3	



Leader of the Turkish Automotive Industry for the Ninth Consecutive Year

In 2010, Ford Otosan's retail sales attained 123,802 units, thus making it, once more the leader of the Turkish automotive industry. The export volume increased 37% over 2009 and reached to 176,928. With an export revenue above EUR 2 billion, Ford Otosan figured among the top three exporters in Turkey.





ENVIRONMENT POLICY

Environmental respect and awareness of Ford Otosan personnel have been the main drivers of the Company's environmental improvements.

Ford Otosan believes that the environment is a valuable treasure to be utilized and protected in the best manner for future generations.

The Company's environment policy is to;

- Meet or exceed the relevant environmental regulatory requirements,
- Strive for continual improvement in environmental management system,
- Minimize waste, prevent pollution at its source and reduce adverse impacts on the environment,
- Protect the environment and to spread this awareness to our community, country and the world,
- Maintain procedures to deal effectively with environmental risks and emergencies,
- Comply with Health & Safety rules to prevent adverse impacts on the environment,
- Raise the environmental awareness of the staff and contractors through training.

Environmental Management System

Ford Otosan's Environmental Management System covers all activities regarding manufacturing processes, products, services and activities. Ford Otosan was initially granted ISO 14001 Environmental Management System in 1998.

Ford Otosan Environment Management System aims continuous improvement and has been integrated with the quality and health & safety management systems implemented at the Company.



Ford Otosan Kocaeli and İnönü Plants have succeeded in passing all environmental inspections with zero non-conformity until now.

Environmental respect and awareness of Ford Otosan personnel have been the main drivers of the Company's environmental improvements.

In order to promote environmental awareness, the Company requires its suppliers and auxiliary industry firms to obtain the ISO 14001 certificate, as a prerequisite for business partnership.

Air Emissions

Ford Otosan, which has embraced sustainable development as a Company principle, is using state-of-the-art and the most environment friendly technologies in its processes since the

Kocaeli Plant was in its project phase. The best example of this is the use of water-based paint in the painting process. Water-based paints are used at the Kocaeli Plant in order to reduce volatile organic compounds (VOC). Ford Otosan is the first company among Ford's European plants to use water-based paint applications for primer coats, and in the Turkish automotive industry for both primer and base coats. Thereby the Company has minimized solvent emissions. In addition, incinerators have been placed at the exits of paint ovens in order to reduce VOC emissions. This has resulted in both a decrease in emissions, and an increase in energy conservation through the recycling of the energy produced in furnaces.



In addition to the use of water-based paint and incinerators, the Company utilizes natural gas as fuel for heating and processing purposes, and thus minimizes emissions related to combustion. Periodical air control measurements at the plants show that the Company's figures are far below legal limits.

Besides that, the Company has opted for gases with low ozone depletion potential in fire extinguishers and coolers, and avoided those gases whose use is restricted or controlled.

Energy

In each Ford Otosan plant, there is an Energy Committee, which monitors energy conservation efforts. In its periodic meetings, the Energy Committee determines which measures can be

taken to decrease energy consumption in plants and/or processes, and formulates relevant projects.

Energy conservation was a major consideration during the project phase of the Kocaeli Plant, and the following measures were taken:

- The use of energy saving photocell and reduction systems in the lighting of outside areas,
- Energy conservation through the use of well isolated, automatic doors at the personnel and vehicle entrances,
- Use of spot-weld guns consuming 50% less energy in the body shop,
- 30% reduction in energy consumption through the energy automation system,
- Re-using the energy produced from the incinerators at the paint furnace exits.

Some of the energy saving efforts undertaken in plants are as follows:

- Use of waste heat generated at compressors for pre-heating of water,
- Channeling the waste heat generated by the furnace chimney to the boiler water via an economizer for energy recycling, rather than simply releasing it to air,
- Installation of solar panels for water heating systems at the social facilities located in the assembly workshop,
- Use of air curtains at frequently used automatic doors across the factory.

Waste Water Treatment and Water Use

Ford Otosan production plants have both industrial and domestic waste water treatment facilities, capable of treating all the waste water generated.

The water processed at the treatment facilities are analyzed and controlled both at the plants' laboratories and in the laboratories of accredited institutions.

The water used in plants is supplied from wells. Efforts towards protecting and saving natural resources have resulted in important gains in process water consumption.



## ENVIRONMENT POLICY

Ford Otosan's project for the establishment of a waste sludge drying unit has been the first of its kind at Ford's European plants and received the 2010 Ford Environmental Leadership Award.

**Waste Management**

Waste management awareness in our plants is extensive, all landfill and disposal of wastes is conducted in line with relevant technical and legal standards, and our activities continue with special focus on reducing waste at the source and increasing recycling.

As a result, efforts to reduce hazardous waste have resulted in important savings.

One of the most recent projects in this regard is the establishment of a sludge drying unit at the Kocaeli Factory's waste water treatment plant. With this project, the amount of treated sludge was decreased, and additionally the calorific value of the waste was increased, allowing it to be used as an alternative fuel. As a result, important environmental achievements came about as the amount waste was decreased and the waste was utilized in a useful manner, and besides significant financial savings were generated. The project is the first of its kind among Turkish automotive plants and for Ford of Europe and it has widely been appreciated as an innovative enterprise. Due to all these characteristics, the project won the first prize in the 2010 Ford Environmental Leadership Award.

**Products and Materials**

The main objective of Ford Otosan products is to reduce any adverse effect to the environment, not only at the production stage but also during the life cycle of the product and afterwards. The efforts for this purpose are as follows:

- The recycling ratio of Transit produced at Kocaeli Plant is over 85%.
- The recycling ratio of new Cargo produced at İnönü Plant is above 90%.
- Fire and cooling systems do not contain halon gases, which deplete the ozone layer.
- All Ford services and dealers are informed about the environment in order to reduce any environmental impact during the use of the product.

## RISK MANAGEMENT

The primary goals of Ford Otosan in risk management are to foresee, manage and monitor potential risks in all areas and to prepare the necessary action plans for risk and crisis management beforehand.

Risk management at the Company is carried out in three main focus areas.

**Financial Risks**

**Credit Risk:** Direct Debiting System, which is an effective and risk-free way to guarantee receivables, is applied to dealer receivables from domestic vehicle sales. In order to track credit risk regarding domestic spare parts, bank guarantee letters received from the dealers are used. Most of the export sales are made to Ford Motor Company and its affiliates, and the term of such receivables is 30 days. Payments for foreign sales other than Ford Motor Company are guaranteed through letter of credit, bank guarantees or advance payment methods.

**Liquidity Risk:** The Company management keeps cash, credit commitment and factoring capacity to maintain three weeks cash outflow to manage the liquidity risk. Within this context, EUR 70 million in credit commitment and TL 140 million in factoring agreements have been established with financial institutions in case a requirement for use arises. As of December 31, 2010, the net financial debt is TL 7.5 million.

**Interest Rate Risk:** It is essential to balance the maturities of interest bearing assets and liabilities subject to re-pricing, via well-established methods. Interest bearing assets are channeled to short-term financial investments.

**Foreign exchange risk:** Excess cash is invested mainly in hard currency to balance net foreign currency assets and liabilities and to minimize the foreign exchange exposure in the balance sheet. As of December 31, 2010, the net foreign exchange position is TL 102 million. Total exports and imports amounts are TL 4.1 billion and TL 3.8 billion respectively in 2010.

**Capital Risk:** The Company's objectives in capital management are to safeguard its ability to continue providing returns for partners, benefits to other shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors its capital structure on the basis of the "total financial liability / shareholders' equity" ratio, which is aimed to keep in the 0.25 – 0.45 interval.

**Operational Risks**

Ford Otosan monitors and manages business processes such as quality, efficiency, customer satisfaction, legal issues, information security, pricing according to the predetermined targets and metrics.

In addition to this, the internal control department analyzes the critical business processes of the company independently and regularly reports to the internal control committee and audit committee. The internal control department also makes use of the American Sarbanes Oxley standards covering all business processes while in its plans for the departments.

Another main risk management tool related to operational processes is the Business Continuity and Rescue Plan. In this framework, recovery plans after any incident that may interrupt all critical business processes have been identified. These plans are reviewed annually and tested through practice. Furthermore, emergency action plans which describe the implementation of necessary steps in cases of explosion or natural disaster are prepared, ensuring operability through regular trainings and tests.

In addition to internal audit operations, Ford Motor Company and Koç Holding follow company processes through annual audits and report deficiencies in risk areas to the company management.

**Strategic Risks**

In order to maintain the continuity of business portfolio, Ford Otosan regularly carries out project development studies and submits their results to the periodic evaluation of the Board of Directors. With the annually updated long term plans, the Company reviews the risks and opportunities related to the business model.



## CORPORATE CITIZENSHIP

# Actively supporting Koç Holding's 'Vocational Education: A Top Matter for Nation Project', Ford Otosan established a "3D Coordinate Measurement and Metallurgic Examination Laboratory" at Karamürsel 100. Yıl Technical and Industrial High School, with the support of supplier companies.

The Company works towards fulfilling its responsibility to the community and reaching its sustainable goals by providing financial and moral support for social responsibility projects, especially in the fields of education, healthcare and environment, for the welfare of the society. Some of the corporate citizenship projects that were completed in 2010 are presented under the three main focus areas of donations, renovation efforts and sponsorship.

## Sponsorship

Aside from carrying out its own corporate projects, the Company sponsors the projects of voluntary organizations which contribute to social development in a similar way. In this respect:

- In a project organized voluntarily by employees, donations and a variety of gifts were donated to the Karamürsel Child Protection Agency's Gazanfer Bilge Kindergarten.
- Çanakkale Seddülbahir Ambulatory Museum visited 19 provinces and their districts under the sponsorship of Ford Otosan and displayed miscellaneous personal and military objects from the Dardanelles War of 1915.
- The Company sponsored İzmit Sailing Club's Ford Otosan Cup in which numerous sportsmen residing in the İzmit region participate.
- The Company was the main sponsor of the 30th edition of Turkish Industrial Engineering Students' Gathering organized by Middle East Technical University's (METU) Productivity Club.
- Ford Otosan also sponsored UMTIK 2010 Congress organized by METU-Matimaren Mechanical Engineering Department.
- The Company sponsored the ICAT 2010 Conference.
- At the 2010 edition of the Beijing - Paris Classical Automobile Endurance Race, initiated in 1907, the Anadolu A1 1967 team represented Turkey under the sponsorship of Ford Otosan, left Beijing on September 10 with other classical automobiles from across the world, and came second in the race. The award money has been used for providing grants to 250 undergraduate students.



## Donations

With donations in the field of education, Ford Otosan allowed many educational institutions to obtain the material and equipment that they needed. Some of the donations of the year 2010 are as follows:

- As one of the 20 Koç Holding companies actively supporting 'Vocational Education: A Top Matter for the Nation' (MLMM) Project, Ford Otosan established a "3D Coordinate Measurement and Metallurgic Examination Laboratory" at Karamürsel 100. Yıl Technical and Industrial High School, with the support of auxiliary industry companies. Implementing this project devised by MLMM scholarship holders, Ford Otosan aims at contribution to the training of a highly qualified workforce.
- Ford Otosan has also supported the Mevlana Houses project initiated by the Turkish Red Crescent to meet the urgent housing need of the Pakistani people. Ford Otosan employees' contributions allowed the company to dispatch 20 such houses to Pakistan.
- As part of Koç Holding's 2010 campaign "I Donate Blood for my Nation", Ford Otosan employees donated 3,240 units of blood and the participation rate was a remarkable 40%. Ford Otosan employees have thus not only saved the lives of 9,720 people, but also gave the message that they have a strong sense of social responsibility and solidarity, and stand by their fellow citizens when the need arises.
- At the same time the Company granted the Fevziye Tezcan Technical High School welding machines, turning machines and metal plates for laboratory classes.
- Granted technical equipment for laboratory classes to the Kartepe Technical and Industrial Vocational High School and Kocaeli University Gölcük Vocational School.
- Granted shopping tickets to 330 students from 33 primary students under the supervision of the district's National Education Directorate.

## Renovation Efforts

Ford Otosan continues to undertake reparation work in schools, hospitals and other service institutions in need. The Company establishes state-of-the-art technical equipment in such locations. The following activities have been undertaken under this scheme:

- A renovation project was completed in the Gölcük İhsaniye Vocational High School. Voluntary Ford Otosan employees provided the İhsaniye Vocational High School with new hardware for its computer laboratory. Moreover, the school was granted brand new computers with state-of-the-art hardware.
- The Kartepe Technical and Industrial Vocational High School's Motor Vehicle Technologies Workshop also went through renovation. The project provided the technical equipment needed to improve laboratory conditions.





## FORD OTOSAN REINFORCES ITS LEADERSHIP IN THE AUTOMOTIVE INDUSTRY IN 2010

As the domestic market broke its record in 2010, Ford Otosan achieved a sales volume of 123,802 units and a market share of 15.6%, maintaining its leadership in the automotive industry for the ninth consecutive year.

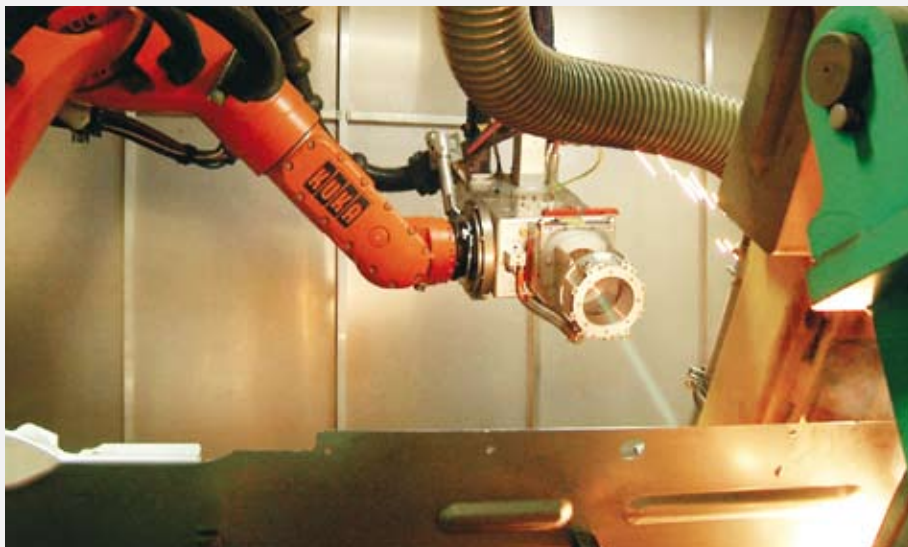
### 6 Millionth Transit Produced

Ford Otosan held a ceremony to dispatch to Europe the 6 millionth unit of its legendary model Transit rolling off the production line, at its main production center, the Kocaeli Plant. Koç Holding's Chairman Mustafa V. Koç, Ford of Europe's President John Fleming and Ford Otosan CEO Nuri Otaç, and numerous Koç Holding executives attended this event. Other production facilities in Southampton UK, Nanchang China and Hai Duong Vietnam also joined in the celebrations as it was also the 45th anniversary of the Transit.



### Remote Laser Technology at Ford Otosan

Ford Otosan has become the first corporation to make use of remote laser technology in the Turkish automotive industry and also among global Ford factories. This technology necessitates 5% more investment than the current production system but increases application speed by seven- to ten-fold, lowers operational costs by as much as 30% and decreases the use of space by around 40%. Ford Otosan engineers implemented the remote laser technology at the Kocaeli Plant for usage in the production of Transit which is exported to five continents.



### USD 630 million investment for the New Transit Series

Ford Otosan disclosed its plans to invest a remarkable USD 630 million for the production of the New Transit Series. A result of Ford Otosan's high quality production standards and efficient work processes, this investment will not only reinforce Kocaeli Plant's position as a global production center, but also boost the factory's production capacity and employment for the future to come.



### EUR 150 million loan agreement with EBRD

For the financing of its gigantic USD 630 million investment for the production of the New Transit series, Ford Otosan, the leader of the Turkish automotive industry, signed a EUR 150 million loan agreement with a syndication led by EBRD and comprising National Bank of Greece, Société Générale, HSBC and State Bank of India. This loan went down in history as the largest loan granted by EBRD to a Turkish industrial corporation.



### A Trip from Vienna to Kocaeli with a 1976 model Transit in the 45th Anniversary of Transit production

A 1976 Ford Transit used in Salzburg, Austria as a firefighting vehicle, left Vienna with a crew of 6 people to reach the Ford Otosan Kocaeli Plant, 2,100 kilometers away, as part of its 45th anniversary celebrations. The 34-year old Transit has thus demonstrated its endurance and strength to the whole world with this journey.



### Industry Leader for the Ninth Consecutive Year

As the domestic market broke its record in 2010, Ford Otosan achieved a sales volume of 123,802 units and a market share of 15.6%, maintaining its leadership in the automotive industry for the ninth consecutive year.



2010: THE YEAR IN WHICH FORD OTOSAN REINFORCED ITS LEADERSHIP IN AUTOMOTIVE INDUSTRY

In 2010, Ford Otosan maintained its maximum dividend distribution policy and paid a total of TL 400 million in dividend to its shareholders.

HIGHLIGHTS OF 2010...

- The Ford brand became the industry leader in 63 provinces of Turkey.
- In 2010, a total of 791,543 vehicles were sold and thus the 2005 record was broken.
- In December 2010, Ford Otosan attained its all-time highest monthly sales volume.
- Transit Connect received “North America Truck of the Year” which is one of the most prestigious North American awards, NAIAS (North American International Auto Show)
- The Company maintained its leadership in the MCV segment with Transit, enjoying a 36.9% market share.
- In the European market share ranking, Turkey overtook the UK to become the Ford branch with the highest domestic market share.
- Ford Otosan celebrated its 50th anniversary as Turkey’s first automotive company in 2010, a year in which its production volume increased 40% over the previous year to 242 thousand.
- In 2010, once again, Ford Otosan placed among the top three exporters in Turkey, increasing its export volume by 37%.
- The number of R&D engineers employed at centers in Gebze and Gölçük, reached 800.
- Ford Otosan’s achievements were highlighted with awards in praise of its operations, as well as efforts in the fields of employment, R&D, environment, occupational health and safety.
- New C-MAX and PowerShift Kuga was introduced to the market.
- In 2010, Ford Otosan continued its high dividend distribution policy and paid a total of TL 400 million dividend to its shareholders.
- The truck segment, which had suffered the severest contraction in 2009, expanded by 114% in 2010.
- Ford Otosan rose to second position in the passenger car segment with a 10.8% market share and closed the year as the leader of the commercial vehicle segment with a 24.3% market share.

- The LCV segment expanded by 33.7% over the previous year in 2010. In this segment, the Company obtained a 19.5% market share with Transit Connect and closed the year in second position.
- At the 2010 edition of the Beijing - Paris Classical Automobile Endurance Race, initiated in 1907, the Anadol A1 1967 team represented Turkey under the sponsorship of Ford Otosan, left Beijing on September 10 with other classical automobiles from across the world, and came second in the race.
- As of March 2010, Ford Otosan offers all Ford car owners an automobile insurance designed specifically for Ford vehicles. The F-Kasko policies produced jointly with two large insurance companies reached to over 8,000 clients.
- In September 2010, Ford Otosan launched a new Ford Finance product, the Ford Options program, which allows all passenger car clients to choose any vehicle with low monthly installments and offers a convenient alternative payment scheme to customers who frequently change vehicles. The objective is to offer lifelong satisfaction to loyal Ford customers.

Gigantic Fleet of 857 Vehicles

Ford Otosan delivered to Turkey’s leading communication and convergence technologies company, Türk Telekom a vast fleet of 857 vehicles with a ceremony at the Kocaeli Plant. This new fleet of environment friendly vehicles will support the Türk Telekom teams, who strive to keep Turkey’s communication channels running 24/7 under any road and weather conditions, and this also stands out as the largest delivery in the Turkish automotive industry in 2010.



Turkish Rally Championship

Hitting the race track for the first time in 2010, Ford Fiesta S2000 won the Turkish Rally Championship, with last year’s champion Yağız Avcı at the helm.



50<sup>th</sup> Anniversary Gala

Ford entered the Turkish market in 1928 with a distribution contract and established a production facility jointly with Koç Holding 50 years ago. At the gala dinner to celebrate the anniversary, Koç Holding Honorary Chairman and Ford Otosan Chairman Rahmi M. Koç hosted an exquisite reception at the Four Seasons Bosphorus Hotel. Bill Ford, member of the third generation of the Ford family and Ford Motor Company Chairman, also participated in the gala dinner.





## AWARDS



Best-Selling Automobile and LCV brand



Best-Selling Automobile and LCV model



Newspaper Ad of the Year



Outdoor Application of the Year

## Four Awards from 2010 Gladiators

Ford Otosan received four awards from the most prestigious and comprehensive event of the automotive sector. The Sales Communication Awards – 2010 Gladiators was organized for the first time by Turkish Automotive Distributors' Association (ODD) in order to add momentum to the sector's growth and enhance brand recognition.

At ODD's Sales Communication Awards, Ford Transit's "Transit bears the world's burden" ad campaign won the "Newspaper Ad of the Year" award, and Ford Fiesta's 3D "This Fiesta loves listening to music" ad won the "Outdoor Application of the Year" awards.

Aside from communication awards, Ford Otosan was also designated as "Best-Selling Automobile and LCV brand", and won the "Best-Selling LCV Model" category with Ford Transit Connect, at ODD's Sales Awards.



Şahabettin Bilgisu Environment Award

## Şahabettin Bilgisu Environment Award

In 2010, Ford Otosan won for the fourth time the prestigious Şahabettin Bilgisu Environment Award, which has been organized by the Kocaeli Chamber of Industry since 1995. The Kocaeli Chamber of Industry gives the Şahabettin Bilgisu Award to industrial corporations that contribute to sustainable development and environmental protection. The Kocaeli Plant received the award in 2004, 2007 and 2010, and the İnönü Plant received it in 2008. The Ford Otosan Kocaeli Plant won the award in 2010, in the category of "Large Corporations".



İŞKUR SGK Award

## İŞKUR SGK Award

Ford Otosan was granted the "Social Responsibility and Support for Employment" award at the "41 Successful Employers" event of Turkish Employment Agency İŞKUR's Kocaeli Provincial Department, for a project providing employment to 179 hearing-impaired individuals. For this project a number of employees from foremen to corporate communication specialists learned sign language in order to better communicate with hearing-impaired employees.



Chairman's Leadership Award for Diversity



Valuing a Diverse Workforce Award

## Two Distinct Awards for "Let's Remove Barriers" Project

The "Let's Remove Barriers (Engelleri Kaldıralım)" project, which focuses on the needs of disabled employees, aims to ensure better employment and social conditions, and allow disabled employees to transform their difference into a contribution to their own development and that of society. It has received awards from both Ford Motor Company and Ford of Europe. The first award came from Ford of Europe's CLAD (Chairman's Leadership Award for Diversity) event, held among all European Ford companies for ten years running, and the second award was the "Valuing a Diverse Workforce Award."



Kristal Elma (The Crystal Apple)

## Kristal Elma (The Crystal Apple)

In 2010, Ford Otosan received two awards for its advertisements from the advertising awards organization "Kristal Elma" (The Crystal Apple). The prestigious "Kristal Elma" organization has been honoring excellence in the advertising sector for 20 years.

The "Lig TV Title Sequences" created by Ogilvy Mindshare received a prize in the automotive category of the TV class, and the campaign "Everyone has a Favorite Red" was rewarded in the sponsorship category of creative media usage.



## Three Awards in Occupational Health and Safety

As Turkey's leading automotive brand for nine consecutive years, Ford Otosan is frequently rewarded for its activities to raise awareness of occupational health and safety. The Company received new awards on top those received in 2007 and 2008 from the "President Health and Safety Award" program, which has been organized since 1999 and constitutes the most prestigious award, in this field, for the Ford Motor Company.



Ford 2010 Environmental Leadership Award

## Ford 2010 Environmental Leadership Award

Given for the first time by Ford of Europe, the "Ford 2010 Environmental Leadership Award" went to the Kocaeli Factory for its "Waste Treatment Plant Sludge Drying Project". The project entailed the construction of a drying system which decreases the sludge volume of the waste water treatment facility by 56% and recycles it into fuel. The criteria for the determination of the award-winning project were environmental leadership, creativity, applicability to other factories, teamwork, as well as environmental and economic benefits.



## STRONG EXPORT GROWTH

Ford Otosan once again figured among Turkey's top three exporters, as the export volume expanded by a record 37% to reach 176,928 and the export turnover exceeded EUR 2 billion.





FINANCIAL STATEMENTS AND NOTES

Ford Otomotiv Sanayi A.Ş.

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(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.****Balance sheet as of December 31, 2010**

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

	Notes	December 31, 2010	December 31, 2009
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	520,944,034	371,946,546
Trade receivables			
-Due from related parties	26	673,117,047	477,299,932
-Other trade receivables	7	511,313,401	362,403,652
Other receivables	8	6,401,917	102,397
Inventories	9	463,925,506	290,988,535
Other current assets	16	53,655,253	63,313,177
<b>Non-current assets</b>			
Trade receivables	7	342,608	195,636
Financial assets	5	3,008,822	2,179,287
Property, plant and equipment	10	1,058,400,259	1,144,504,274
Intangible assets	11	42,299,562	50,058,825
Other non-current assets	16	1,671,631	2,338,316
<b>Total assets</b>			
		3,335,080,040	2,765,330,577

The financial statements were approved for issue by the Board of Directors on 21 February 2011 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager – Chief Financial Officer (“CFO”) and Devrim Kılıçoğlu, Finance Director.

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.****Balance sheet as of December 31, 2010**

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

	Notes	December 31, 2010	December 31, 2009
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities	6	231,135,070	186,257,173
Trade payables			
-Due to related parties	26	176,308,452	68,527,621
-Other trade payables	7	508,068,468	361,526,424
Other payables			
-Due to related parties	26	5,695,782	2,849,612
-Other payables	8	117,075,396	73,768,731
Current income tax payable	24	60,498,276	33,570,900
Provisions	13	68,723,154	58,038,497
<b>Non-current liabilities</b>			
Financial liabilities	6	297,303,000	201,510,482
Provision for employee benefits	15	44,061,805	30,943,135
Deferred tax liabilities	24	71,166,606	98,694,369
<b>Equity</b>			
Equity attributable to the equity holders of the Company	17	1,755,044,031	1,649,643,633
Share capital		350,910,000	350,910,000
Adjustment to share capital		27,920,283	27,920,283
Share premium		8,252	8,252
Value increase funds		1,907,669	1,078,134
Restricted reserves		340,819,480	302,570,290
Retained earnings		528,870,084	633,722,367
Net income for the year		504,608,263	333,434,307
<b>Total equity and liabilities</b>			
		3,335,080,040	2,765,330,577

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.

Statement of income for the year ended December 31, 2010

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

	Notes	December 31, 2010	December 31, 2009
Continuing operations			
Sales	18	7,649,411,637	5,574,355,948
Cost of sales	18	(6,664,536,863)	(4,907,090,313)
Gross profit		984,874,774	667,265,635
Sales and marketing expenses	19	(226,030,795)	(174,174,201)
General administrative expenses	19	(98,543,070)	(75,121,222)
Research and development expenses	19	(84,729,979)	(71,610,783)
Other operating income	21	36,748,197	47,042,872
Other operating expenses	21	(2,102,985)	(3,962,942)
Operating profit		610,216,142	389,439,359
Financial income	22	115,027,870	106,326,790
Financial expenses	23	(106,249,773)	(87,228,761)
Income before tax from continuing operations		618,994,239	408,537,388
Income tax from continuing operations		(114,385,976)	(75,103,081)
-Taxes on income	24	(141,913,739)	(82,106,156)
-Deferred tax income	24	27,527,763	7,003,075
Net income for the year		504,608,263	333,434,307
Earnings per share with a nominal value of Kr 1	25	1,44	0,95

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.

Statement of comprehensive income for the year ended December 31, 2010

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

	Notes	December 31, 2010	December 31, 2009
Net income for the year		504,608,263	333,434,307
Other comprehensive income			
Change in revaluation funds of financial assets	17	829,535	977,164
Other comprehensive income		829,535	977,164
Total comrehensive income		505,437,798	334,411,471

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.

Statement of changes in equity for the year ended December 31, 2010

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

	Share capital	Adjustments to share capital	Share premium	Value increase funds	Restricted reserves	Retained earnings	Net income	Total equity
Balance at January 1, 2009	350,910,000	27,920,283	8,252	100,970	264,672,010	631,944,669	436,204,278	1,711,760,462
Transfers	-	-	-	-	37,898,280	398,305,998	(436,204,278)	-
Dividends paid	-	-	-	-	-	(396,528,300)	-	(396,528,300)
Total comprehensive income	-	-	-	977,164	-	-	333,434,307	334,411,471
Balance at December 31, 2009	350,910,000	27,920,283	8,252	1,078,134	302,570,290	633,722,367	333,434,307	1,649,643,633
Balance at January 1, 2010	350,910,000	27,920,283	8,252	1,078,134	302,570,290	633,722,367	333,434,307	1,649,643,633
Transfers	-	-	-	-	38,249,190	295,185,117	(333,434,307)	-
Dividends paid	-	-	-	-	-	(400,037,400)	-	(400,037,400)
Total comprehensive income	-	-	-	829,535	-	-	504,608,263	505,437,798
Balance at December 31, 2010	350,910,000	27,920,283	8,252	1,907,669	340,819,480	528,870,084	504,608,263	1,755,044,031

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.

Statement of cash flows for the year ended December 31, 2010

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

	Notes	December 31, 2010	December 31, 2009
Cash flows from operating activities:			
Net income for the year		504,608,263	333,434,307
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10	156,060,023	152,595,752
Amortization	11	19,124,469	19,101,673
Provision for employee benefits	15	15,772,496	10,796,222
Warranty expense provision	13	86,890,422	73,475,366
Taxation	24	114,385,976	75,103,081
Interest income	22	(18,654,206)	(24,867,147)
Interest expense	23	7,112,253	14,225,589
Foreign exchange loss incurred from borrowings		(15,395,034)	1,497,775
Provision expenses		13,873,631	1,423,341
Loss on sale of fixed asset	21	494,281	1,640,451
Dividend income	21	(119,509)	(42,180)
Net operating profit before changes in operating assets and liabilities		884,153,065	658,384,230
(Increase) in accounts receivable		(344,726,864)	(378,065,956)
(Increase)/decrease in inventories		(176,424,754)	294,460,786
Decrease in other current assets		3,358,404	29,438,149
Increase in accounts payable		254,322,875	226,481,894
Increase/(decrease) in other current liabilities		32,707,080	(15,999,707)
Income tax paid		(111,926,457)	(163,381,698)
Warranty expenses paid	13	(76,205,765)	(91,971,906)
Employee benefits paid	15	(2,653,826)	(4,433,458)
Net cash generated from operating activities		462,603,758	554,912,334
Cash flows used in investing activities:			
Purchase of property, plant and equipment	10	(74,507,269)	(86,630,504)
Purchase of intangible assets	11	(11,365,206)	(719,398)
Proceeds from sale of property, plant and equipment		4,056,980	6,986,645
Decrease in other non-current assets		519,713	14,581,535
Interest received		18,654,206	25,181,342
Dividends received		119,509	42,180
Net cash used in investing activities		(62,522,067)	(40,558,200)
Cash flows from financing activities:			
Interest paid		(7,699,732)	(17,550,335)
Dividends paid	17	(400,037,400)	(396,528,300)
Proceeds from borrowings		430,033,728	127,822,500
Payments of borrowings		(273,380,799)	(118,614,073)
Net cash used in financing activities		(251,084,203)	(404,870,208)
Net increase in cash and cash equivalents		148,997,488	109,483,926
Beginning balance of cash and cash equivalents	4	371,946,546	262,462,620
End of the year balance of cash and cash equivalents	4	520,944,034	371,946,546

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 year ended December 31, 2010

(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, assemblies 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 Istanbul Stock Exchange, where 17.92% of its shares are currently quoted.

The Company presently has two plants located in Kocaeli and Eskişehir, has a spare part distribution warehouse in Kartal, Istanbul and a branch in Tübitak Marmara Research Centre, Gebze Campus Technological Free Zone (“TEKSEB”) established in 2007 for the purpose of conducting research and development and engineering operations. The light commercial vehicle, “Transit Connect”, and Transit vehicles (minibuses, pick-ups and vans) are manufactured in Kocaeli. Ford Cargo trucks and their engines are manufactured in Eskişehir.

In 2010, the Company had a total of 7,988 employees on average, composed of 1,625 white-collar and 6,363 blue-collar workers. The Company had a total of 8,413 employees composed of 1,778 white-collar and 6,635 blue-collar workers as of December 31, 2010. (December 31, 2009: The Company had a total of 7,729 employees on average, composed of 1,416 white-collar and 6,313 blue-collar workers. The Company had a total of 7,593 employees composed of 1,396 white-collar and 6,197 blue-collar workers as of period end.)

The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Financial reporting standards

The Capital Markets Board (“CMB”) regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities, with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). The Communiqué is effective for the annual periods starting from January 1, 2008 and supersedes the Communiqué No: XI-25, “The Accounting Standards in the Capital Markets”. According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by the Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) issued by the TASB, which do not contradict with the aforementioned standards shall be applied.

With the decision taken on 17 March 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”). Accordingly, IAS 29, “Financial Reporting in Hyperinflationary Economies”, issued by the IASB, has not been applied in the financial statements commencing from January 1, 2005.

As the differences between IAS/IFRS endorsed by the European Union and IAS/IFRS issued by the IASB have not been announced by TASB yet, these financial statements have been prepared within the framework of financial statement communiqué and announcements related with this communiqué in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. Financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 17 April 2008 and 9 January 2009, including the compulsory disclosures.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

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

2. Financial reporting standards (continued)

Except for the financial assets carried on fair value, financial statements prepared on cost basis.

The Company financial statements as of December 31, 2010 and December 31, 2009, have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as accepted by the CMB, in accordance with the CMB’s “Financial Reporting Standards” announced on 9 April 2008, which are based on IAS/IFRS.

2.1.2 Going concern

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

2.1.3 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.

2.2 Changes in accounting policies

2.2.1 Comparatives and adjustment 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 balance sheet of the Company at December 31, 2010 has been provided with the comparative financial information of December 31, 2009 and the statement of income, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period between January 1, 2010 and December 31, 2010 have been provided with the comparative financial information, for the period between Januaty 1, 2009 and December 31, 2009. The balance sheet as at December 31, 2009 has been reclassified in order to conform to the presentation of the current period financial statements. The reclassifications are as follows:

- a) Interest accrual amounting to TL 394,743 which was not included in cash flow as of December 31, 2009; have been classified under “Cash and cash equivalents”.
- b) Prepaid taxes and funds amounting to TL 48,535,256, classified under “Other current assets” as of December 31, 2009, have been classified to “Taxes on current year income” (Note 24).

2.2.2 Standards, amendments and interpretations to existing standards

a) Changes in accounting policy and disclosures

The accounting policies, which are basis of presentation of financial statements, are consistent with those of the previous financial year except for the new standards and interpretation summarized below. The following new and amended IFRS and IFRIC interpretations are adopted in the periods beginning on January 1, 2010:

- IFRIC 17 Distributions of Non-cash Assets to Owners,
- IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items,
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended),
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

Aforementioned new and amended IFRS and IFRIC interpretations do not have any significant impact on 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 year ended December 31, 2010

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

2. Financial reporting standards (continued)

b) Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Company:

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segment Information
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 18 Revenue
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement – Items Accepted as Protected From Financial Risk
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Company, does not expect that interpretation will have any effect on the Company's financial position or performance.

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

• IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Company does not expect that this amendment will have an impact on the financial position or performance.

• IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)

The amendment is effective for annual periods beginning on or after January 1, 2011. The purpose of this amendment was to permit entities to recognize as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial position or performance.

• IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement

The new standard is effective for annual periods beginning on or after January 1, 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have an impact on the financial position or performance.

• IAS 32 Classification on Rights Issues (Amended)

The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial position or performance.

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Notes to financial statement for the year ended December 31, 2010

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

2. Financial reporting standards (continued)

• IAS 24 Related Party Disclosures (Revised)

The revision is effective for annual periods beginning on or after January 1, 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial position or performance.

• IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendment)

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

d) In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by the EU.

IFRS 1 Presentation of Financial Statements, effective for annual periods beginning on or after January 1, 2011. This improvement clarifies that the amendments required after IAS 34: Interim Financial Reporting applied by the companies as the year of they prepare their financial statements under IFRS. In addition, amendment gives right to companies to use fair value stated before the financial statements under IFRS, as the expected value. The amendment expands the content and the rate of expected cost, which are used for tangible and intangible assets, as it includes the activities which regulate it.

IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010 This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets. Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after January 1, 2011.This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after January 1, 2011.This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2010. This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 “The Effect of Changes in Foreign Exchange Rates”, IAS “28 Investments in Associates” and IAS 31 “Interests in Joint Ventures” apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.



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Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

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

2. Basis of presentation of financial statements (continued)

IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after January 1, 2011. This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after January 1, 2011. This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended) (The amendment is effective for annual periods beginning on or after 1 July 2011).

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP (United States Generally Accepted Accounting Principles). This amendment has not yet been endorsed by the EU.

The Company does not expect that these amendments will have an impact on the financial position or performance 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:

2.3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet 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).

2.3.2 Trade receivables and valuation allowance

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.

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 the receivables, the 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 balance sheet 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.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

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

2. Basis of presentation of financial statements (continued)

The Company collects most of the receivables from domestic vehicles 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).

2.3.3 Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges are recognized as financial income or expenses over the period of credit sales and purchases, and included under financial income and expenses.

2.3.4 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).

2.3.5 Trade payables

Trade payables are recognized at initial cost and subsequently measured at amortized cost using effective interest rate method (Notes 7 and 26).

2.3.6 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	30 years
Buildings	30 years
Machinery and equipment	5-25 years
Moulds and models	project life
Furniture and fixtures	5-12.5 years
Motor vehicles	9-15 years

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

Property, plant and equipment are reviewed for impairment losses 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 the asset’s net selling price or value in use.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in other operating income and losses.Repair and maintenance expenses are charged to the statement of income 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).



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Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

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

2. Basis of presentation of financial statements (continued)

2.3.7 Intangible assets

Intangible assets comprise computer software programmes, 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 not exceeding five years. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount. The recoverable amount is considered to be the higher of asset’s net selling price or value in use. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2.3.21 (Note 11).

2.3.8 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 income.

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.

2.3.9 Loans

When the loan is provided by the Company by providing money directly to a bank, the loan is secured with marketable securities, Turkish government bonds and treasury bills, acquired under reverse repurchase agreements with banks with a predetermined sale price at fixed future dates and is stated at amortized cost. The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the Company. Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of cash flow statements.

Loans originated by the Company that have a fixed maturity are measured at amortized cost using the effective interest rate method.

A provision for loan impairment 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 loan at inception.

2.3.10 Financial investments

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 balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management makes the proper classification of such financial instruments at the date they are purchased and monitors this classification regularly.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

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

2. Basis of presentation of financial statements (continued)

All financial assets are initially carried at cost including purchasing costs related with investments.The unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized in equity (Note 5).

2.3.11 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.

2.3.12 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).

2.3.13 Taxes on income

Taxes include current period income taxes and deferred taxes. 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 balance sheet date.

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).

2.3.14 Revenue recognition

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 service are given and revenue is determined reasonably.Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company. 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 accrual basis (Note 18).



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2. Basis of presentation of financial statements (continued)

2.3.15 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 balance sheet 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 income (Notes 22, 23 and 27).

2.3.16 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 are collected in 14 days for the period between January 1, 2010 and November 30, 2010 and it is changed as 30 days as of December 1, 2010. 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 balance sheet 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 three weeks cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 70 million and factoring agreement amounting to TL 140 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.

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2. Basis of presentation of financial statements (continued)

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.

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 balance sheet 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 debt to total capital ratio. This ratio is calculated as total debt divided by total capital. Debt is calculated as total short and long term borrowings, whereas total equity is calculated as equity, as shown in the balance sheet.

	December 31, 2010	December 31, 2009
Total debt	528,438,070	387,767,655
Total equity	1,755,044,031	1,649,643,633
Debt/Total equity ratio	0.30	0.24

2.3.17 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value.

Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.



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2. Basis of presentation of financial statements (continued)

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practical to estimate fair value:

Monetary 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.

Monetary liabilities

The fair values of monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Long-term borrowings, which are mainly denominated in foreign currencies, are translated at year-end exchange rates and their fair values approximate their carrying values as floating interest is applied on these loans generally.

2.3.18 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 income over the period of the borrowings (Note 6). When it comes to the assets which take long time to get ready to usage and sales, borrowing costs related to production or construction are integrated to the cost of the asset.

2.3.19 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).

(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).

2.3.20 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.

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2. Basis of presentation of financial statements (continued)

2.3.21 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.

Other research expenditures are recognized as expense as incurred.

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 five years (Note 11).

2.3.22 Variable marketing provision

Variable marketing expenses for dealer stocks are accrued for based on the last approved variable marketing programme (Note 8).

2.3.23 Warranty provision expenses

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization (Note 13).

2.3.24 Lease

Leasing-Ford 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.



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2. Basis of presentation of financial statements (continued)

2.3.25 Related parties

Parties are considered related to the company if;

- (a) directly, or indirectly through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) has an interest in the company that gives it significant influence over the company; or
  - (iii) has joint control over the company;
- (b) the party is an associate of the company;
- (c) the party is a joint venture in which the company is a venturer;
- (d) the party is member of the key management personnel of the company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

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

The Company stated Board Members, General Manager and Assistant General Managers as executive managers (Note 26).

2.3.26 Earnings per share

Earnings per share disclosed in the statement of income 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).

2.3.27 Comparatives

Comparative figures that are material have been reclassified to conform to the changes to be consistent in presentation in the current period.

2.3.28 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).

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Notes to financial statement for the year ended December 31, 2010

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2. Basis of presentation of financial statements (continued)

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).

2.3.29 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).

2.3.30 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) To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Note 15: Employee benefit
- b) To determine the impairment of trade receivables factors such as payee credibility, historical payment performance and debt restructuring is considered.
- 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
- d) To calculate 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) To calculate the warranty provisions, the Company considers the historical warranty expenses incurred to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims.
- f) To determine the recoverable values of fixed assets, the forecasts for the market and profitability based on strategic planning for the future are used. Based on these forecasts. Based on these forecasts. If the cash flow from the using fixed assets is less than the recorded amount, recorded amount can be decreased to the net recoverable amount by allocating impairment provision

2.3.31 Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies 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 and future periods. As of December 31, 2010 there's no significant change in accounting estimates and error.

2.3.32 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 balance sheet date and the date when the balance sheet is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Company makes the necessary corrections on the financial statements (Note 28).



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### Notes to financial statement for the year ended December 31, 2010

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#### 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.

#### 4. Cash and cash equivalents

	December 31, 2010	December 31, 2009
Banks-TL time deposits	314,449,138	79,365,807
Banks-foreign currency time deposits	174,602,985	272,957,923
Banks-TL demand deposits	31,453,727	15,233,531
Banks-foreign currency demand deposits	438,184	4,389,285
	520,944,034	371,946,546

The maturity period of time deposits is up to three months. The weighted average interest rate for Euro denominated time deposits is 3.62% (December 31, 2009: 2.81%). The weighted average interest rate for USD denominated time deposits is 3.10% (December 31, 2009: 2.50%). The weighted average interest rate for the TL time deposits is 8.32% (December 31, 2009: 9.98%).

#### 5. Financial assets

	December 31, 2010		December 31, 2009	
Available-for-sale financial assets:	Shareholding %	Amount	Shareholding %	Amount
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	3,008,822	0.59	2,179,287
		3,008,822		2,179,287

(\*) The Company’s shareholding in Otokar was stated at market value at the stock quotes at the Istanbul Stock Exchange at December 31, 2010 and 2009 which is assumed to approximate its fair value.

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### Notes to financial statement for the year ended December 31, 2010

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#### 6. Financial liabilities

	December 31, 2010		December 31, 2009	
	Effective interest rate %	TL amount	Effective interest rate %	TL amount
Short term borrowings:				
-Euro	1.57	29,871,780	2.32	28,088,221
-TL	-	8,534,887(*)	-	-
		38,406,667		28,088,221

(\*) Loans used for short term purposes with no interest paid.

#### Short-term portion of long-term borrowings:

	December 31, 2010		December 31, 2009	
	Effective interest rate %	TL amount	Effective interest rate %	TL amount
-Euro	2.63	192,509,525	2.90	127,875,601
-USD	3.54	218,878	2.78	30,293,351
		192,728,403		158,168,952
Total short term borrowings		231,135,070		186,257,173
Long term borrowings:				
-Euro	2.92	266,383,000	2.21	201,510,482
-USD	3.54	30,920,000		-
		297,303,000		201,510,482



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### Notes to financial statement for the year ended December 31, 2010

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#### 6. Financial liabilities (continued)

The payment schedules of long-term bank borrowings as of December 31, 2010 and 2009 are as follows:

Payment period	December 31, 2010			December 31, 2009	
	USD denominated TL	Euro denominated TL	Total TL	Euro denominated TL	Total TL
2011	-	-	-	50,289,481	50,289,481
2012	-	98,330,188	98,330,188	91,321,773	91,321,773
2013	30,920,000	99,793,831	130,713,831	37,314,273	37,314,273
2014	-	44,840,695	44,840,695	22,584,955	22,584,955
2015	-	23,418,286	23,418,286	-	-
	30,920,000	266,383,000	297,303,000	201,510,482	201,510,482

The letters of bank guarantee given to financial institutions in connection with the long-term bank borrowings amount to TL 182,205,650 (December 31, 2009: TL 242,376,787).

As of December 31, 2010, borrowings with floating interest rates amount to TL 374,875,644 (December 31, 2009: TL 385,626,092).The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	December 31, 2010	December 31, 2009
Period		
Up to 6 months	374,875,644	385,626,092
	374,875,644	385,626,092

The carrying values of borrowings approximate to their fair values as the effect of the discounting are not significant due to the fact that the applicable financing costs are based on floating interest rates.

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### Notes to financial statement for the year ended December 31, 2010

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#### 7. Trade receivables and payables

	December 31, 2010	December 31, 2009
Short term trade receivables:		
Trade receivables	492,605,273	343,572,568
Cheques and notes receivable	20,301,200	19,121,282
Doubtful receivables	3,244,537	3,228,090
Less: Unearned credit finance income	(1,593,072)	(290,198)
	514,557,938	365,631,742
Less: Provision for doubtful receivables	(3,244,537)	(3,228,090)
	511,313,401	362,403,652

The average due date of trade receivables is 1 month (December 31, 2009: 1 month) and amortized with 0.7% monthly effective interest rate (December 31, 2009: 0.2%).

Export sales are mainly made to Ford Motor Company (Note 26). The collection of receivables resulting from export sales other than Ford Motor Company is under guarantee with letter of credit, letter of guarantee or cash collection.

	December 31, 2010	December 31, 2009
Long term trade receivables:		
Deposits and guarantees given	342,608	195,636
	342,608	195,636
Trade payables:		
Trade payables	510,151,746	361,725,563
Less: Unearned credit finance charges	(2,083,278)	(199,139)
	508,068,468	361,526,424

The average turnover days of the Company's trade payables is 45 days (December 31, 2009: 45 days) and amortized with 0.7% monthly effective interest rate (December 31, 2009: 0.2%).



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7. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of December 31, 2010 and 2009 is as follows:

	Trade receivables		Other receivables		
December 31, 2010	Related party	Other	Related party	Other	Bank deposits
The maximum of credit risk exposed at the reporting date (Disclosures 26, 7, 8, 4)	673,117,047	511,313,401	-	6,401,917	520,944,034
-Credit risk covered by guarantees	60,000,000	368,213,956	-	-	-
Net carrying value of not overdue and not impaired financial assets	668,818,739	487,006,047	-	6,401,917	520,944,034
The carrying amount of financial assets whose terms have been renegotiated otherwise be past due or impaired	-	20,241,000	-	-	-
Net carrying value of overdue but not impaired assets	4,298,308	4,066,354	-	-	-
-Amount of risk covered by guarantees	-	2,610,645	-	-	-
Net carrying value of impaired assets	-	3,244,537	-	-	-
-Overdue (gross carrying value)	-	3,244,537	-	-	-
-Provision for impairment (-)	-	(3,244,537)	-	-	-
-Amount of risk covered by guarantees	-	-	-	-	-

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7. Trade receivables and payables (continued)

	Trade receivables		Other receivables		
December 31, 2009	Related party	Other	Related party	Other	Bank deposits
The maximum of credit risk exposed at the reporting date	477,299,932	362,403,652	-	102,397	371,946,546
-Credit risk covered by guarantees	60,000,000	279,808,663	-	-	-
Net carrying value of not overdue and not impaired financial assets	475,298,822	324,640,366	-	102,397	371,946,546
The carrying amount of financial assets whose terms have been renegotiated otherwise be past due or impaired	-	33,363,878	-	-	-
Net carrying value of overdue but not impaired assets	2,001,110	4,399,408	-	-	-
-Amount of risk covered by guarantees	-	4,322,888	-	-	-
Net carrying value of impaired assets	-	3,228,090	-	-	-
-Overdue (gross carrying value)	-	3,228,090	-	-	-
-Provision for impairment (-)	-	(3,228,090)	-	-	-
-Amount of risk covered by guarantees	-	-	-	-	-



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7. Trade receivables and payables (continued)

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

December 31, 2010	Trade receivables	
	Related party	Other
1-30 days overdue	363,204	1,803,871
1-3 months overdue	368,443	1,571,754
3-12 months overdue	2,722,602	560,814
1-5 years overdue	844,059	129,915
	4,298,308	4,066,354
Risk covered by guarantees	-	2,610,645
December 31, 2009	Trade receivables	
	Related party	Other
1-30 days overdue	571,539	748,019
1-3 months overdue	611,975	5,910
3-12 months overdue	817,596	4,697
1-5 years overdue	-	3,640,782
	2,001,110	4,399,408
Risk covered by guarantees	-	4,322,888

Movements of the Company's impaired receivables are as follows:

	2010	2009
January 1	3,228,090	3,517,060
Provisions during the year (Note 21)	16,447	229,384
Collections	-	(518,354)
December 31	3,244,537	3,228,090

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8. Other receivables and payables

	December 31, 2010	December 31, 2009
Other receivables:		
Receivables from personnel	43,978	42,773
Other miscellaneous receivables	6,357,939	59,624
	6,401,917	102,397
	December 31, 2010	December 31, 2009
Other liabilities:		
Taxes and funds payable	33,354,481	18,551,459
Payables to personnel and expense provisions	30,503,702	20,585,533
Expense accruals	23,989,741	11,545,828
Variable marketing provision	17,305,455	14,878,104
Other short-term liabilities	5,010,358	758,326
Advances received from customers	3,773,492	3,382,274
Other	3,138,167	4,067,207
	117,075,396	73,768,731

Variable marketing provision is primarily composed of discount accruals as of balance sheet date that dealers earned but not invoiced and expense accruals related with vehicles at stocks at balance sheet date (Note 2.3.22).

9. Inventories

	December 31, 2010	December 31, 2009
Raw materials	208,533,233	174,990,586
Inventory in transit	173,559,089	27,102,825
Spare parts	49,498,277	47,626,740
Finished goods	19,053,230	28,041,324
Imported vehicles	18,431,527	14,889,127
	469,075,356	292,650,602
Less: Provision for impairment of finished goods and spare parts	(5,149,850)	(1,662,067)
	463,925,506	290,988,535

The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. There is no idle time expenses incurred due to unplanned cease of production (December 31-TL 22,343,655-Note 18).

Idle time expenses incurred due to unplanned cease of production for 2009 have been classified under cost of sales.



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Notes to financial statement for the year ended December 31, 2010

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

10. Property, plant and equipment

	Land	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures furnitures	Vehicles	Construction in progress	Total
December 31, 2009										
Cost	12,009,181	88,982,583	368,487,421	1,411,433,641	601,068,162	69,091,825	10,295,480	3,395,070	2,564,763,363	
Accumulated depreciation	-	(24,674,943)	(110,876,453)	(722,659,783)	(513,151,867)	(47,511,182)	(1,384,861)	-	(1,420,259,089)	
Net book value	12,009,181	64,307,640	257,610,968	688,773,858	87,916,295	21,580,643	8,910,619	3,395,070	1,144,504,274	
For the year ended December 31, 2010										
Opening net book value	12,009,181	64,307,640	257,610,968	688,773,858	87,916,295	21,580,643	8,910,619	3,395,070	1,144,504,274	
Additions	-	1,413,316	222,116	18,948,144	17,670,684	7,480,774	4,490,303	24,281,932	74,507,269	
Transfers	-	-	34,682	1,036,539	1,643,011	99,652	-	(2,813,884)	-	
Disposals	(134,645)	-	-	(1,983,375)	(2,241,428)	(619,471)	(4,634,285)	-	(9,613,204)	
Depreciation charge	-	(2,868,261)	(11,505,942)	(77,244,202)	(59,944,181)	(3,495,690)	(1,001,747)	-	(156,060,023)	
Disposals from accumulated depreciation	-	-	-	1,645,222	2,241,428	352,454	822,839	-	5,061,943	
Closing net book value	11,874,536	62,852,695	246,361,824	631,176,186	47,285,809	25,398,362	8,587,729	24,863,118	1,058,400,259	
December 31, 2010										
Cost	11,874,536	90,395,899	368,744,219	1,429,434,949	618,140,429	76,052,780	10,151,498	24,863,118	2,629,657,428	
Accumulated depreciation	-	(27,543,204)	(122,382,395)	(798,258,763)	(570,854,620)	(50,654,418)	(1,563,769)	-	(1,571,257,169)	
Net book value	11,874,536	62,852,695	246,361,824	631,176,186	47,285,809	25,398,362	8,587,729	24,863,118	1,058,400,259	

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Notes to financial statement for the year ended December 31, 2010

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

10. Property, plant and equipment (continued)

	Land	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures furnitures	Vehicles	Construction in progress	Total
December 31, 2008										
Cost	12,009,181	86,994,958	368,487,421	1,386,638,987	565,511,202	66,952,433	9,062,519	1,942,482	2,497,599,183	
Accumulated depreciation	-	(21,855,021)	(99,373,572)	(656,503,699)	(454,324,886)	(45,003,408)	(1,441,979)	-	(1,278,502,565)	
Net book value	12,009,181	65,139,937	269,113,849	730,135,288	111,186,316	21,949,025	7,620,540	1,942,482	1,219,096,618	
For the year ended December 31, 2009										
Opening net book value	12,009,181	65,139,937	269,113,849	730,135,288	111,186,316	21,949,025	7,620,540	1,942,482	1,219,096,618	
Additions	-	1,661,535	-	34,643,848	35,517,145	3,395,972	5,895,759	5,516,245	86,630,504	
Transfers	-	326,090	-	2,413,193	1,324,374	-	-	(4,063,657)	-	
Disposals	-	-	-	(12,262,387)	(1,284,559)	(1,256,580)	(4,662,798)	-	(19,466,324)	
Depreciation charge	-	(2,819,922)	(11,502,881)	(74,304,735)	(60,007,323)	(3,072,277)	(888,614)	-	(152,595,752)	
Disposals from accumulated depreciation	-	-	-	8,148,651	1,180,342	564,503	945,732	-	10,839,228	
Closing net book value	12,009,181	64,307,640	257,610,968	688,773,858	87,916,295	21,580,643	8,910,619	3,395,070	1,144,504,274	
December 31, 2009										
Cost	12,009,181	88,982,583	368,487,421	1,411,433,641	601,068,162	69,091,825	10,295,480	3,395,070	2,564,763,363	
Accumulated depreciation	-	(24,674,943)	(110,876,453)	(722,659,783)	(513,151,867)	(47,511,182)	(1,384,861)	-	(1,420,259,089)	
Net book value	12,009,181	64,307,640	257,610,968	688,773,858	87,916,295	21,580,643	8,910,619	3,395,070	1,144,504,274	



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Notes to financial statement for the year ended December 31, 2010

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10. Property, plant and equipment (continued)

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

	December 31, 2010	December 31, 2009
Moulds and models	346,052,054	168,578,311
Machinery and equipment	92,285,713	90,669,879
Furniture and fixtures	26,443,208	26,474,358
Buildings	5,529,499	5,529,499
Land improvements	237,300	237,300
Vehicles	137,275	137,275
	470,685,049	291,626,622

The allocation of depreciation expense as of December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Cost of production (Note 18)	149,549,190	146,650,368
Research and development expenses (Note 19)	1,984,907	1,659,284
General administrative expenses (Notes 19)	1,751,075	1,598,075
Selling and marketing expenses (Note 19)	1,603,185	1,546,855
Construction in progress	1,171,666	1,141,170
Current year depreciation charge	156,060,023	152,595,752

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Notes to financial statement for the year ended December 31, 2010

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

11. Intangible assets

December 31, 2009	Rights	Development costs	Other	Total
Cost	19,066,880	421,719,418	1,626,476	442,412,774
Accumulated amortization	(16,950,114)	(374,340,280)	(1,063,555)	(392,353,949)
Net book value	2,116,766	47,379,138	562,921	50,058,825
For the year ended December 31, 2010				
Opening net book value	2,116,766	47,379,138	562,921	50,058,825
Additions	2,610,790	7,151,851	1,602,565	11,365,206
Amortization charge	(979,833)	(17,936,491)	(208,145)	(19,124,469)
Closing net book value	3,747,723	36,594,498	1,957,341	42,299,562
December 31, 2010				
Cost	21,677,670	428,871,269	3,229,041	453,777,980
Accumulated amortization	(17,929,947)	(392,276,771)	(1,271,700)	(411,478,418)
Net book value	3,747,723	36,594,498	1,957,341	42,299,562



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Notes to financial statement for the year ended December 31, 2010

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

11. Intangible assets (continued)

December 31, 2008	Rights	Development costs	Other	Total
Cost	18,382,008	421,719,418	1,591,950	441,693,376
Accumulated amortization	(15,840,840)	(356,522,986)	(888,450)	(373,252,276)
Net book value	2,541,168	65,196,432	703,500	68,441,100
For the year ended December 31, 2009				
Opening net book value	2,541,168	65,196,432	703,500	68,441,100
Additions	684,872	-	34,526	719,398
Amortization charge	(1,109,274)	(17,817,294)	(175,105)	(19,101,673)
Closing net book value	2,116,766	47,379,138	562,921	50,058,825
December 31, 2009				
Cost	19,066,880	421,719,418	1,626,476	442,412,774
Accumulated amortization	(16,950,114)	(374,340,280)	(1,063,555)	(392,353,949)
Net book value	2,116,766	47,379,138	562,921	50,058,825

Development expenses classified under intangible assets are mainly comprised of Transit and Cargo truck engine projects.

The allocation of amortization charges relating to December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Cost of production (Note 18)	17,936,491	17,817,294
General administrative expenses (Notes 19)	906,125	1,069,326
Research and development expenses (Note 19)	281,853	215,053
Current year amortization charge	19,124,469	19,101,673

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Notes to financial statement for the year ended December 31, 2010

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12. Government Incentives and grants

The research and development support received and certainly receivable from Tübitak as of December 31, 2010 is amounting to TL 6,799,454 (December 31, 2009: TL 14,035,168) has been classified under other operating income (Note 21).

The Company received two investment incentives both greater than TL 250 million in 4th quarter of 2010, under the scope of the Council of Minister’s decision with number of 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of its fixed assets expenditures related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned. Accordingly, in 2010, fixed asset expenditures amounting to TL 15,087,152 have been realized and tax advantages amounting to TL 4,526,146 had been created to be used in future periods (Note 24).

13. Provision, contingent assets and liabilities

The Company provides 2-3 years of warranty 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 balance sheet date and warranty claims of vehicles sold in previous years on a model basis.

Provisions:

	December 31, 2010	December 31, 2009
Warranty expense provision	68,723,154	58,038,497
	68,723,154	58,038,497

Movements in the warranty expense provision during the year are as follows:

	2010	2009
January 1	58,038,497	76,535,037
Paid during the year	(76,205,765)	(91,971,906)
Additions during the year (Note 19)	86,890,422	73,475,366

December 31	68,723,154	58,038,497
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Letters of guarantee and letters of credit	December 31, 2010	December 31, 2009
Letters of guarantee given to banks	182,205,650	242,376,787
Letters of guarantee given to customs	20,596,269	29,610,303
Other letter of guarantees given to other parties	13,367,372	-
Open letters of credit commitments	-	3,681,090
	216,169,291	275,668,180



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### Notes to financial statement for the year ended December 31, 2010

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#### 13. Provision, contingent assets and liabilities (continued)

As of December 31, 2010, total amount of the collaterals, deposits and mortgages obtained by the Company is TL 189,261,120 (December 31, 2009 – TL 215,498,546).

##### Collaterals

	December 31, 2010		December 31, 2009	
	Original currency	TL	Original currency	TL
TL	188,379,520	188,379,520	214,641,346	214,641,346
Euro	306,123	627,277	339,546	733,522
USD	164,504	254,323	82,140	123,678
		189,261,120		215,498,546

The allocation of provision, contingent assets and liabilities relating to December 31, 2010 and 2009 is as follows:

Provision, contingent assets and liabilities given by company	December 31, 2010		December 31, 2009	
Total amount of the collaterals/deposits/mortgages given for its own legal entity	216,169,291		275,668,180	
Letters of guarantee given	December 31, 2010		December 31, 2009	
	Original currency	TL	Original currency	TL
Euro	98,982,053	202,824,125	123,499,321	266,795,583
TL	13,325,068	13,325,068	7,142,995	7,142,994
USD	13,000	20,098	424,197	638,713
GBP	-	-	456,592	1,090,890
		216,169,291		275,668,180

Except for the provision, contingent assets and liabilities given for corporate itself, there's no provision, contingent assets and liabilities given for 3rd parties.

##### Tax Matters:

Fiscal Administration, imposed tax amount related to fuel consumption of export vehicles for the years between 2005 and 2009, amounting to TL 17,630,956 which also includes the 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 11,776,387. For the remaining amount of TL 5,854,569, the Company made the payment and applied to the Council of State.

#### 14. Commitments

The Commitments given for the bank credits to the related banks by the Company are as follows:

- a) Regarding the credit agreements made by the Company in 2007, the Company is required to ensure that its export proceeds up to an amount equal to Euro 20,000,000 via Garanti Bankası A.Ş. (“Garanti Bankası”), Euro 25,000,000 via İş Bankası A.Ş. and Euro 49,000,000 via Akbank T.A.Ş. be received into deposit accounts for the year 2010 in these banks. The Company fulfilled export commitments as of December 31, 2010.

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## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

#### 14. Commitments (continued)

- b) Regarding the credit agreements made by the Company in 2010 which is amounting to Euro 70,000,000 with Garanti Bankası A.Ş., the Company is required to ensure that its export proceeds up to an amount equal to Euro 150,000,000 via Garanti Bankası be received into deposit accounts for the year 2010 in this bank. The Company fulfilled export commitments as of December 31, 2010.
- c) Regarding the other credit agreements made by the Company in 2010 which is amounting to Euro 14,578,000 with Türkiye İhracat Kredi Bankası A.Ş., the Company is required to ensure that its export proceeds up to an amount equal to Euro 14,800,000 via Türkiye İhracat Kredi Bankası A.Ş.

##### Operational lease commitments

The allocation of operational lease commitments relating to December 31, 2010 is as follows:

Operational lease commitments	2010
Up to 1 year	1,311,274
Between 1 year to 5 years	3,606,005
More than 5 years	-
	4,917,279

There is no operational lease commitment for the year 2009.

#### 15. Employee benefits

##### Long-term provisions:

	2010	2009
Provision for employee benefits	44,061,805	30,943,135
	44,061,805	30,943,135

##### 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 2,517.01 for each year of service as of December 31, 2010 (December 31, 2009 – TL 2,365.16).

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.



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Notes to financial statement for the year ended December 31, 2010

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15. Employee benefits (continued)

IFRS requires actuarial valuation methods to be developed to estimate the enterprises’ obligation under defined benefit plans, accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2010	2009
Discount rate (%)	4.66	5.92
Turnover rate to estimate the probability of retirement (%)	5	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 2,623.23 which is effective from January 1, 2011 (January 1, 2010-TL 2,427,04) has been taken into consideration in the calculations.

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

	2010	2009
January 1	30,943,135	24,580,371
Interest cost	1,441,950	1,455,158
Actuarial loss	8,834,728	5,310,478
Paid during the year	(2,653,826)	(4,433,458)
Current year service cost	5,495,818	4,030,586
	44,061,805	30,943,135

16. Other current assets

	December 31, 2010	December 31, 2009
Other current assets:		
VAT to be deductible	42,175,402	33,374,336
Prepaid taxes and stoppage	3,052,712	3,682,919
Prepaid expenses	2,482,222	4,112,304
Premiums for research and development support earned	677,169	3,784,187
VAT to be transferred	-	16,553,841
Other	5,267,748	1,805,590
	53,655,253	63,313,177

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Notes to financial statement for the year ended December 31, 2010

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16. Other current assets (continued)

	December 31, 2010	December 31, 2009
Other non-current assets:		
Advances given for investments	1,671,631	2,338,316
	1,671,631	2,338,316

17. Equity

The composition of the Company's paid-in capital at December 31, 2010 and 2009 is as follows:

Shareholders	December 31, 2010	Shareholder's percentage (%)	December 31, 2009	Shareholder's 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
Adjustments 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, 2009-35,091,000,000 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 and are not available for any other usage unless they exceed 50% of paid-in capital.

In accordance with Corporate Tax Law No, 5520, dated 13 June 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 balance sheet 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 20,670,398 related to this exemption in its tax financial statements (December 31, 2009-TL 20,670,398).



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17. Equity (continued)

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under “Restricted reserves”, the amount of restricted reserves is TL 340,819,480 as of December 31, 2010 (December 31, 2009 – TL 302,570,290).

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, “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 CMB Financial Reporting Standards.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

Companies quoted on the Istanbul Stock Exchange, are authorised by the CMB to distribute dividends regarding the clauses below:

In accordance with the Capital Market Board Communiqué IV, Nr: 27, article 5th, in the listed companies, the first dividend shall not be below 20% of the distributable profit after deducting the accumulated losses. Based on their decisions taken in the ordinary general boards, listed joint-stock companies have their right to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion in the partnership.

Based on the CMB decision numbered 7/242 taken on February 25, 2005; distributable profit-calculated upon the regulations of CMB related with the dividend distribution-shall be fully distributed if the amount is adequate to be provided by the distributable profits with respect to the statutory books, otherwise, all of the net distributable amount in the statutory books shall be distributed. No profit distribution shall be made in the case of tax loss is met in either local books or the financial statements prepared in accordance with CMB regulations.

Based on the decision of CMB dated January 27, 2010, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

Company's 2010 profit distribution amount will be calculated with CMB's distributable profit amount since it is lower than statutory accounts.

At General Shareholders Meeting, the Company decided to pay dividend from the net profit of the year 2009 at 74%, that is, gross Kr 74 (net Kr 62,90) per TL 1 share, amounting to TL 259,673,400 in total, and the dividend was paid in April 2010. The Company had also decided to pay dividend from the net profit of the year 2009 at 40%, that is, gross Kr 40 (net Kr 36,8784) per TL 1 share, amounting to TL 140,364,000 in total, at the Extraordinary General Shareholders Meeting, held on 26 October 2010 and the dividend was paid in October 2010.

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Notes to financial statement for the year ended December 31, 2010

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17. Equity (continued)

Reserves, retained earnings and net income for the year ended December 31, 2010 and 2009 according to statutory books are as follows:

	According to CMB	According to statutory accounts
Income for the year	618,994,239	708,287,230
Taxes payable (-)	(114,385,976)	(141,913,739)
Net income for the year	504,608,263	566,373,491
Distributable net profit	504,608,263	566,373,491
Donations made during the year (Note 19)	12,595,086	
Distributable net current year income including donations	517,203,349	

In accordance with Communiqué No: XI-29, the equity schedules at December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Share capital	350,910,000	350,910,000
Adjustment to share capital	27,920,283	27,920,283
Financial assets fair value reserve	8,252	8,252
Share premium	1,907,669	1,078,134
Restricted reserves	340,819,480	302,570,290
-Legal reserves	320,149,080	281,899,890
-Special reserves	20,670,400	20,670,400
Retained earnings	528,870,084	633,722,367
-Inflation adjustment to equity	428,301,244	428,301,244
-Retained earnings	-	56,202,458
-Extraordinary reserves	100,568,840	149,218,665
Net income for the year	504,608,263	333,434,307
Total equity	1,755,044,031	1,649,643,633



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## Notes to financial statement for the year ended December 31, 2010

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## 17. Equity (continued)

Reserves, retained earnings and net income for the year ended December 31, 2010 and 2009 according to statutory books are as follows:

	Historical values	Readjusted amounts	Equity Inflation adjustment differences
<b>December 31, 2010:</b>			
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	320,149,080	378,901,684	58,752,604
Extraordinary reserves	-	369,145,016	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	20,670,400	20,720,543	50,143
	691,737,732	1,147,959,259	456,221,527
<b>December 31, 2009:</b>			
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	281,899,890	340,652,494	58,752,604
Extraordinary reserves	56,202,458	425,347,474	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	20,670,400	20,720,543	50,143
	709,691,000	1,165,912,527	456,221,527

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

Otokar shares which are publicly traded in ISE are valued with their closing price as of December 31, 2010 and December 31, 2009. Fair value difference (positive) amounting to TL 829,535 (December 31, 2009 – TL 977,164) is shown in comprehensive income statement.

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

	2010	2009
January 1	1,078,134	100,970
Fair value increase/(decrease) of financial assets	829,535	977,164
December 31	1,907,669	1,078,134

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

## Notes to financial statement for the year ended December 31, 2010

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

## 18. Sales and cost of sales

	December 31, 2010	December 31, 2009
Export sales	4,105,177,837	3,163,662,076
Domestic sales	3,913,895,507	2,712,935,237
Other sales	87,844,703	56,115,359
Less: Discounts	(457,506,410)	(358,356,724)
	7,649,411,637	5,574,355,948

**Sales units:**

	December 31, 2010			December 31, 2009		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit	29,755	122,935	152,690	21,078	71,604	92,682
Transit Connect	32,615	52,459	85,074	27,701	56,752	84,453
Passenger vehicles	56,756	890	57,646	32,585	192	32,777
Cargo	4,593	547	5,140	2,023	382	2,405
Ranger	1,849	20	1,869	1,796	25	1,821
Fiesta Van	-	77	77	-	28	28
	125,568	176,928	302,496	85,183	128,983	214,166

Summaries of cost of production as of December 31, 2010 and 2009 are as follows;

	December 31, 2010	December 31, 2009
Raw material cost	(4,473,909,713)	(3,199,526,148)
Production overhead costs	(496,796,067)	(371,771,121)
Depreciation and amortization expenses	(167,485,681)	(164,467,662)
Change in finished goods inventory	(8,393,612)	(116,699,509)
Idle time expenses	-	(22,343,655)

Total cost of production	(5,146,585,073)	(3,874,808,095)
Cost of trade goods sold	(1,517,951,790)	(1,032,282,218)
Cost of sales	(6,664,536,863)	(4,907,090,313)



(Convenience translation of financial statements originally issued in Turkish)

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

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

	December 31, 2010	December 31, 2009
<b>Selling and marketing expenses:</b>		
Warranty expenses (Note 13)	(86,890,422)	(73,475,366)
Advertising expenses	(38,661,111)	(26,421,513)
Transportation expenses	(38,522,755)	(21,884,592)
Personnel expenses	(24,478,238)	(21,611,140)
Spare parts transportation and packaging expenses	(12,056,420)	(8,778,685)
Dealer and service development expenses	(5,885,906)	(3,736,931)
Depreciation expense (Note 10)	(1,603,185)	(1,546,855)
Other	(17,932,758)	(16,719,119)
	(226,030,795)	(174,174,201)
<b>General administrative expenses:</b>		
Personnel expenses	(38,410,672)	(31,213,924)
Legal consulting and auditing expenses	(20,193,575)	(11,490,366)
Grants and donations (Note 17)	(12,595,086)	(8,242,279)
Other guarantee expenses	(4,682,459)	(5,458,166)
New project administrative expenses	(3,903,938)	(3,176,303)
Repair, maintenance and energy expenses	(3,164,872)	(2,807,458)
Depreciation and amortization expense (Notes 10 and 11)	(2,657,200)	(2,667,401)
Travel expenses	(1,866,691)	(2,110,653)
Duties, taxes and levies	(1,768,355)	(948,560)
Information technology expenses	(305,818)	(872,281)
Other	(8,994,404)	(6,133,831)
	(98,543,070)	(75,121,222)
	December 31, 2010	December 31, 2009
<b>Research and development expenses:</b>		
Personnel expenses	(52,751,971)	(40,937,047)
Project costs	(18,301,397)	(21,447,735)
Research and development administrative expenses	(9,779,057)	(5,109,438)
Depreciation and amortization expense (Notes 10 and 11)	(2,266,760)	(1,874,337)
Other	(1,630,794)	(2,242,226)
	(84,729,979)	(71,610,783)

(Convenience translation of financial statements originally issued in Turkish)

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

#### 20. Expenses by nature

The classification of expenses by nature for the years ended at December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Direct material cost	(4,473,909,713)	(3,199,526,148)
Cost of trade goods sold	(1,517,951,790)	(1,032,282,218)
Personnel expenses	(383,169,910)	(287,683,939)
Other operational expenses	(287,135,818)	(221,055,502)
Other overhead expenses	(229,443,135)	(177,849,293)
Depreciation and amortization expenses	(174,012,826)	(170,556,255)
Financial expenses	(105,600,407)	(87,228,761)
Change in finished goods inventory	(8,393,612)	(116,699,509)
Idle time expenses	-	(22,343,655)
Other expenses	(1,926,888)	(3,962,942)
	(7,181,544,099)	(5,319,188,222)
<b>Total expenses</b>		

#### 21. Other operating income/expenses

	December 31, 2010	December 31, 2009
<b>Other operating income and gains:</b>		
Price difference for spare parts and insurance recovery	9,833,702	15,799,028
Commission income	7,343,732	2,975,021
Premiums for research and development support (Note 12)	6,799,454	14,035,168
License fees income	3,369,387	2,178,935
Rent income	2,717,123	1,603,528
Insurance claim recoveries	2,031,504	1,332,027
Income from the sale of property, plant and equipment	332,605	581,702
Dividend income	119,509	42,180
Other	4,201,181	8,495,283
	36,748,197	47,042,872



(Convenience translation of financial statements originally issued in Turkish)

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

#### 21. Other operating income/expenses (continued)

	December 31, 2010	December 31, 2009
Other operating expenses and losses:		
Prior period price differences	(1,124,509)	(604,358)
Loss on sale of property, plant and equipment	(826,886)	(2,222,153)
Claim charges for import materials	(135,143)	(907,047)
Provision for doubtful receivables	(16,447)	(229,384)
	(2,102,985)	(3,962,942)

#### 22. Financial income

	December 31, 2010	December 31, 2009
Foreign exchange gains	70,530,715	52,478,580
Finance income from credit sales	25,842,949	28,981,063
Interest income	18,654,206	24,867,147
	115,027,870	106,326,790

#### 23. Financial expenses

	December 31, 2010	December 31, 2009
Foreign exchange losses	(71,543,072)	(47,543,174)
Finance charges on credit purchases	(19,968,286)	(21,646,803)
Interest expenses	(7,112,253)	(14,225,589)
Other financial expenses	(7,626,162)	(3,813,195)
	(106,249,773)	(87,228,761)

#### 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 corporation tax rate for the fiscal year 2010 is 20% (December 31, 2009-20%). Corporation 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 allowance, 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.

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## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

#### 24. Tax assets and liabilities (continued)

Corporations are required to pay advance corporation 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 accordance with Tax Law No, 5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” that was published in the official Gazette on 30 December 2003, effective from January 1, 2004, income and corporate taxpayers will apply inflation adjustments to the statutory financial statements.

In accordance with the abovementioned Law’s provisions, in order to apply inflation adjustment, the cumulative inflation rate (“WPI”) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled after 2005.

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

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 tax.

The Company redeem in its legal books by capitalizing the R&D expenses made within the scope of the Code no 5746. 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, 2010 the Company used R&D deduction of TL 32,672,396 in return for the legal tax.

With the code no 5479 promulgated in the Official Gazette dated April 6, 2006, “Investment Allowance” practice was repealed. With the same Code, it was ensured that investment incentive allowance amounts calculated according to the provisions of the legislation which was in place on December 31, 2005-including the provisions on tax rate-could only be deducted from the incomes of 2006, 2007 and 2008. As of December 31, 2009, the company had an investment incentive allowance of TL 491,329,522 with regard to the incentives based on the document that the company qualified for in previous periods but did not yet use. However, the Constitutional Court annulled the expression “2006, 2007 and 2008” included within the temporary article 69 of the Income Tax Code which is about investment allowance and this decision became effective upon being promulgated in the Official Gazette dated January 8, 2010. By this way, the time limitation about the investment allowance was also cancelled.

Thereupon, the Company requested tax ruling from the Finance Authority on the right to use investment allowance in the 2009 Corporate Tax return, whether we could use the right of investment allowance in 2009 Corporate Tax Return. In the responsive decision of the Finance Authority on April 20, 2010, it is stated that annulment decision of the Constitutional Court became effective upon being promulgated in the Official Gazette dated January 8, 2010, the annulment decisions are not retroactive, therefore it is not possible for the company to benefit from the investment incentive allowance within the scope of 2009 Corporate Tax Return. Without prejudice to the litigation right of the company on the investment allowance right resulting from previous period, 2009 Corporate Tax was declared over the rate 20% without using the investment incentive allowance. In the financial report attached, 2010 1st period advance tax calculation is made similarly over 20%, which is the Corporate Tax rate in place. Then, the Company opened a new case to benefit from the investment incentive relating to the 2009 corporate tax base amount of TL 413,644,919, this litigation is still going on.



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## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

#### 24. Tax assets and liabilities (continued)

In accordance with by-law numbered 6009 published in the Official Gazette dated 01.08.2010, the Income Tax Law Temporary Article 69 has been amended and accordingly, use of investment incentive exception has been provided and by adding “investment incentive amounts that will be deducted at tax base calculation, is restricted up to the limit of 25% of the related taxable income. Applicable tax rate is used at the taxation of remaining income” to this law, Court limited the investment allowance utilisation to 25% of taxable income.

In the accompanying financial statement, investment allowance amounting to TL 83,666,317 has been used at the calculation of 2010 corporate income tax and tax rate of 20% has been used for remaining parts.

The Company's net tax liabilities as of December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Corporate tax provision	141,913,739	82,106,156
Prepaid tax and funds	(81,415,463)	(48,535,256)
	60,498,276	33,570,900

The taxation on income for the years ended December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Current year corporate tax	(141,913,739)	(82,106,156)
Deferred tax	27,527,763	7,003,075
	(114,385,976)	(75,103,081)

Calculation of the tax expense reconciliation using the current year tax expense in the statement of income as at December 31, 2010 and 2009 and for the years then ended and current tax ratio based on income before tax is as follows:

	December 31, 2010	December 31, 2009
Income before tax:	618,994,239	408,537,388
Current year tax expense	(123,798,848)	(80,890,403)
R&D allowance and free zone profit exemption	6,806,349	7,587,604
Investment incentive exemption	4,526,146	-
Other temporary differences	(1,919,623)	(1,800,282)
	(114,385,976)	(75,103,081)

The Company calculates deferred tax assets and liabilities from the temporary differences identified during the evaluation of the differences between the balance sheet prepared under the IFRS Financial Reporting Standards and financial statements prepared for tax purposes.

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## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

(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 provided at December 31, 2010 and 2009 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/liabilities	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Deferred tax assets:</b>				
Warranty expense provision	68,723,154	58,038,497	13,744,631	11,607,699
Expense accruals	38,499,214	41,934,546	7,699,844	8,386,908
Employee benefit provision	44,061,805	30,943,135	8,812,361	6,188,627
Investment allowance tax asset	15,087,152	-	4,526,146	-
Intangibles	43,257,573	416,602	8,651,515	83,320
			43,434,497	26,266,554
<b>Deferred tax liabilities:</b>				
Tangibles	564,541,487	610,123,603	(112,908,297)	(122,024,721)
Income accruals	8,222,146	10,975,461	(1,644,430)	(2,195,091)
Inventories	142,090	3,903,009	(28,418)	(780,602)
Accrued financial expense	99,788	197,456	(19,958)	39,491
			(114,601,103)	(124,960,923)
<b>Net deferred tax liability</b>			<b>(71,166,606)</b>	<b>(98,694,369)</b>



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## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

#### 24. Tax assets and liabilities (continued)

Deferred tax movements are as follows:

	January 1, 2010	Charged to profit or loss	December 31, 2010
<b>Deferred tax liabilities:</b>			
Tangible assets	(121,941,401)	17,684,619	(104,256,782)
Income accrual	(2,195,091)	550,661	(1,644,430)
Inventories	(780,602)	752,184	(28,418)
<b>Deferred tax assets:</b>			
Investment allowance tax asset	-	4,526,146	4,526,146
Warranty expense provision	11,607,699	2,136,932	13,744,631
Expense accruals	8,386,908	(687,064)	7,699,844
Provision for employee benefits	6,188,627	2,623,734	8,812,361
Unearned credit finance income-net	39,491	(59,449)	(19,958)
<b>Deferred tax liability-net</b>	<b>(98,694,369)</b>	<b>27,527,763</b>	<b>(71,166,606)</b>
	January 1, 2009	Charged to profit or loss	December 31, 2009
<b>Deferred tax liabilities:</b>			
Tangible assets	(135,601,011)	13,659,610	(121,941,401)
Income accrual	(1,389,836)	(805,255)	(2,195,091)
Inventories	780,823	(1,561,425)	(780,602)
<b>Deferred tax assets:</b>			
Warranty expense provision	15,307,007	(3,699,308)	11,607,699
Expense accruals	10,270,302	(1,883,394)	8,386,908
Provision for employee benefits	4,916,074	1,272,553	6,188,627
Unearned credit finance income-net	19,197	20,294	39,491
<b>Deferred tax liability-net</b>	<b>(105,697,444)</b>	<b>7,003,075</b>	<b>(98,694,369)</b>

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## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

#### 25. Earnings per share

	December 31, 2010	December 31, 2009
Net income for the year (TL)	504,608,263	333,434,307
Weighted average number of shares with nominal value of Kr 1 each	35,091,000,000	35,091,000,000

Earnings per share with nominal value of Kr 1 each	1.44 Kr	0.95 Kr
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#### 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 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, 2010 and 2009 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, 2010	December 31, 2009
<b>Due from shareholders:</b>		
Ford Motor Company and its subsidiaries	521,493,615	330,175,577
	521,493,615	330,175,577
<b>Due from group companies:</b>		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	149,791,151	146,461,403
Other	2,382,089	781,196
	152,173,240	147,242,599
Less: Unearned credit finance income	(549,808)	(118,244)
	673,117,047	477,299,932

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 as of January 1, 2010-November 30, 2010. It has been changed to 30 days starting from December 1, 2010 and receivables are collected regularly.



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Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

(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 it is mentioned in Note 7, the Company’s maturity of receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş is 1 month.

b) Payables to related parties:

i) Trade payables to related parties

	December 31, 2010	December 31, 2009
Due to Shareholders:		
Ford Motor Company and its subsidiaries	139,117,116	48,359,755
	139,117,116	48,359,755
Due to group companies:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	12,097,013	10,008,146
Ram Dış ticaret A.Ş.	9,960,629	-
Eltek Elektrik Enerjisi İth. İhc. ve Toptan Tic. A.Ş.		
3,102,699	-	
Opet Petrolcülük A.Ş.	2,418,803	3,238,097
Aygaz Doğalgaz Toptan Satış A.Ş.	1,967,621	-
Setur Servis Turistik A.Ş.	1,722,412	1,243,057
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	1,451,153	1,511,084
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1,398,696	1,830,971
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1,120,691	881,183
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	455,155	154,409
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	329,878	478,615
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	271,627	217,167
Ram Sigorta Aracılık Hizmetleri A.Ş.	255,054	170,123
Promena Elektronik A.Ş.	233,268	33,161
Setair Hava Taşımacılığı A.Ş.	181,797	12,676
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	149,602	207,211
Palmira Turizm Ticaret A.Ş.	86,786	28,075
Otokar Otomotiv ve Savunma Sanayi A.Ş.	57,308	-
Tofaş Türk Otomobil Fabrikası A.Ş.	30,247	19,828
Koç University	19,956	52,812
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	19,936	82,351
Arçelik A.Ş	10,905	-
Aygaz A.Ş.	8,215	10,071
Other	1,275	675
	37,350,726	20,179,712
Less: Unearned credit finance charges	(159,390)	(11,846)
	176,308,452	68,527,621

Due to Ford Motor Company mainly comprise vehicle and material stocks in transit and license fees.

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Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

(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, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.	2,870,871	791,392
Koç Holding A.Ş.	2,200,323	2,058,220
Other	624,588	-
	5,695,782	2,849,612

c) Sales to related parties:

	December 31, 2010	December 31, 2009
Ford Motor Company	4,025,945,622	3,101,421,893
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	899,645,763	684,457,657
Zer Merkezi Hizmetler ve Ticaret A.Ş.	37,712,541	23,100,650
Other	11,564,116	8,695,452
	4,974,868,042	3,817,675,652
Less: Financial income from credit sales	(5,938,513)	(6,628,640)
	4,968,929,529	3,811,047,012



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Notes to financial statement for the year ended December 31, 2010

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

26. Transactions and balances with related parties (continued)

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

	January 1-December 31, 2010			
	Material	Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	66,947,157	28,344	66,975,501
Opet Petrolcülük A.Ş.	17,672,781	-	27	17,672,808
Eltek Elektrik Enerjisi İth. İhr. ve Toptan A.Ş.				
17,019,288	-	-	17,019,288	
Ram Dış ticaret A.Ş.	13,820,859	-	-	13,820,859
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	11,058,170	-	-	11,058,170
Aygaz Doğalgaz Toptan Satış A.Ş.	10,488,007	-	-	10,488,007
Setur Servis Turistik A.Ş.	-	9,400,418	-	9,400,418
Koç Holding A.Ş.	-	7,228,748	-	7,228,748
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	6,962,537	-	6,962,537
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	6,051,714	-	39,336	6,091,050
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	3,016,284	2,882,135	5,898,419
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	1,751,864	2,588,954	4,340,818
Arçelik A.Ş.	3,446,054	-	-	3,446,054
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	-	1,175,879	57,089	1,232,968
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,386,217	-	1,386,217
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	1,013,760	-	-	1,013,760
Promena Elektronik Ticaret A.Ş.	-	542,345	-	542,345
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	285,467	-	285,467
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	-	130,981	-	130,981
Palmira Turizm Ticaret A.Ş.	-	94,187	-	94,187
Aygaz A.Ş.	105,273	-	-	105,273
Otokar Otomotiv ve Savunma Sanayi A.Ş.	57,033	-	-	57,033
Bilkom Bilişim Hizmetleri A.Ş.	-	52,802	-	52,802
Koç University	-	31,446	-	31,446
Tofaş Türk Otomobil Fabrikası A.Ş.	33,161	-	-	33,161
Özel Med Amerikan Polikliniği	-	6,027	-	6,027
	80,766,100	99,012,359	5,595,885	185,374,344
Less: Unearned credit finance charges	(1,661,095)	-	-	(1,661,095)
	79,105,005	99,012,359	5,595,885	183,713,249

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

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

26. Transactions and balances with related parties (continued)

	January 1-December 31, 2009			
	Material	Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	46,207,015	39,544	46,246,559
Opet Petrolcülük A.Ş.	15,793,781	-	-	15,793,781
Koç Holding A.Ş.	-	7,211,429	-	7,211,429
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,001,512	-	7,001,512
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	6,554,607	-	-	6,554,607
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	2,552,878	3,971,831	6,524,709
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	4,452,931	-	61,009	4,513,940
Setur Servis Turistik A.Ş.	-	3,548,920	-	3,548,920
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	41,583	1,967,515	1,403,408	3,412,506
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	821,720	-	821,720
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	544,995	-	-	544,995
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	-	469,455	-	469,455
Promena Elektronik Ticaret A.Ş.	-	259,519	-	259,519
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	-	239,517	-	239,517
Koç Üniversitesi	-	92,191	-	92,191
Palmira Turizm Ticaret A.Ş.	-	60,028	-	60,028
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	45,190	-	45,190
Aygaz A.Ş.	42,387	-	-	42,387
Tofaş Türk Otomobil Fabrikası A.Ş.	-	23,924	-	23,924
Otokar Otomotiv ve Savunma Sanayi A.Ş.	15,466	-	-	15,466
Arçelik A.Ş.	3,763	-	-	3,763
	27,449,513	70,500,813	5,475,792	103,426,118
Less: Unearned credit finance charges	(1,455,477)	-	-	(1,455,477)
	25,994,036	70,500,813	5,475,792	101,970,641

Domestic material and vehicle purchases:

	December 31, 2010	December 31, 2009
Ford Motor Company	1,677,192,930	2,161,037,341



(Convenience translation of financial statements originally issued in Turkish)

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

#### 26. Transactions and balances with related parties (continued)

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

	December 31, 2010	December 31, 2009
	56,081,597	40,827,730

##### f) Donations to foundations related to Koç Group, included in general administrative expenses:

	December 31, 2010	December 31, 2009
	12,186,280	8,047,458

##### g) The details of deposits to related banks and loans obtained from related banks:

Deposit to related banks:	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.		
-Foreign currency time deposits	41,081,255	30,177,941
-TL time deposits	23,850,836	34,225,835
-TL demand deposits	16,922,380	5,478,616
-Foreign currency demand deposits	253,923	4,140,808
	82,108,394	74,023,200

The Company obtained the loans from the consortium of Koç Holding and 14 financial institutions and as sub borrower, utilized TL 30,920,000 equivalent of USD 20 million and TL 51,227,500 equivalent of Euro 25 million of the loan obtained by Koç Holding (Note 6).

(Convenience translation of financial statements originally issued in Turkish)

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the year ended December 31, 2010

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

#### 26. Transactions and balances with related parties (continued)

##### h) Commission incomes and expenses:

###### Commission income

	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.	7,288,904	2,975,021

###### Commission expense

	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.	19,304,582	10,746,025
Koç Tüketici Finansmanı A.Ş.	1,360,667	7,859
	20,665,249	10,753,884

Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. are accounted for as sales discounts.

##### i) Interest income:

	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.	4,720,027	6,960,186

##### j) Dividend income:

	December 31, 2010	December 31, 2009
Otokar Otomotiv ve Savunma Sanayi A.Ş.	119,509	42,180
	119,509	42,180

##### k) Compensation of key management personnel:

The Company defined its key management personnel as board of directors’ members, general manager and assistant general managers.

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 was TL 12,135,261 in 2010 (December 31, 2009 – TL 9,478,612).



(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

(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, 2010 and 2009. The Company’s foreign currency denominated assets and liabilities have been presented below in carrying amounts, categorized by currency.

December 31, 2010

	TL	USD	Euro	GBP
1. Trade receivables	523,780,767	3,763,744	262,369,211	14,520
2. Cash and cash equivalents	176,636,027	21,388,959	73,701,751	2,483
3. Other	95,528,429	248,612	48,085,657	75,039
4. Current Assets (1 + 2 + 3)	795,945,223	25,401,315	384,156,619	92,042
5. Monetary financial assets	139,985	96,462	-	-
6. Fixed Assets (5)	139,985	96,462	-	-
7. Total Assets (4+6)	796,085,208	25,497,777	384,156,619	92,042
8. Trade payables	172,074,793	17,181,580	74,029,991	377,644
9. Financial liabilities	222,600,183	150,826	112,575,329	-
10. Other financial liabilities	2,503,844	-	590,412	559,970
11. Short term liabilities (8 + 9 + 10)	397,178,820	17,332,406	187,195,732	937,614
12. Financial liabilities	297,303,000	21,306,505	134,850,157	-
13. Long term liabilities (12)	297,303,000	21,306,505	134,850,157	-
14. Total liabilities (11 + 13)	694,481,820	38,638,911	322,045,889	937,614
15. Net foreign currency/(liabilities) position (7-14)	101,603,388	(13,141,134)	62,110,730	(845,572)
16. Cash and equivalents net foreign currency assets/(liabilities) (1 + 2 + 5-8-9-10-12)	6,074,959	(13,389,746)	14,025,073	(920,611)

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

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

27. Financial instruments and financial risk management (continued)

December 31, 2009

	TL	USD	Euro	GBP
1. Trade receivables	340,056,206	3,461,816	154,216,660	707,140
2. Cash and cash equivalents	279,002,655	20,264,546	115,013,766	10,920
3. Other	17,639,917	208,166	7,841,304	161,942
4. Current Assets (1 + 2 + 3)	636,698,778	23,934,528	277,071,730	880,002
5. Total Assets (4)	636,698,778	23,934,528	277,071,730	880,002
6. Trade payable	77,540,005	9,347,704	29,001,374	340,491
7. Financial liabilities	186,257,173	20,119,115	72,195,445	-
8. Other financial liabilities	2,174,644	44,777	646,350	297,389
9. Short term liabilities (6 + 7 + 8)	265,971,822	29,511,596	101,843,169	637,880
10. Financial liabilities	201,510,482	-	93,278,934	-
11. Long term liabilities (10)	201,510,482	-	93,278,934	-
12. Total Liabilities (9 + 11)	467,482,304	29,511,596	195,122,103	637,880
13. Net foreign currency asset/(Liabilities) position (5-12)	169,216,474	(5,577,068)	81,949,627	242,122
14. Cash and equivalent net foreign currency asset/(liabilities) (1 + 2 – 6 – 7 – 8-10)	151,576,557	(5,785,234)	74,108,323	80,180



(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

(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 arising primarily against to Euro and partly against respect to USD.

December 31, 2010	Profit/Loss	
Appreciation in foreign currency/Depreciation in foreign currency		
Change in USD against TL by 10%		
USD net asset/(liabilities)	(1,907,041)	1,907,041
USD net hedged amount	-	-
US Dollar net gain/(loss)	(1,907,041)	1,907,041
Change in Euro against TL by 10%		
Euro net asset/(liabilities)	12,267,420	(12,267,420)
Euro net hedged amount	-	-
Euro net gain/(loss)	12,267,420	(12,267,420)
Change in other foreign currency against TL by 10%		
Other foreign currency denominated net asset/(liabilities)	(201,974)	201,974
Other foreign currency denominated-hedged amount	-	-
Other foreign currency denominated net gain/(loss)	(201,974)	201,974
December 31, 2009	Profit/Loss	
Appreciation in foreign currency/Depreciation in foreign currency		
Change in USD against TL by 10%		
USD net asset/(liabilities)	(839,739)	839,739
USD net hedged amount	-	-
US Dollar net gain/(loss)	(839,739)	839,739
Change in Euro against TL by 10%		
Euro net asset/(liabilities)	17,703,539	(17,703,539)
Euro net hedged amount	-	-
Euro net gain/(loss)	17,703,539	(17,703,539)
Change in other foreign currency against TL by 10%		
Other foreign currency denominated net asset/(liabilities)	57,848	(57,848)
Other foreign currency denominated hedged amount	-	-
Other foreign currency denominated net gain/(loss)	57,848	(57,848)

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

(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 as at December 31, 2010 and 2009 and for the years then ended are as follows;

	December 31, 2010	December 31, 2009
Total export amount	4,105,177,837	3,163,662,076
Total import amount	3,764,434,898	2,621,066,573

The Company’s net assets are exposed to foreign exchange risk which arises from export sales. The Company manages its foreign currency position to minimize its foreign exchange risk; 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, 2010	December 31, 2009
Fixed interest rate financial instruments		
Financial assets		
-Designated as fair value through profit or loss (*)	488,198,000	352,323,730
Financial liabilities	143,437,000	-
Floating interest rate financial instruments		
Financial liabilities	374,875,644	385,626,092

(\*) Financial assets designated as fair value through profit or loss consists of fixed interest rate bank deposits with maturity less than three months and denominated in TL and foreign currency.

If the interest rates of variable 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 628,209 at December 2010 (December 31, 2009 – TL 849,133), due to higher/lower interest expense.



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Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

(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, 2010	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years
Non-derivative financial instruments					
Financial liabilities	528,438,070	555,663,359	59,047,511	183,863,867	312,751,981
Trade payables					
-Related party	176,308,452	176,467,842	176,467,842	-	-
-Other	508,068,468	510,151,746	510,151,746	-	-
Other liabilities					
-Related party	5,695,782	5,695,782	5,695,782	-	-
-Other	117,075,396	117,075,396	117,075,396	-	-

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the year ended December 31, 2010

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

27. Financial instruments and financial risk management (continued)

December 31, 2009	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years
Non-derivative financial instruments					
Financial liabilities	387,767,655	399,017,503	91,897,705	98,293,352	208,826,446
Trade payables					
-Related party	68,527,621	68,527,621	68,527,621	-	-
-Other	361,526,424	361,526,424	361,526,424	-	-
Other liabilities					
-Related party	2,849,612	2,849,612	2,849,612	-	-
-Other	73,768,731	73,768,731	73,768,731	-	-

28. Subsequent events

There is no significant subsequent event to be disclosure.

29. 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.



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Statement

Ford Otosan has adhered to and implemented the Corporate Governance Principles published by the Capital Markets Board during the period of its operation ending on December 31, 2010, except for the matters stated below.

- Representation of minority shares in the Board of Directors
- Cumulative voting method
- Independent members
- Prohibition regarding competing / dealing with the company
- Corporate Governance Committee

The nature of the matters of non-conformity, the grounds for these and the conflicts of interest they caused have been clarified in the related parts of the report.

SECTION I - SHAREHOLDERS

2. Shareholders Relations Department

An Investor Relations Team was established in the company in 2004. This unit reports to CFO, Oğuz Toprakoğlu (otoprako@ford.com.tr / 0262 3156900) and is directed by Treasury Manager, Burak Çekmece (bcekmece@ford.com.tr / 0262 3156960). Gizem Gençol is the Investor Relations Officer (ggencol@ford.com.tr / 0262 3156977).

The Investor Relations Team works to ensure that investors and equity analysts are informed. For achieving this objective, separate meetings are organized with the concerned parties, investor conferences and road shows are attended and all questions coming in by telephone or e-mail are answered. In 2010, the Team attended five investor conference and held one-on-one meetings with over 210 investors and analysts.

3. The Use of Shareholders Rights to Obtain Information

All of the questions posed during the period regarding participation in the General Shareholders' Meeting, distribution of non-paid-up shares, dividend payments and withholding taxes were answered either verbally or in writing.

The "Investor Relations" section in the company's website (www.fordotosan.com.tr) includes all kind of information and announcements regarding the utilization of rights by shareholders by using electronic tools effectively.

The request for nominating of a private auditor has not been set down in the Articles of Incorporation as an individual right; it has been predicted that the provisions of the Turkish Commercial Code will be implemented. There was no request during the period of operation for the appointment of a private auditor.

4. Information on Shareholders' Meeting

During the calendar year of 2010, two General Shareholders' Meetings were held; one ordinary meeting on March 25th and one extraordinary meeting on October 26th. Both meetings achieved a participation of on average 84% and convened at sessions that were open to the public. The meetings can be attended by stakeholders and the media.

Invitations to the Shareholders' Meetings have been sent out in accordance with the regulations set by the Turkish Commercial Code and the Capital Markets Board.

As from 21 days before the date of the Shareholders' Meetings, the agenda of the meeting, the power-of-attorney samples, the Board of Directors' Report, the Auditor's Report, the Independent Auditor's Report, Financial Statements and the Dividend Distribution Proposal are made accessible to all shareholders for examination purposes at the Company's Finance Department and published in the website. In addition, Annual Report including the documents mentioned above and the other information are given out upon request.

Some shareholders who want to ask questions have utilized their rights at the Shareholders' Meetings and satisfactory responses were given to these questions.

There are no provisions in the Articles of Incorporation requiring important resolutions having to be taken at the Shareholders' Meeting related to division, the purchase, sale and lease of significant amounts of assets, etc. Important resolutions are taken by the Board of Directors, who represents 82.08% of the company capital.

Care is taken to have invitation announcements published in newspapers with high circulation and to hold Shareholders' Meetings at central locations that are easily accessible to shareholders.

The Shareholders' Meeting Minutes are published in the website and made available to all shareholders at the Finance Department for examination purposes.

5. Voting Rights and Minority Rights

There are no privileged voting rights generally. However, according to the provisions of the Articles of Incorporation:

- In order for the resolutions of the Shareholders' Meetings to be valid, shareholders representing more than half of B or C group shares must have cast an affirmative vote.
- The principle has been set forth that half of the members of the Board of Directors must be elected from candidates representing Group B and the other half from candidates representing Group C shares. It has also been set forth in the same way that one of the auditors shall be elected from among candidates representing Group B and the other from among candidates representing Group C shares.
- In addition, it is also required by Article 389 of the Turkish Commercial Code that amendments to the Articles of Incorporation be approved by privileged shareholders of Group B and C at the Shareholders' Meeting.

There are no companies which are reciprocal shareholders.

Because of the provisions of the Articles of Incorporation stated above, minority shares cannot be represented at the Board of Directors nor can cumulative voting be applied.

6. Dividend Policy and Deadline for Dividend Distribution

There are no dividend privilege rights in shares.

In the annual reports of the Company presented at the Shareholders' Meetings in the last years, one of the Company's strategies has been announced as "ensuring a high return for our shareholders." Besides, as it is emphasized in these reports, Ford Otosan's dividend policy is "a predictable and stable dividend payment except during periods of huge investment or

periods of severe economic downturns but on the other hand, within periods of moderate economic recession."

In accordance with this policy, TL 400,037,400 dividend in total was distributed in the calendar year of 2010; TL 259,673,400 was paid on April 1, 2010 and TL 140,364,000 on October 27, 2010.

7. Transfer of Shares

Group A shares may be freely transferred. The transfer of registered shares, which correspond to Group B and C that are held by Koç Group and Ford Motor Company, are subject to certain restrictions stipulated in article 7 of the Company's Articles of Incorporation.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Information Disclosure Policy

Ford Otomotiv Sanayi A.Ş. is committed to a policy of complete, true, clear, transparent and accurate public disclosure of all material information in a timely manner, in order to keep shareholders and the investing public informed about the Company's operations. In this frame, Company's Corporate Disclosure Policy in accordance with the CMB Corporate Governance Principles as defined in Part II Article 1.2. was published in the website and announced to the public.

9. Disclosure of Material Events

23 special case disclosures were issued in the calendar year of 2010. All special case disclosures were issued within the time required.

Since the Company's shares are not quoted in foreign stock markets, no special case disclosure has been issued for any stock exchange outside of the ISE.

10. The Company's Website and Its Contents

The address for access to the Ford Otomotiv Sanayi A.Ş. official website is www.fordotosan.com.tr. The website is available both in Turkish and in English.

"Corporate Information", "Investor Relations" and "Corporate Governance" sections of the website encompass trade register information, the latest shareholder and management structure, the Company's Articles of Incorporation, annual reports, periodical financial statements and reports, agendas and meeting minutes of the General Shareholders' Meetings, auditors' reports, environment report, Corporate Governance principles, standards of corporate conduct, announcements and special case disclosures made by the company, contact information and all related data.

11. Disclosure of the Company's Ultimate Controlling Individual Shareholder / Shareholders (Beneficial Ownership)

It is clearly disclosed in all documents related to the Company that two of our major shareholders, the Ford Motor Company and the Koç Group, have a 41.04% shareholding in the capital of Ford Otomotiv Sanayi A.Ş. In this context, as it is already publicly known that some of the Ford Motor Company shareholders and again that some of the individuals in the Koç Family are "real persons final dominant shareholders," neither separate calculation nor announcement has been made to this effect.



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

12. Disclosure on Insiders

The names of the members of the Company Board of Directors, Auditors and senior management are announced each year in the annual reports of the Company. Changes that take place during the year are publicized by special case disclosures.

The list of persons in a position of receiving insider information as of the date of the report has been given below:

Rahmi M. Koç:  
Chairman of the Board

Stephen T. Odell:  
Vice Chairman of the Board

Bülent Bulgurlu:  
Board Member

Y. Ali Koç:  
Board Member

Ali İhsan İlkbahar:  
Board Member

O. Turgay Durak:  
Board Member

John Fleming:  
Board Member

Stuart J. Rowley:  
Board Member

Steven Adams:  
Board Member

Michael R. Flewitt:  
Board Member

Nuri K. Otay:  
Board Member – General Manager

Theodore J. Cannis:  
Board Member – Deputy General Manager

Mehmet Apak:  
Auditor

Adnan Nas:  
Auditor

Oğuz Toprakoğlu:  
Asst. General Manager (Finance – CFO)

Ernur Mutlu:  
Asst. General Manager (Product Development)

Haydar Yenigün:  
Asst. General Manager (Kocaeli Plant)

Mustafa Menkü:  
Asst. General Manager (İnönü Plant)

Burak Gökçelik:  
Asst. General Manager (Engineering)

Ahmet Kinay:  
Asst. General Manager  
(Cargo Business Unit)

Ahmet Satioğlu:  
Asst. General Manager (Total Quality)

Cengiz Kabatepe:  
Asst. General Manager (Purchasing)

Taylan Avcı:  
Asst. General Manager (New Projects)

Aykut Özüner:  
Asst. General Manager  
(Marketing, Sales and After Sales)

Güven Özyurt:  
Asst. General Manager  
(Material Planning & Logistics)

Nursel Ölmez Ateş:  
Director  
(Human Resources ve Corporate Communication)

SECTION III - STAKEHOLDERS

13. Informing Stakeholders

Stakeholders are regularly informed by the Company about matters concerning them.

Employees are informed by management at every opportunity through electronic mail or printed documents. Besides this type of information-sharing, general and departmental open-door meetings are organized for this purpose. Employee union representatives also attend the general meetings at company offices, offering their views.

Explanations about sharing information with shareholders, investors, dealers, suppliers and other stakeholders have been disclosed in related parts of the report.

14. Participation of the Stakeholders in the Management

Some of the activities regarding the participation of stakeholders in management are as follows:

It is discussed and reached a mutual understanding with the labor union before changes are made in working conditions, working environment and employee rights; decisions are taken together.

Dealers' participation in management is achieved through the “Dealers Council,” which was formed many years ago. This Council, made up of representatives elected by dealers, meets every two months and develops suggestions concerning company sales and marketing activities together with management representatives. There is also a Dealers Meeting organized every year with the attendance of all dealers. A Suppliers Meeting is held twice a year for local suppliers of the company. These meetings, which are attended by almost all of our suppliers, act as a platform where the two sides of the supply chain discuss how to make procedures more effective and productive, basing their comments on the views presented by auxiliary industry companies.

15. Human Resources Policy

As in other companies of the Koç Group, the tenet “Our most valuable capital is our human resources” comprises the essence of human resources policies at Ford Otosan. The vision of the company is set forth as: “To take its place among the first five companies preferred by employees in Turkey and to create a Ford Otosan culture of happy, loyal personnel.”

Ford Otosan Human Resources Management strategies are; to create high performance culture, to train leaders digesting the latest technology, using their social and technical abilities moderately, to develop a learning organization, to form an HR process conducting the evolution, to improve and to perpetuate.

The “Business Life Assessment and Improvement Survey” distributed every year measures employee satisfaction, loyalty and pinpoint areas for development, facilitating taking steps for improvement.

The company has signed a 2 year agreement in October 2010, effective from September 1st 2010, with blue colored personnel through Turkish Metals Union. Except union representatives who are appointed in accordance with the Collective Labor Agreement, there is no other representative from the company appointed to manage employee relations. This relationship with the union is essentially the job of the Corporate Communication and Human Resources Directorate.

16. Information on Relations with the Clients and Suppliers

One of the basic strategies of the company is to achieve perfect customer satisfaction regarding the products and services we market. With this aim, many research studies and numerical measurements are carried out by the company and other independent sources to achieve product quality as well as perfect sales and after-sales services. In addition, a new program has been exercised to measure dealer satisfaction numerically. In the light of the results of these studies and in consideration of customer demands, our activity plans are mapped out to increase product and service quality and consequently customer satisfaction.

Besides the various units in the company working on total quality, our Customer Relationship Management (CRM) Department works to answer customer needs and eliminate causes of complaints.

17. Social Responsibility

Ford Otosan has adopted the principle of developing the environment, community and life standards of the people it works for. The company’s environmental policies have been announced in our website. The Kocaeli and İnönü Plants both have Environmental Impact Assessment Reports. All of Ford Otosan facilities are holders of ISO 14000 certificates. In recent years, new projects have been launched to protect and develop the environment through cooperation with the TEMA Foundation (Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats).

No lawsuits have been filed against the company during this period for damages to the environment, and no related complaint has been received. Company’s corporate citizenship projects and details are explained separately in the related sections of the Annual Report.

SECTION IV - BOARD OF DIRECTORS

18. The Structure and Composition of the Board of Directors and Independent Members

The list of the Board of Directors is included in the Annual Report. Two of the twelve Board members are executive members (General Manager Nuri K. Otay and Theodore J. Cannis).

There are no independent members in the Board of Directors. Since there is no requirement stipulated in this respect in related regulations, the Statutes have not set forth a need for an independent Board member.

The Chairman of the Board and the members are granted permission at each Annual Ordinary General Shareholders’ Meeting in accordance with articles 334 and 335 of the Turkish Commercial Code to undertake business that falls into the business scope of the company on behalf of themselves or of others and to be shareholders in companies that undertake such business. The members of the Board of Directors are thus allowed to take on other duties, with no restrictions, outside of the company, within the framework of this permission.

19. Qualifications of Board Members

Although there are no regulations in the Articles of Incorporation specifying basic qualifications to be fulfilled by Board Members, all of the current members of the Board have the qualifications set forth in Articles 3.1.1, 3.1.2 and 3.1.5 of Part IV of CMB Corporate Governance Principles.

20. The Mission, Vision and Strategic Goals of the Company

The Company’s mission has been designated as “To be Turkey’s leading automotive company with optimal automotive products and services to fit customer needs and expectations and to be the commercial vehicle center of Ford of Europe.” This mission has been defined in the last annual reports of the company and has been made known to the public at every opportunity.

The activities and results related to the basic strategies formulated to bring this mission about are assessed regularly through performance goal methods by the Board of Directors. The results of the assessment of the Board are disclosed in the annual reports.



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

21. Internal Control and Risk Management Mechanism

The Board of Directors will undertake risk management activities essentially through the Audit Committee. In fulfilling its duties, the Audit Committee reviews in detail and makes an assessment of the reports submitted by the Internal Control Department, conveys the needed instructions to management and when necessary, presents these to the Board of Directors for their information and approval.

The Internal Control Department reviews all company procedures in terms of risk management, tests the appropriateness of the audit mechanisms in connection with this as well as their effectiveness and level of implementation. The department also determines the measures to be taken in dealing with deficiencies, if any, working in cooperation with the operational units of the company, reporting the results of its studies to the Audit Committee. While doing these activities in the audit plan annually; Internal Control Department also makes use of the Sarbanes Oxley (S-Ox) standards which the publicly-traded companies in USA have to comply with.

Ford Otosan evaluates its sales organization with the dealer auditors reporting directly to the Internal Control Department and presents the results to the Audit Committee. The Company has a Business Continuity and Rescue Plan including the scenarios such as natural disasters, destruction of critical information and staff etc. and keeps this plan up to date with the practices done each year.

For better review of strategies, effective allocation and usage of the resources, carrying out the activities in compliance with the laws and regulations and improving company's corporate governance; the processes regarding financial, operational, strategical and external risks are assessed with the participation of top management and necessary arrangements are made.

In addition to the Internal Control Department, the internal audit units of our two major shareholders, Koç Holding and the Ford Motor Company and the independent auditors also inform the Audit Committee of the findings from the regular audits that they perform at the company.

22. Authority and Responsibilities of the Members of the Board of Directors and Executives

The authorities of the Board Members and executive management have been set out in Articles 9, 10 and 11 of the Articles of Incorporation. In summary, according to the Turkish Commercial Code and the provisions of the Articles of Incorporation, the Board of Directors is authorized to take all decisions about all procedures other than those that are required to be taken at the General Shareholders' Meeting.

There are no provisions in the Articles of Incorporation defining the responsibilities of the Board Members and Executive Management. It has not been found necessary to set this down in the Articles of Incorporation since the provisions of article 336 and subsequent articles of the Turkish Commercial Code and other related regulations describe this matter in detail.

23. Principles of Activity of the Board of Directors

The Board of Directors meets regularly at least three or four times during the year with the participation of all of its members. At these meetings, all the activities of the company are reviewed and decisions are taken on important matters. In addition to these regular meetings, the Board of Directors may meet to take decisions on matters deemed necessary with a simple majority of members or in accordance with Article 330/2 of the Turkish Commercial Code the Board may take a decision without actually convening.

In the calendar year of 2010, 28 Board of Directors' resolutions are taken and no circular type BOD resolution has been adopted.

The agendas for the regular meetings are prepared by the Board of Director's Secretarial Office in consideration of previous decisions and decisions that need to be taken on certain matters. Agendas for other meetings define matters that are required by law to be decided upon by the Board.

The Board of Directors Secretarial duty is managed by the Assistant General Manager - Finance (CFO).

Since no member has opposed to decisions taken at the meetings in recent years, no indication of opposition has been made in the minutes and consequently no such report has been made to the auditors. An effort is made to have matters falling within the scope of Article 2.17.4 of Part IV of CMB Corporate Governance Principles discussed in the presence of all members at the regular meetings of the Board.

Nonetheless, in matters that have legal urgency, this rule is not followed.

The Articles of Incorporation make no provision for weighted votes or veto rights on the part of members of the Board of Directors.

24. Prohibition of Carrying Out Transactions with the Company and Prohibition of Competing with the Company

The chairman of the Board and the members are granted permission at each Annual Ordinary Shareholders' Meeting in accordance with Articles 334 and 335 of the Turkish Commercial Code to undertake business that falls within the business scope of the company on behalf of themselves or of others and to be shareholders in companies that undertake such business.

The Ford Motor Company and the Koç Group, both active in many areas of the automotive sector, are major shareholders of the company. A large part of the Board Members comprise persons who engage in active duty in one of the two groups. For this reason, it is inevitable that the situations falling into the scope of articles 334 and 335 of the Turkish Commercial Code should arise.

In this context, the fact that both Ford and the Koç Group are represented by an equal number of members in the Board of Directors and that the executive member (the General Manager) does not, in his implementation, engage in any of the activities stated in the said articles, there is no cause for a conflict of interest.

25. Ethical Rules

The "Ford Otosan Standards of Corporate Conduct" that was originally created in 2002 for the purpose of determining basic ethical principles for the company and its employees, was revised in 2010 for increasing the effectiveness. Comprising eighteen guidelines, the text of these principles was distributed to and signed by all personnel working at the company at the time. The same procedure has continued to be carried out for personnel joining the company after that date. In addition, all employees are issued reminders of the guidelines two times a year. With the latest revision, an on-line test is made for employees after confirmation to check the comprehension of the standards.

Being included also in the company website, Ford Otosan Standards of Corporate Conduct are being updated and reviewed each year.

26. Number, Structure and Independency of Committees Established by the Board of Directors  
Audit Committee and Compensation Committee have been formed within the Ford Otosan Board of Directors.

Audit Committee, comprising Y. Ali Koç and Stuart J. Rowley, meet three times a year in general before the regular meetings of the Board. The working principles of the committee have been put forth in a written set of procedures. Reviewing and monitoring detailed data on the company's financial status, risk management, independent auditing and internal control mechanisms and presenting all views and decision drafts to the Board of Directors are among the duties of the Audit Committee.

Compensation Committee members are Turgay Durak and Stephen T. Odell. There are no written procedures setting down the Committee's working principles.

Because there are no independent members in the Board of Directors, the committee members are likewise not independent. Therefore there is no Corporate Governance Committee at the Company yet. The executive members of the Board have not taken on duties in the committees.

27. Remuneration of the Board of Directors

At this term, the remuneration of the chairman and the Board Members is a monthly gross amount of TL 1,435. The General Manager, who is a member of the Board of Directors, also receives a monthly salary in connection with this duty plus a performance-based premium.

The company has not lent any amounts to any of the members of its Board of Directors nor to its executives, nor has it extended credit to them, either directly or through a third party, nor offered any guarantees in their favor such as sureties.



# FORD OTOSAN

## Kartal Parts Distribution Center

Fatih Mah. Hasan Basri Cad.  
Köymenkent 34885, Samandıra / İstanbul

## Kocaeli Plant

İzmit Gölçük Yolu 14. Km  
41680, Gölçük/Kocaeli

## İnönü Plant

Kütahya Yolu Üzeri 26331 İnönü PK: 186  
Köprübaşı/Eskişehir

## Gebze Engineering Center

(TÜBİTAK Technology Free Zone -  
Gebze Campus, Gebze / Kocaeli)

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information about products and operations at  
[www.fordotosan.com.tr](http://www.fordotosan.com.tr)





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