

(Convenience translation of financial statements originally issued in Turkish)

## **Ford Otomotiv Sanayi A.Ş.**

**Financial statements together with review report of  
independent auditors' for the interim period  
January 1 - June 30, 2012**

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Contents**

	<b><u>Page</u></b>
Independent Auditor's Review Report	1 - 2
Balance Sheet	3 - 4
Statement of Income	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flow	8
Notes to the Financial Statements	9 - 68

(Convenience translation of report originally issued in Turkish - see additional paragraph below for convenience translation)

## Independent auditors' review report for the interim period January 1 - June 30, 2012

To the shareholders of  
Ford Otomotiv Sanayi Anonim Şirketi:

### Introduction

We have reviewed the accompanying balance sheet of Ford Otomotiv Sanayi A.Ş. ("the Company") as of June 30, 2012 and the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of interim financial statements in accordance with Financial Reporting Standards published by Capital Market Board in Turkey. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### Scope of review

Our review is conducted in accordance with Auditing Standards published by Capital Markets Board of Turkey. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards published by Capital Markets Board of Turkey and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as of June 30, 2012 are not prepared, in all material respects, in accordance with the Financial Reporting Standards published by the Capital Markets Board of Turkey.

**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

A handwritten signature in black ink, appearing to read 'Erdem Tecer'.

Erdem Tecer, SMMM  
Engagement Partner

August 1, 2012  
İstanbul, Türkiye

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Balance sheet as of June 30, 2012

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

	Notes	(Reviewed) June 30, 2012	(Audited) December 31, 2011
<b>Assets</b>			
<b>Current assets</b>			
		<b>2,437,235,667</b>	<b>3,089,000,716</b>
Cash and cash equivalents	4	380,765,126	808,849,078
Trade receivables			
- Due from related parties	26	710,706,045	877,374,203
- Other trade receivables	7	450,980,045	521,587,032
Other receivables	8	4,840,189	4,346,575
Inventories	9	731,581,956	724,972,219
Other current assets	16	158,362,306	151,871,609
<b>Non-current assets</b>			
		<b>1,609,113,921</b>	<b>1,332,458,953</b>
Trade receivables	7	594,348	474,645
Financial assets	5	4,217,975	3,458,740
Property, plant and equipment	10	1,283,613,404	1,108,089,000
Intangible assets	11	21,350,413	28,777,170
Deferred tax asset	24	17,370,220	-
Other non-current assets	16	281,967,561	191,659,398
<b>Total assets</b>			
		<b>4,046,349,588</b>	<b>4,421,459,669</b>

The financial statements were approved for issue by the Board of Directors on August 1, 2012 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 June 30, 2012

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

	Notes	(Reviewed) June 30, 2012	(Audited) December 31, 2011
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>1,585,355,733</b>	<b>1,730,705,260</b>
Financial liabilities	6	236,452,604	226,836,996
Trade payables			
- Due to related parties	26	256,614,387	340,785,262
- Other trade payables	7	717,598,075	900,664,471
Other payables			
- Due to related parties	26	3,396,655	16,468,196
- Other payables	8	301,962,325	150,137,511
Current income tax payable	24	23,867,141	56,963,729
Provisions	13	45,464,546	38,849,095
<b>Non-current liabilities</b>		<b>582,420,392</b>	<b>792,535,926</b>
Financial liabilities	6	477,124,187	650,052,940
Provision for employee benefits	15	62,013,291	55,081,174
Deferred tax liabilities	24	-	40,304,565
Provisions for liabilities	13	42,055,498	46,672,397
Derivative financial instruments	28	1,227,416	424,850
<b>Equity</b>		<b>1,878,573,463</b>	<b>1,898,218,483</b>
<b>Equity attributable to the equity holders of the Company</b>		<b>1,878,573,463</b>	<b>1,898,218,483</b>
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		3,056,364	2,335,091
Net loss on cash flow hedge		(957,334)	(345,806)
Restricted reserves		424,300,969	390,964,519
Retained earnings		742,179,694	464,337,418
Net income for the period		331,155,235	662,088,726
<b>Total equity and liabilities</b>		<b>4,046,349,588</b>	<b>4,421,459,669</b>

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 period ended June 30, 2012

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

	Notes	(Reviewed) January 1 – June 30, 2012	April 1 – June 30, 2012	(Reviewed) January 1 – June 30, 2011	April 1 – June 30, 2011
<b>Continuing operations</b>					
Net sales	18	4,965,150,581	2,555,865,543	4,995,056,576	2,765,427,793
Cost of sales	18	(4,419,544,324)	(2,275,362,436)	(4,372,516,132)	(2,442,581,886)
<b>Gross profit</b>		<b>545,606,257</b>	<b>280,503,107</b>	<b>622,540,444</b>	<b>322,845,907</b>
Selling, marketing and distribution expenses	19	(112,106,839)	(61,021,934)	(123,569,157)	(64,788,128)
General administrative expenses	19	(72,467,979)	(36,463,581)	(49,595,103)	(23,545,994)
Research and development expenses	19	(49,449,285)	(21,062,392)	(57,927,730)	(31,957,746)
Other operating income	21	22,263,098	14,424,411	22,028,348	15,179,279
Other operating expenses	21	(1,016,129)	(603,240)	(44,933,597)	(7,792,530)
<b>Operating profit</b>		<b>332,829,123</b>	<b>175,776,371</b>	<b>368,543,205</b>	<b>209,940,788</b>
Financial income	22	139,889,488	41,990,774	148,181,730	71,497,400
Financial expenses	23	(139,538,141)	(45,755,796)	(111,623,047)	(59,802,023)
<b>Income before tax from continuing operations</b>		<b>333,180,470</b>	<b>172,011,349</b>	<b>405,101,888</b>	<b>221,636,165</b>
<b>Income tax from continuing operations</b>		<b>(2,025,235)</b>	<b>(7,178,888)</b>	<b>(73,514,385)</b>	<b>(32,834,190)</b>
- Taxes on income	24	(59,585,100)	(29,182,876)	(115,880,483)	(63,055,315)
- Deferred tax income	24	57,559,865	22,003,988	42,366,098	30,221,125
<b>Net income for the period</b>		<b>331,155,235</b>	<b>164,832,461</b>	<b>331,587,503</b>	<b>188,801,975</b>
<b>Earnings per share with a nominal value of Kr 1</b>	25	<b>0.94</b>	<b>0.47</b>	<b>0.94</b>	<b>0.54</b>

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 period ended June 30, 2012  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	(Reviewed) January 1 – June 30, 2012	April 1 – June 30, 2012	(Reviewed) January 1 – June 30, 2011	April 1 – June 30, 2011
<b>Net income for the period</b>		<b>331,155,235</b>	<b>164,832,461</b>	<b>331,587,503</b>	<b>188,801,975</b>
<b>Other comprehensive income/(expense)</b>					
Change in revaluation funds of financial assets, net of deferred tax	17	721,273	133,569	2,257,320	1,526,204
Accumulated (loss) from cash flow hedge, net of deferred tax	17	(611,528)	(342,656)	-	-
<b>Total comprehensive income</b>		<b>331,264,980</b>	<b>164,623,374</b>	<b>333,844,823</b>	<b>190,328,179</b>

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 period ended June 30, 2012**  
(Amounts expressed in Turkish Lira ("TL")) unless otherwise indicated.)

	Share capital	Adjustments to share capital	Share premium	Value increase funds	Net loss on cash flow hedge	Restricted reserves	Retained earnings	Net income	Total equity
Balance at January 1, 2011	350,910,000	27,920,283	8,252	1,907,669	-	340,819,480	528,870,084	504,608,263	1,755,044,031
Transfers	-	-	-	-	-	28,423,710	476,184,553	(504,608,263)	-
Dividends paid	-	-	-	-	-	-	(301,782,600)	-	(301,782,600)
Total comprehensive income	-	-	-	2,257,320	-	-	-	331,587,503	333,844,823
Balance at June 30, 2011	350,910,000	27,920,283	8,252	4,164,989	-	369,243,190	703,272,037	331,587,503	1,787,106,254
Balance at January 1, 2012	350,910,000	27,920,283	8,252	2,335,091	(345,806)	390,964,519	464,337,418	662,088,726	1,898,218,483
Transfers	-	-	-	-	-	33,336,450	628,752,276	(662,088,726)	-
Dividends paid	-	-	-	-	-	-	(350,910,000)	-	(350,910,000)
Total comprehensive income (net of deferred tax)	-	-	-	721,273	(611,528)	-	-	331,155,235	331,264,980
Balance at June 30, 2012	350,910,000	27,920,283	8,252	3,056,364	(957,334)	424,300,969	742,179,694	331,155,235	1,878,573,463

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 period ended June 30, 2012**

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

	Notes	(Reviewed) June 30, 2012	(Reviewed) June 30, 2011
<b>Cash flows from operating activities:</b>			
Net income for the period		331,155,235	331,587,503
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation	10	67,659,420	61,780,978
Amortization	11	11,785,563	10,335,597
Provision for employee benefits	15	10,037,020	8,904,877
Warranty expense provision	13	33,046,115	41,969,802
Taxation	24	2,025,235	73,514,385
Interest income	22	(16,460,946)	(22,986,814)
Interest expense	23	4,670,623	7,762,256
Foreign exchange (income) / loss incurred from borrowings		(55,657,927)	73,743,384
Provision expenses		10,006,815	36,238,236
Gain on sale of fixed asset	21	(558,316)	(445,306)
Dividend income	21	(281,198)	(87,874)
Unrealized amount of derivatives		38,156	-
<b>Net operating profit before changes in operating assets and liabilities</b>		<b>397,465,795</b>	<b>622,317,024</b>
Decrease / (increase) in accounts receivable		237,275,145	(82,097,799)
(Increase) in inventories		(6,129,512)	(242,986,440)
(Increase) in other current assets		(6,984,311)	(34,352,141)
(Decrease) / increase in accounts payable		(267,237,271)	316,553,467
Increase in other current liabilities		129,335,880	130,636,140
Income tax paid		(84,465,911)	(103,618,208)
Warranty expenses paid	13	(31,047,563)	(27,285,096)
Employee benefits paid	15	(3,104,903)	(2,328,467)
<b>Net cash generated from operating activities</b>		<b>365,107,349</b>	<b>576,838,480</b>
<b>Cash flows used in investing activities:</b>			
Purchase of property, plant and equipment	10	(244,685,478)	(35,264,739)
Purchase of intangible assets	11	(4,358,806)	(11,521,514)
Proceeds from sale of property, plant and equipment		2,059,970	2,036,437
(Increase) in other non-current assets		(90,427,866)	(57,504,863)
Interest received		16,102,425	22,986,814
Dividends received	21	281,198	87,874
<b>Net cash used in investing activities</b>		<b>(321,028,557)</b>	<b>(79,179,991)</b>
<b>Cash flows from financing activities:</b>			
Interest paid		(15,277,293)	(4,289,806)
Dividends paid	17	(350,910,000)	(301,782,600)
Proceeds from borrowings		38,145,977	183,348,283
Payments of borrowings		(144,121,428)	(79,513,625)
<b>Net cash used in financing activities</b>		<b>(472,162,744)</b>	<b>(202,237,748)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(428,083,952)</b>	<b>295,420,741</b>
<b>Beginning balance of cash and cash equivalents</b>	4	<b>808,849,078</b>	<b>520,944,034</b>
<b>End of the period balance of cash and cash equivalents</b>	4	<b>380,765,126</b>	<b>816,364,775</b>

The accompanying notes form an integral part of these financial statements

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

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

**1. Organization and nature of the operations**

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the 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 first half of 2012, the Company had a total of 9,659 employees on average, composed of 2,313 white-collar and 7,346 blue-collar workers. The Company had a total of 9,794 employees composed of 2,388 white-collar and 7,406 blue-collar workers as of June 30, 2012. (December 31, 2011: The Company had a total of 9,455 employees on average, composed of 2,016 white-collar and 7,439 blue-collar workers. The Company had a total of 9,581 employees composed of 2,167 white-collar and 7,414 blue-collar workers as of period end.)

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

**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 March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards issued by the CMB ("CMB Financial Reporting Standards"). 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.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Financial reporting standards (continued)**

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 April 17, 2008 and January 9, 2009, including the compulsory disclosures.

Except for the financial assets carried at fair value and derivative instruments, financial statements prepared on cost basis.

The Company financial statements as of June 30, 2012 and December 31, 2011, 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 April 9, 2008, which are based on IAS/IFRS.

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

### **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 June 30, 2012 has been provided with the comparative financial information of December 31, 2011 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, 2012 and June 30, 2012 have been provided with the comparative financial information, for the period between January 1, 2011 and June 30, 2011.

## **2.2 Standards, amendments and interpretations to existing standards**

### **a) *New and amended standards and interpretations:***

The accounting policies adopted in preparation of the interim financial statements as at June 30, 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2012. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012 (continued)

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

## 2. Basis of presentation of financial statements (continued)

The new standards, amendments and interpretations which are effective as at January 1, 2012 are as follows:

- **IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)**

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. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

- **IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)**

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), 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. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Company.

### b) *Standards issued but not yet effective and not early adopted*

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

- **IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income**

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

- **IAS 19 Employee Benefits (Amended)**

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012 (continued)

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

## 2. Basis of presentation of financial statements (continued)

### • IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

### • IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

### • IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

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

### • IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position and analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

### • IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Basis of presentation of financial statements (continued)**

### **• IFRS 10 Consolidated Financial Statements**

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

### **• IFRS 11 Joint Arrangements**

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have any impact on the financial position or performance of the Company.

### **• IFRS 12 Disclosure of Interests in Other Entities**

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have any impact on the financial position or performance of the Company.

### **• IFRS 13 Fair Value Measurement**

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have any impact on the financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Basis of presentation of financial statements (continued)**

### **• IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This standard has not yet been endorsed by the EU. This standard is not applicable to the Company and the Company does not expect that this standard will have any impact on the financial position or performance of the Company.

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

The guidance is effective for annual periods beginning on or after January 1, 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The Company does not expect that this standard will have any impact on the financial position or performance of the Company.

### **c) Improvements to IFRSs**

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after January 1, 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the project on the financial position or performance of the Company.

#### *IAS 1 Financial Statement Presentation:*

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

#### *IAS 16 Property, Plant and Equipment:*

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

#### *IAS 32 Financial Instruments: Presentation:*

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

#### *IAS 34 Interim Financial Reporting:*

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

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

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

**2. Basis of presentation of financial statements (continued)**

**2.3 Summary of significant accounting policies**

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

**Cash and cash equivalents**

Cash and cash equivalents are carried in the 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)

**Trade receivables and allowance for trade receivables**

Trade receivables as a result of providing goods or services by the Company directly to a debtor are carried at amortized cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

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.

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).

**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.

**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).

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Basis of presentation of financial statements (continued)**

### **Trade payables**

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

### **Property, plant and equipment**

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

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

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

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

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).

### **Intangible assets**

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

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period not exceeding five years. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2.3 Research and development expenses (Note 11).

### **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.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Basis of presentation of financial statements (continued)**

### **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.

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 other comprehensive income (Note 5).

### **Share premium**

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

### **Share capital and dividends**

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

### **Taxes on income**

Taxes include current period income taxes and deferred taxes. Current 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).

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Basis of presentation of financial statements (continued)**

### **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).

### **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).

### **Financial instruments and financial risk management**

#### ***Credit risk***

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

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

Export sales mainly consist of sales to Ford Motor Company and its subsidiaries. Collection terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company and its subsidiaries, except vehicle sales, are collected in 1 month on average (14 days for export vehicle receivables). 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.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012 (continued)

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

## 2. Basis of presentation of financial statements (continued)

### *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 30 days 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.

### *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. According to the decision of Company Board of Directors, debt to total capital ratio is expected to be between 0.25-0.60.

	June 30, 2012	December 31, 2011
Financial debt	713,576,791	876,889,936
Total equity	1,878,573,463	1,898,218,483
<b>Debt/Total equity ratio</b>	<b>0.38</b>	<b>0.46</b>

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Basis of presentation of financial statements (continued)**

### **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. 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.

#### ***Derivative financial instruments and cash flow hedge accounting***

The Company has entered into swap transactions in order to manage its interest rate risk. Swap transactions are initially recognized at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Swap transactions that are designated as hedging instruments for cash flow hedges are accounted for in accordance with hedge accounting policies under International Financial Reporting Standards.

#### ***Fair value of financial instruments***

The fair value of financial instruments except in case there is compulsory sales or at liquidation stage that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions (if any), reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Basis of presentation of financial statements (continued)**

### **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. The borrowing costs include other costs incurred due to borrowing and the interest.

### **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).

### **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.

### **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).

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Basis of presentation of financial statements (continued)**

### **Variable marketing provision**

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

### **Warranty provision expenses**

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

#### **Related parties**

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

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

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

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

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

## **2. Basis of presentation of financial statements (continued)**

### **Earnings per share**

Earnings per share disclosed in the statement of 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).

### **Comparatives**

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

### **Reporting of cash flows**

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

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

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

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

### **Contingent assets and liabilities**

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

### **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 benefits.
- b) To determine the impairment of trade receivables factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note: 7).

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012 (continued)**

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

**2. Basis of presentation of financial statements (continued)**

- c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note: 9).
- d) 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 (Note 13).
- f) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all temporary differences. For the period ended June 30, 2012, since the assumptions related to the Company's future taxable profit generation are considered adequate, deferred tax asset is recognized (Note 24).

**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 June 30, 2012 there's no significant change in accounting estimates and error.

**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 29).

**3. Segment reporting**

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

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

Notes to financial statement for the period ended June 30, 2012 (continued)

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

**4. Cash and cash equivalents**

	June 30, 2012	December 31, 2011	June 30, 2011	December 31, 2010
Banks- foreign currency time deposits	310,049,310	409,090,947	214,846,564	174,602,985
Banks - TL time deposits	42,211,471	330,490,311	588,110,376	314,449,138
Banks - TL demand deposits	27,412,287	68,352,296	13,075,720	31,453,727
Banks - foreign currency demand deposits	1,092,058	915,524	332,115	438,184
	<b>380,765,126</b>	<b>808,849,078</b>	<b>816,364,775</b>	<b>520,944,034</b>

The maturity period of time deposits is up to three months. The weighted average interest rate for USD denominated time deposits is 4.00% (December 31, 2011: 5.50%). The weighted average interest rate for Euro denominated time deposits is 3.36% (December 31, 2011: 5.17%). The weighted average interest rate for the TL time deposits is 11.05% (December 31, 2011: 11.64%).

**5. Financial assets**

	June 30, 2012		December 31, 2011	
	Shareholding %	Amount	Shareholding %	Amount
<b>Available-for-sale financial assets:</b>				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	4,217,975	0.59	3,458,740
		<b>4,217,975</b>		<b>3,458,740</b>

(\*) The Company's shareholding in Otokar was stated at market value at the stock quotes at the Istanbul Stock Exchange at June 30, 2012 and December 31, 2011 which is assumed to approximate its fair value.

**6. Financial liabilities**

	June 30, 2012		December 31, 2011	
	Effective interest rate %	TL Amount	Effective interest rate %	TL amount
<b>Short term borrowings:</b>				
- TL (*)	-	9,063,852	-	101,297
- Euro	-	-	2.29	67,400,004
		<b>9,063,852</b>		<b>67,501,301</b>

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

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012 (continued)

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

## 6. Financial liabilities (continued)

Short-term portion of long-term borrowings:

	June 30, 2012		December 31, 2011	
	Effective interest rates %	TL amount	Effective interest rates %	TL amount
- Euro	3.11	198,111,660	3.37	158,983,070
- USD	3.04	29,277,092	2.68	352,625
		<b>227,388,752</b>		<b>159,335,695</b>
<b>Total short term borrowings</b>		<b>236,452,604</b>		<b>226,836,996</b>

Long term borrowings:

- Euro	2.73	477,124,187	3.53	619,830,540
- USD	-	-	2.68	30,222,400
		<b>477,124,187</b>		<b>650,052,940</b>

The payment schedules of long-term bank borrowings as of June 30, 2012 and December 31, 2011 are as follows:

Payment period	June 30, 2012		December 31, 2011		
	Euro denominated TL	Total TL	USD denominated TL	Euro denominated TL	Total TL
2013	82,644,406	82,644,406	30,222,400	222,416,737	252,639,137
2014	218,008,860	218,008,860	-	230,192,464	230,192,464
2015	126,007,132	126,007,132	-	131,329,646	131,329,646
2016	18,794,847	18,794,847	-	16,121,932	16,121,932
2017	9,048,275	9,048,275	-	5,648,502	5,648,502
2018-2020	22,620,667	22,620,667	-	14,121,259	14,121,259
	<b>477,124,187</b>	<b>477,124,187</b>	<b>30,222,400</b>	<b>619,830,540</b>	<b>650,052,940</b>

The letters of bank guarantee given to financial institutions in connection with the long-term bank borrowings amount to TL 181,522,511 (December 31, 2011: TL 194,893,049) (Note 13).

As of June 30, 2012, borrowings with floating interest rates amount to TL 634,304,246 (December 31, 2011: TL 799,812,178). The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	June 30, 2012	December 31, 2011
<b>Period</b>		
Up to 6 months (Note 27)	<b>634,304,246</b>	799,812,178
	<b>634,304,246</b>	<b>799,812,178</b>

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.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012 (continued)

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

**7. Trade receivables and payables**

	June 30, 2012	December 31, 2011
<b>Short term trade receivables:</b>		
Trade receivables	453,983,031	517,917,390
Cheques and notes receivable	-	7,392,169
Doubtful receivables	3,333,456	3,333,456
Less: Unearned credit finance income	(3,002,986)	(3,722,527)
	<b>454,313,501</b>	<b>524,920,488</b>
Less: Provision for doubtful receivables	(3,333,456)	(3,333,456)
	<b>450,980,045</b>	<b>521,587,032</b>

The average due date of trade receivables is 1 month (December 31, 2011: 1 month) and amortized with 1.03% monthly effective interest rate (December 31, 2011: 1.05%).

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.

	June 30, 2012	December 31, 2011
<b>Long term trade receivables:</b>		
Deposits and guarantees given	594,348	474,645
	<b>594,348</b>	<b>474,645</b>

	June 30, 2012	December 31, 2011
<b>Trade payables:</b>		
Trade payables	722,236,058	906,030,573
Less: Unearned credit finance charges	(4,637,983)	(5,366,102)
	<b>717,598,075</b>	<b>900,664,471</b>

The average turnover days of the Company's trade payables is 60 days (December 31, 2011: 60 days) and amortized with 1.03% monthly effective interest rate (December 31, 2011: 1.05%).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012 (continued)  
(Amounts expressed in Turkish Lira ("TL.") unless otherwise indicated.)

7. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of June 30, 2012 and December 31, 2011 is as follows:

	Trade receivables			Other receivables		
	Related party	Other	Related party	Other	Bank deposits	
The maximum of credit risk exposed at the reporting date (Disclosures 26, 7, 8, 4)						
- Credit risk covered by guarantees	710,706,045	450,980,045	-	4,840,189	380,765,126	
Net carrying value of not overdue and not impaired financial assets	110,000,000	351,360,186	-	-	-	
The carrying amount of financial assets whose terms have been renegotiated otherwise be past due or impaired	685,350,374	431,500,397	-	4,840,189	380,765,126	
Net carrying value of overdue but not impaired assets	25,355,671	6,631,648	-	-	-	
- Amount of risk covered by guarantees	-	2,539,870	-	-	-	
Net carrying value of impaired assets	-	-	-	-	-	
- Overdue (gross carrying value)	-	3,333,456	-	-	-	
- Provision for impairment (-)	-	(3,333,456)	-	-	-	
- Amount of risk covered by guarantees	-	-	-	-	-	

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012 (continued)

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

7. Trade receivables and payables (continued)

	Trade receivables			Other receivables		
	Related party	Other	Related party	Other	Bank deposits	
<b>December 31, 2011</b>						
<b>The maximum of credit risk exposed at the reporting date</b>	877,374,203	521,587,032	-	4,346,575	808,849,078	
- Credit risk covered by guarantees	100,000,000	450,426,632	-	-	-	
Net carrying value of not overdue and not impaired financial assets	843,800,456	503,998,613	-	4,346,575	808,849,078	
The carrying amount of financial assets whose terms have been renegotiated otherwise be past due or impaired	-	10,392,169	-	-	-	
Net carrying value of overdue but not impaired assets	33,573,747	7,196,250	-	-	-	
- Amount of risk covered by guarantees	-	632,956	-	-	-	
Net carrying value of impaired assets	-	-	-	-	-	
- Overdue (gross carrying value)	-	3,333,456	-	-	-	
- Provision for impairment (-)	-	(3,333,456)	-	-	-	
- Amount of risk covered by guarantees	-	-	-	-	-	

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012 (continued)

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

## 7. Trade receivables and payables (continued)

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

June 30, 2012	Trade receivable	
	Related party	Other
1-30 days overdue	6,287,910	1,106,992
1-3 months overdue	5,273,785	2,437,201
3-12 months overdue	8,030,403	1,593,432
1-5 years overdue	5,763,573	1,494,023
	25,355,671	6,631,648
Risk covered by guarantees	-	2,539,870

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

December 31, 2011	Trade receivable	
	Related party	Other
1-30 days overdue	4,130,763	1,339,011
1-3 months overdue	9,219,076	1,375,466
3-12 months overdue	14,867,704	4,419,742
1-5 years overdue	5,356,204	62,031
	33,573,747	7,196,250
Risk covered by guarantees	-	632,956

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

	2012	2011
January 1	3,333,456	3,244,537
Provisions during the period (Note 21)	-	88,919
June 30	3,333,456	3,333,456

## 8. Other receivables and payables

	June 30, 2012	December 31, 2011
<b>Other receivables:</b>		
Receivables from personnel	226,148	59,463
Other miscellaneous receivables	4,614,041	4,287,112
	4,840,189	4,346,575

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012 (continued)

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

#### 8. Other receivables and payables (continued)

	June 30, 2012	December 31, 2011
<b>Other payables:</b>		
Variable marketing provision	136,537,400	23,118,895
Payables to personnel and expense provisions	45,344,938	46,680,062
Expense accruals	39,972,147	10,030,288
Taxes and funds payable	39,091,811	52,502,458
Payables to engineering firms	26,761,001	10,237,728
Other	14,255,028	7,568,080
	<b>301,962,325</b>	<b>150,137,511</b>

Variable marketing provision is primarily composed of discount accruals that dealers earned but have not been invoiced as of balance sheet date and expense accruals related with dealer vehicle stock at balance sheet date (Note 2.3).

#### 9. Inventories

	June 30, 2012	December 31, 2011
Raw materials	239,276,696	298,160,635
Finished goods	203,987,343	75,705,380
Inventory in transit	183,506,524	215,633,497
Imported vehicles	54,334,267	68,560,906
Spare parts	53,621,920	70,536,820
	<b>734,726,750</b>	<b>728,597,238</b>
Less: Provision for impairment of finished goods and spare parts	<b>(3,144,794)</b>	<b>(3,625,019)</b>
	<b>731,581,956</b>	<b>724,972,219</b>

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

The Company has accounted for the provision for impairment of inventories as cost of sales:

	2012	2011
<b>January 1</b>	<b>3,625,019</b>	<b>5,149,850</b>
Net change within the period	<b>(480,225)</b>	<b>(2,122,055)</b>
<b>June 30</b>	<b>3,144,794</b>	<b>3,027,795</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10. Property, plant and equipment

	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
<b>December 31, 2011</b>									
Cost	11,874,536	100,439,184	373,182,635	1,452,681,721	629,094,207	86,071,505	8,844,880	126,902,600	2,789,091,268
Accumulated depreciation	-	(30,502,014)	(133,908,841)	(864,697,232)	(596,952,384)	(53,275,613)	(1,666,184)	-	(1,681,002,268)
<b>Net book value</b>	<b>11,874,536</b>	<b>69,937,170</b>	<b>239,273,794</b>	<b>587,984,489</b>	<b>32,141,823</b>	<b>32,795,892</b>	<b>7,178,696</b>	<b>126,902,600</b>	<b>1,108,089,000</b>
<b>For the period ended</b>									
<b>June 30, 2011</b>									
Opening net book value	11,874,536	69,937,170	239,273,794	587,984,489	32,141,823	32,795,892	7,178,696	126,902,600	1,108,089,000
Additions	-	787,831	1,529,661	50,877,089	72,382,970	12,736,911	1,114,854	105,256,162*	244,685,478
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(27,434)	-	(4,221)	(1,980,592)	-	(2,012,247)
Depreciation charge	-	(2,220,924)	(10,908,185)	(30,815,413)	(18,780,912)	(4,456,423)	(477,563)	-	(67,659,420)
Disposals from accumulated depreciation	-	-	-	-	-	190	510,403	-	510,593
<b>Closing net book value</b>	<b>11,874,536</b>	<b>68,504,077</b>	<b>229,895,270</b>	<b>608,018,731</b>	<b>85,743,881</b>	<b>41,072,349</b>	<b>6,345,798</b>	<b>232,158,762</b>	<b>1,283,613,404</b>
<b>June 30, 2012</b>									
Cost	11,874,536	101,227,015	374,712,296	1,503,531,376	701,477,177	98,804,195	7,979,142	232,158,762	3,031,764,499
Accumulated depreciation	-	(32,722,938)	(144,817,026)	(895,512,645)	(615,733,296)	(57,731,846)	(1,633,344)	-	(1,748,151,095)
<b>Net book value</b>	<b>11,874,536</b>	<b>68,504,077</b>	<b>229,895,270</b>	<b>608,018,731</b>	<b>85,743,881</b>	<b>41,072,349</b>	<b>6,345,798</b>	<b>232,158,762</b>	<b>1,283,613,404</b>

(\* ) The portion of TL 105,256,162 (December 31, 2011: TL 112,901,822) of construction in progress in the current year additions which are amounting total of TL 43,751,359 (December 31, 2011: TL 55,139,144) is in nature of tangible fixed asset and related to the new light commercial vehicle factory investment and new generation Transit projects. The remaining TL 61,504,803 (December 31, 2011: TL 57,762,678) is related to engineering investments of new light commercial vehicle and various Cargo projects.

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

There is no pledge or mortgage on tangible assets as of June 30, 2012 (December 31, 2011: No pledge or mortgage).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012  
(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
<b>December 31, 2010</b>										
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)	
<b>Net book value</b>	<b>11,874,536</b>	<b>62,852,695</b>	<b>246,361,824</b>	<b>631,176,186</b>	<b>47,285,809</b>	<b>25,398,362</b>	<b>8,587,729</b>	<b>24,863,118</b>	<b>1,058,400,259</b>	
<b>For the period ended June 30, 2011</b>										
Opening 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	
Additions	-	843,815	53,900	10,940,822	5,046,603	3,684,701	1,873,535	12,821,363	35,264,739	
Transfers	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	(1,597,363)	(173)	(633,292)	(1,380,868)	-	(3,611,696)	
Depreciation charge	-	(1,456,937)	(5,755,939)	(38,973,460)	(13,029,714)	(2,024,783)	(540,145)	-	(61,780,978)	
Disposals from accumulated depreciation	-	-	-	1,264,647	173	527,112	228,634	-	2,020,566	
<b>Closing net book value</b>	<b>11,874,536</b>	<b>62,239,573</b>	<b>240,659,785</b>	<b>602,810,832</b>	<b>39,302,698</b>	<b>26,952,100</b>	<b>8,768,885</b>	<b>37,684,481</b>	<b>1,030,292,890</b>	
<b>June 30, 2011</b>										
Cost	11,874,536	91,239,714	368,798,119	1,438,778,408	623,186,859	79,104,189	10,644,165	37,684,481	2,661,310,471	
Accumulated depreciation	-	(29,000,141)	(128,138,334)	(835,967,576)	(583,884,161)	(52,152,089)	(1,875,280)	-	(1,631,017,581)	
<b>Net book value</b>	<b>11,874,536</b>	<b>62,239,573</b>	<b>240,659,785</b>	<b>602,810,832</b>	<b>39,302,698</b>	<b>26,952,100</b>	<b>8,768,885</b>	<b>37,684,481</b>	<b>1,030,292,890</b>	

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

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

#### 10. Property, plant and equipment (continued)

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

	June 30, 2012	December 31, 2011
Moulds and models	604,334,924	346,300,236
Machinery and equipment	107,802,233	104,763,970
Furniture and fixtures	49,194,586	25,062,916
Buildings	12,113,145	5,529,499
Land improvements	1,195,549	237,300
Vehicles	285,529	149,976
	<b>774,925,966</b>	<b>482,043,897</b>

The allocation of depreciation expense as of June 30, 2012 and 2011 is as follows:

	June 30, 2012	June 30, 2011
Cost of production (Note 18)	62,681,990	58,354,207
General administrative expenses (Note 19)	2,301,378	934,752
Research and development expenses (Note 19)	1,431,085	1,068,605
Selling and marketing expenses (Note 19)	638,210	825,704
Construction in progress	606,757	597,710
<b>Current period depreciation charge</b>	<b>67,659,420</b>	<b>61,780,978</b>

#### 11. Intangible assets

December 31, 2011	Rights	Development costs	Other	Total
Cost	25,276,100	432,247,432	3,357,113	460,880,645
Accumulated amortization	(18,658,712)	(411,668,558)	(1,776,205)	(432,103,475)
<b>Net book value</b>	<b>6,617,388</b>	<b>20,578,874</b>	<b>1,580,908</b>	<b>28,777,170</b>

For the period ended June 30, 2012

Opening net book value	6,617,388	20,578,874	1,580,908	28,777,170
Additions	982,643	3,376,163	-	4,358,806
Amortization charge	(835,909)	(10,685,873)	(263,781)	(11,785,563)
<b>Closing net book value</b>	<b>6,764,122</b>	<b>13,269,164</b>	<b>1,317,127</b>	<b>21,350,413</b>

June 30, 2012

Cost	26,258,743	435,623,595	3,357,113	465,239,451
Accumulated amortization	(19,494,621)	(422,354,431)	(2,039,986)	(443,889,038)
<b>Net book value</b>	<b>6,764,122</b>	<b>13,269,164</b>	<b>1,317,127</b>	<b>21,350,413</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

#### 11. Intangible assets (continued)

<b>December 31, 2010</b>	<b>Rights</b>	<b>Development costs</b>	<b>Other</b>	<b>Total</b>
Cost	21,677,670	428,871,268	3,229,042	453,777,980
Accumulated amortization	(17,929,947)	(392,276,771)	(1,271,700)	(411,478,418)
<b>Net book value</b>	<b>3,747,723</b>	<b>36,594,497</b>	<b>1,957,342</b>	<b>42,299,562</b>
<b>For the period ended June 30, 2011</b>				
Opening net book value	3,747,723	36,594,497	1,957,342	42,299,562
Additions	1,107,992	10,413,522	-	11,521,514
Amortization charge	(335,963)	(9,748,660)	(250,974)	(10,335,597)
<b>Closing net book value</b>	<b>4,519,752</b>	<b>37,259,359</b>	<b>1,706,368</b>	<b>43,485,479</b>
<b>June 30, 2011</b>				
Cost	22,785,662	439,284,790	3,229,042	465,299,494
Accumulated amortization	(18,265,910)	(402,025,431)	(1,522,674)	(421,814,015)
<b>Net book value</b>	<b>4,519,752</b>	<b>37,259,359</b>	<b>1,706,368</b>	<b>43,485,479</b>

The allocation of amortization charges relating to June 30, 2012 and 2011 is as follows:

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Cost of production (Note 18)	<b>10,709,059</b>	9,623,832
General administrative expenses (Note 19)	<b>650,429</b>	256,962
Research and development expenses (Note 19)	<b>426,075</b>	454,803
<b>Current period amortization charge</b>	<b>11,785,563</b>	<b>10,335,597</b>

#### 12. Government Incentives and grants

The research and development support received from Tübitak as of June 30, 2012 amounting to TL 4,732,361 has been associated to construction in progress by offsetting with its costs (June 30, 2011: TL 1,017,813 – has been classified under other operating income) (Note 21).

The Company received two investment incentives both greater than TL 250 million in last 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, as of June 30, 2012, fixed asset expenditures amounting to TL 234,781,334 have been realized and tax advantages amounting to TL 70,434,400 have been created to be used in future periods (Note 24).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

### 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:

	June 30, 2012	December 31, 2011
Short term warranty expense provision	45,464,546	38,849,095
Long term warranty expense provision	42,055,498	46,672,397
	<b>87,520,044</b>	<b>85,521,492</b>

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

	2012	2011
<b>January 1</b>	<b>85,521,492</b>	<b>68,723,154</b>
Paid during the period	(31,047,563)	(27,285,096)
Additions during the period (Note 19)	33,046,115	41,969,802
<b>June 30</b>	<b>87,520,044</b>	<b>83,407,860</b>

<b>Letters of guarantee and letters of credit</b>	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Letters of guarantee given to banks	181,522,511	194,893,049
Letters of guarantee given to customs	27,349,155	24,545,155
Other letter of guarantees given to other parties	16,853,664	13,596,691
	<b>225,725,330</b>	<b>233,034,895</b>

<b>Letters of guarantee given</b>	<b>June 30, 2012</b>		<b>June 30, 2011</b>	
	<b>Original currency</b>	<b>TL</b>	<b>Original currency</b>	<b>TL</b>
<b>Euro</b>	90,476,882	205,762,526	89,812,210	219,483,077
<b>TL</b>	15,254,782	15,254,782	13,527,262	13,527,262
<b>USD</b>	2,606,157	4,708,022	13,000	24,556
		<b>225,725,330</b>		<b>233,034,895</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

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

The allocation of collaterals, pledges and mortgages as of June 30, 2012 and December 31, 2011 is as follows:

Collaterals, pledges and mortgages given by company	June 30, 2012	December 31, 2011
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	225,725,330	233,034,895
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	-	-
D. Total amount of collaterals/pledges/mortgages given for others	-	-
i. Total amount of collaterals/pledges/ mortgages given for the parent company		
ii. Total amount of collaterals/pledges/ mortgages given for other related companies that do not fall into B and C sections		
iii. Total amount of collaterals/pledges/ mortgages given for third parties that do not fall into C section		
<b>Total</b>	<b>225,725,330</b>	<b>233,034,895</b>

As of June 30, 2012, total amount of the collaterals, pledges and mortgages obtained by the Company is TL 188,975,384 (December 31, 2011 – TL 266,770,273).

### Letters of guarantee taken

	June 30, 2012		December 31, 2011	
	Original currency	TL	Original currency	TL
TL	162,806,926	162,806,926	260,663,503	260,663,503
Euro	11,005,432	25,028,554	2,364,519	5,778,412
USD	588,830	1,063,721	132,140	249,599
GBP	27,000	76,183	27,000	78,759
		<b>188,975,384</b>		<b>266,770,273</b>

### Tax matters

Fiscal Administration, imposed tax amount related to fuel consumption of export vehicles for the years between 2005 and 2009, amounting to TL 17,837,279 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 suits filed for each year separately with an amounting of TL 11,982,710. Tax office filed an appeal lawsuit at the court and appeal process is continuing. For the remaining amount of TL 5,854,569, the Company made the payment and appeal process is continuing at the Council of State.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

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

**14. Commitments**

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

- a) The company is required to ensure that its export proceeds up to an amount equal to, Euro 20,000,000 via T.C. Ziraat Bankası A.Ş., and based on the credit agreements made by the Company in 2011, Euro 60,000,000 via Vakıflar Bankası T.A.O. is transacted through the accounts of these banks. The Company fulfilled this commitment as of June 30, 2012.
- b) Based on the 1 year credit agreements made by the Company in 2012, 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 is transacted through Garanti Bankası accounts for the year 2012 . The Company fulfilled this commitment as of June 30, 2012.
- c) Based on the 4 month term credit agreement made by the Company in December 2011 amounting to Euro 27,580,000 with Türkiye İhracat Kredi Bankası A.Ş., the Company is required to ensure that its export proceeds equals to an amount of Euro 28,000,000. The Company fulfilled this commitment as of June 30, 2012.

**Operational lease commitments**

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

Operational lease commitments	June 30, 2012	December 31, 2011
Up to 1 year	1,952,712	1,952,712
Between 1 year to 5 years	2,440,890	3,417,246
	<b>4,393,602</b>	<b>5,369,958</b>

**15. Employee benefits**

**Long-term provisions:**

	June 30, 2012	December 31, 2011
Provision for employee benefits	62,013,291	55,081,174
	<b>62,013,291</b>	<b>55,081,174</b>

**Provision for employee benefits:**

There is no agreement for pension commitments except 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 2,917.27 for each year of service as of June 30, 2012 (December 31, 2011 – TL 2,731.85).

The liability is not funded, as there is no funding requirement.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

#### 15. Employee benefits (continued)

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.

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:

	June 30, 2012	December 31, 2011
Discount rate (%)	4.66	4.66
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 2,917.27 which is effective from January 1, 2012 (January 1, 2011 - TL 2,623.23) has been taken into consideration in the calculations.

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

	2012	2011
<b>January 1</b>	<b>55,081,174</b>	<b>44,061,805</b>
Interest cost	2,568,011	2,054,263
Actuarial gain	2,850,543	1,151,398
Paid during the period	(3,104,903)	(2,328,467)
Current year service cost	4,618,466	5,699,216
<b>June 30</b>	<b>62,013,291</b>	<b>50,638,215</b>

#### 16. Other assets

	June 30, 2012	December 31, 2011
<b>Other current assets:</b>		
VAT to be deductible	116,191,464	114,811,622
Prepaid expenses	7,295,987	3,093,981
Amounts to be billed to vendors	7,105,266	11,575,054
Prepaid taxes and withholding	2,728,870	7,585,414
Other	25,040,719	14,805,538
	<b>158,362,306</b>	<b>151,871,609</b>

VAT to be deductible is related to the ongoing process of refund of export VAT receivable, related to April, May and June.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

Notes to financial statement for the period ended June 30, 2012

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

**16. Other assets (continued)**

	June 30, 2012	December 31, 2011
<b>Other non-current assets:</b>		
Advances given for investments	281,967,561	191,659,398
	<b>281,967,561</b>	<b>191,659,398</b>

Investment advances given are related to company's new vehicle investments. TL 61,814,690 (December 31, 2011: 62.748.370) is given to domestic vendors as mould advances. The remaining advances of TL 220,152,871 (December 31, 2011: 128,911,028) is given for the new light commercial vehicle factory investment in Kocaeli plant and assembly line investment for the new age Transit projects procured from vendors abroad.

**17. Equity**

The composition of the Company's paid-in capital at June 30, 2012 and December 31, 2011 is as follows:

Shareholders	June 30, 2012	Shareholders percentage (%)	December 31, 2011	Shareholders 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
<b>Total Koç Group</b>	<b>143,997,036</b>	<b>41.04</b>	<b>143,997,036</b>	<b>41.04</b>
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
<b>Total</b>	<b>350,910,000</b>	<b>100.00</b>	<b>350,910,000</b>	<b>100.00</b>
Adjustments to share capital	27,920,283		27,920,283	
<b>Inflation adjusted paid in capital</b>	<b>378,830,283</b>		<b>378,830,283</b>	

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, 2011 - 35,091,000,000 unit) with a nominal value of Kr 1 each.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

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

## **17. Equity (continued)**

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 June 13, 2006, Exemption for Sale of Participation Shares and Property, 75% portion of corporations' profits arising from the sale of subsidiary shares which shares that have been carried at least for two years on the 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 20,670,400 TL related to this exemption in its tax financial statements (December 31, 2011 - TL 20,670,400).

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 424,300,969 as of June 30, 2012 (December 31, 2011 – TL 390,964,519).

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, No: 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.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

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

#### 17. Equity (continued)

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.

At General Shareholders Meeting dated March 20,2012, the Company decided to pay dividend from the net profit for the year 2011 at 100%, that is, gross TL 1 (net TL 1 and Kr 95.0976) per TL 1 share, amounting to TL 350,910,000 in total, and the dividend was paid in April 2012.

In accordance with Communiqué No: XI-29, the equity schedules at June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012	December 31, 2011
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	3,056,364	2,335,091
Net loss on cash flow hedge	(957,334)	(345,806)
<b>Restricted reserves</b>	<b>424,300,969</b>	<b>390,964,519</b>
- Legal reserves	403,630,569	370,294,119
- Special reserves	20,670,400	20,670,400
<b>Retained earnings</b>	<b>742,179,694</b>	<b>464,337,418</b>
- Inflation adjustment to equity	428,301,244	428,301,244
- Extraordinary reserves	313,878,450	36,036,174
Net income for the period	331,155,235	662,088,726
<b>Total equity</b>	<b>1,878,573,463</b>	<b>1,898,218,483</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

#### 17. Equity (continued)

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the period ended June 30, 2012 and December 31, 2011 are as follows:

<b>June 30, 2012:</b>	<b>Historical values</b>	<b>Readjusted amounts</b>	<b>Equity Inflation adjustment differences</b>
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	403,630,569	462,383,173	58,752,604
Extraordinary reserves	313,878,450	683,023,466	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	20,670,400	20,720,543	50,143
	<b>1,089,097,671</b>	<b>1,545,319,198</b>	<b>456,221,527</b>

<b>December 31, 2011:</b>	<b>Historical values</b>	<b>Readjusted amounts</b>	<b>Equity Inflation adjustment differences</b>
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	370,294,119	429,046,723	58,752,604
Extraordinary reserves	36,036,174	405,181,190	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	20,670,400	20,720,543	50,143
	<b>777,918,945</b>	<b>1,234,140,472</b>	<b>456,221,527</b>

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

Otokar shares which are publicly traded in ISE are valued with their closing price as of June 30, 2012 and June 30, 2011. Fair value difference (positive) amounting to TL 721,273 (June 30, 2011 – TL 2,257,320) is shown in comprehensive income statement.

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

	<b>2012</b>	<b>2011</b>
<b>January 1</b>	<b>1,989,285</b>	<b>1,907,669</b>
Fair value increase of financial assets	<b>721,273</b>	2,257,320
Fair value (decrease) of financial derivatives	<b>(611,528)</b>	-
<b>June 30</b>	<b>2,099,030</b>	<b>4,164,989</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

**18. Sales and cost of sales**

	January 1 – June 30, 2012	April 1 – June 30, 2012	January 1 – June 30, 2011	April 1 – June 30, 2011
Export sales	3,188,027,479	1,476,163,889	2,815,038,537	1,519,266,173
Domestic sales	2,012,151,690	1,226,493,222	2,373,021,740	1,357,704,781
Other sales	48,457,823	21,961,440	44,017,043	22,704,989
Less: Discounts	(283,486,411)	(168,753,008)	(237,020,744)	(134,248,150)
	<b>4,965,150,581</b>	<b>2,555,865,543</b>	<b>4,995,056,576</b>	<b>2,765,427,793</b>

**Sales units:**

	January 1 – June 30, 2012			April 1 – June 30, 2012		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit	12,655	66,483	79,138	7,846	28,183	36,029
Transit Connect	12,182	43,458	55,640	7,505	23,367	30,872
Passenger vehicles	21,869	320	22,189	14,720	226	14,946
Cargo	3,163	423	3,586	1,841	340	2,181
Ranger	-	10	10	-	-	-
	<b>49,869</b>	<b>110,694</b>	<b>160,563</b>	<b>31,912</b>	<b>52,116</b>	<b>84,028</b>

	January 1 – June 30, 2011			April 1 – June 30, 2011		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit	15,222	78,390	93,612	8,600	42,188	50,788
Transit Connect	16,551	31,538	48,089	9,219	16,876	26,095
Passenger vehicles	31,647	106	31,753	19,526	86	19,612
Cargo	4,427	287	4,714	2,333	143	2,476
Ranger	866	-	866	313	-	313
Fiesta Van	-	20	20	-	-	-
	<b>68,713</b>	<b>110,341</b>	<b>179,054</b>	<b>39,991</b>	<b>59,293</b>	<b>99,284</b>

Summaries of cost of production as of June 30, 2012 and 2011 are as follows;

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Raw material cost	(3,433,640,709)	(1,635,377,293)	(3,186,666,214)	(1,734,664,174)
Production overhead costs	(312,766,723)	(156,748,956)	(302,452,070)	(155,827,339)
Depreciation and amortization expenses (Notes 10 and 11)	(73,391,049)	(38,989,135)	(67,978,040)	(34,075,996)
Change in finished goods inventory	127,994,225	3,708,409	95,881,654	32,741,802
<b>Total cost of production</b>	<b>(3,691,804,256)</b>	<b>(1,827,406,975)</b>	<b>(3,461,214,670)</b>	<b>(1,891,825,707)</b>
Cost of trade goods sold	(727,740,068)	(447,955,461)	(911,301,462)	(550,756,179)
<b>Cost of sales</b>	<b>(4,419,544,324)</b>	<b>(2,275,362,436)</b>	<b>(4,372,516,132)</b>	<b>(2,442,581,886)</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

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

	January 1 – June 30 2012	April 1 – June 30 2012	January 1 – June 30 2011	April 1 – June 30 2011
<b>Selling and marketing expenses:</b>				
Warranty expenses (Note 13)	(33,046,115)	(20,481,591)	(41,969,802)	(20,954,499)
Vehicle transportation expenses	(20,768,037)	(12,144,867)	(24,290,825)	(12,509,207)
Advertising expenses	(18,750,308)	(10,030,256)	(21,970,472)	(13,309,157)
Personnel expenses	(18,427,866)	(9,367,681)	(14,733,555)	(7,408,480)
Spare parts transportation and packaging expenses	(8,136,403)	(3,769,973)	(7,380,790)	(4,071,613)
Dealer and service development expenses	(4,278,484)	(2,210,643)	(3,192,399)	(1,959,378)
Depreciation expense (Note 10)	(638,210)	(215,635)	(825,704)	(418,764)
Other	(8,061,416)	(2,801,288)	(9,205,610)	(4,157,030)
	<b>(112,106,839)</b>	<b>(61,021,934)</b>	<b>(123,569,157)</b>	<b>(64,788,128)</b>
<b>General administrative expenses:</b>				
Personnel expenses	(35,309,751)	(15,663,798)	(21,931,077)	(10,932,928)
Legal, consulting and auditing expenses	(7,006,146)	(3,267,656)	(6,452,785)	(2,840,032)
Grants and donations	(6,911,810)	(3,682,947)	(7,748,057)	(4,226,496)
New project administrative expenses	(5,793,351)	(4,172,043)	(1,852,116)	(1,386,046)
Repair, maintenance and energy expenses	(4,368,724)	(1,225,450)	(4,944,602)	(598,350)
Depreciation and amortization expense (Notes 10 and 11)	(2,951,807)	(2,354,145)	(1,191,714)	(607,192)
Duties, taxes and levies	(1,912,523)	(1,485,079)	(698,289)	(321,344)
Travel expenses	(1,773,376)	(1,050,791)	(991,405)	(558,222)
Warranty expenses excluding sales	(814,657)	(356,690)	(391,735)	(241,713)
Other	(5,625,834)	(3,204,982)	(3,393,323)	(1,833,671)
	<b>(72,467,979)</b>	<b>(36,463,581)</b>	<b>(49,595,103)</b>	<b>(23,545,994)</b>
<b>Research and development expenses:</b>				
Personnel expenses	(30,558,436)	(13,511,820)	(32,392,759)	(16,251,735)
Project costs	(10,019,707)	(312,313)	(19,043,139)	(11,074,456)
Research and development administrative expenses	(1,232,159)	(1,092,569)	(4,225,545)	(3,708,646)
Depreciation and amortization expense (Notes 10 and 11)	(1,857,160)	(1,112,127)	(1,523,408)	(809,525)
Other	(5,781,823)	(5,033,563)	(742,879)	(113,384)
	<b>(49,449,285)</b>	<b>(21,062,392)</b>	<b>(57,927,730)</b>	<b>(31,957,746)</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

20. Expenses by nature

The classification of expenses by nature for the period ended June 30, 2012 and 2011 is as follows:

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Direct material cost	(3,433,640,709)	(1,635,377,293)	(3,186,666,214)	(1,734,664,174)
Cost of trade goods sold	(727,740,068)	(447,955,461)	(911,301,462)	(550,756,179)
Personnel expenses	(254,504,861)	(126,969,593)	(230,554,027)	(118,719,978)
Other operational expenses	(144,280,873)	(76,322,701)	(158,493,773)	(47,229,715)
Other overhead expenses	(142,745,999)	(68,554,246)	(140,759,390)	(71,608,537)
Financial expenses	(139,538,141)	(45,755,796)	(111,623,047)	(59,802,023)
Depreciation and amortization expenses	(78,838,226)	(42,671,042)	(71,518,865)	(35,911,477)
Change in finished goods inventory	127,994,225	3,708,409	95,881,653	32,741,802
Other expenses	(828,045)	(371,656)	(45,129,641)	(44,518,026)
<b>Total expenses</b>	<b>(4,794,122,697)</b>	<b>(2,440,269,379)</b>	<b>(4,760,164,766)</b>	<b>(2,630,468,307)</b>

21. Other operating income/expenses

Other operating income and gains:	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Adjustments on prior period corporate tax	5,740,521	5,740,521	6,897,308	6,897,308
Price difference and claim recovery	5,346,741	3,402,661	3,878,064	1,846,937
Commission income	3,407,515	2,034,191	4,322,473	2,496,472
Licence fees income	1,855,225	490,392	1,041,546	52,326
Rent income	1,202,277	667,706	1,593,048	770,897
Income from the sale of property, plant and equipment	1,097,962	138,813	53,202	6,980
Insurance claim recoveries	973,110	172,798	432,691	61,093
Dividend income	281,198	-	87,874	-
Premiums for research and development support (Note 12)	-	-	1,017,813	990,744
Other	2,358,549	1,777,329	2,704,329	2,056,522
	<b>22,263,098</b>	<b>14,424,411</b>	<b>22,028,348</b>	<b>15,179,279</b>

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

Notes to financial statement for the period ended June 30, 2012

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

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

<b>Other operating expenses and losses:</b>	<b>January 1- June 30, 2012</b>	<b>April 1- June 30, 2012</b>	<b>January 1- June 30, 2011</b>	<b>April 1- June 30, 2011</b>
Loss on sale of property, plant and equipment	(539,646)	(539,646)	(498,508)	(386,859)
Charges of prior period	(433,709)	(28,768)	(6,449,807)	(6,449,807)
Claim charges for import materials	(42,774)	(34,826)	(721,442)	(530,386)
Competition Board penalty	-	-	(36,633,529)	-
Other	-	-	(630,311)	(425,478)
	<b>(1,016,129)</b>	<b>(603,240)</b>	<b>(44,933,597)</b>	<b>(7,792,530)</b>

**22. Financial income**

	<b>January 1- June 30, 2012</b>	<b>April 1- June 30, 2012</b>	<b>January 1- June 30, 2011</b>	<b>April 1- June 30, 2011</b>
Foreign exchange gains	98,555,506	25,019,589	104,556,202	48,037,440
Finance income from credit sales	24,873,036	12,793,038	20,638,714	11,735,601
Interest income	16,460,946	4,178,147	22,986,814	11,724,359
	<b>139,889,488</b>	<b>41,990,774</b>	<b>148,181,730</b>	<b>71,497,400</b>

**23. Financial expenses**

	<b>January 1- June 30, 2012</b>	<b>April 1- June 30, 2012</b>	<b>January 1- June 30, 2011</b>	<b>April 1- June 30, 2011</b>
Foreign exchange losses	(102,950,479)	(28,459,863)	(82,932,546)	(41,882,950)
Finance charges on credit purchases	(29,903,967)	(14,140,326)	(18,686,265)	(10,883,606)
Interest expenses	(4,670,623)	(1,786,738)	(7,762,256)	(5,714,592)
Other financial expenses	(2,013,072)	(1,368,869)	(2,241,980)	(1,320,875)
	<b>(139,538,141)</b>	<b>(45,755,796)</b>	<b>(111,623,047)</b>	<b>(59,802,023)</b>

**24. Tax assets and liabilities**

Corporate Tax Law was amended by the Law No, 5520 dated June 13, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from January 1, 2006. Accordingly, the corporate tax rate for the fiscal year 2012 is 20% (December 31, 2011 - 20%). Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment 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.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

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

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

In 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 declarations to the Tax Office within the 25th of the fourth month following the close of the financial year.

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

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

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

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

The Company amortize 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 June 30, 2012 the Company used R&D deduction of TL 21,992,530 in return for the legal tax.

The Company's net tax liabilities as of June 30, 2012 and December 31, 2011 are as follows:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
Corporate tax provision	<b>59,585,100</b>	168,782,079
Prepaid tax and withholding	<b>(35,717,959)</b>	(111,818,350)
	<b>23,867,141</b>	<b>56,963,729</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

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

The taxation on income for the period ended June 30, 2012 and 2011 are as follows:

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Current period corporate tax	59,585,100	29,182,876	115,880,483	63,055,315
Deferred tax	(57,559,865)	(22,003,988)	(42,366,098)	(30,221,125)
	<b>2,025,235</b>	<b>7,178,888</b>	<b>73,514,385</b>	<b>32,834,190</b>

Calculation of the tax expense reconciliation using the current period tax expense in the statement of income as at June 30, 2012 and 2011 and current tax ratio based on income before tax is as follows:

	June 30, 2012	June 30, 2011
<b>Income before tax:</b>	<b>333,180,470</b>	405,101,888
Current period tax expense	<b>(66,636,094)</b>	(81,020,378)
R&D allowance and free zone profit exemption	<b>4,398,506</b>	3,569,880
Investment incentive exemption	<b>58,348,884</b>	1,367,196
Other temporary differences	<b>1,863,469</b>	2,568,917
	<b>(2,025,235)</b>	<b>(73,514,385)</b>

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 and financial statements prepared for tax purposes.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

(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 June 30, 2012 and December 31, 2011 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	June 30 2012	December 31 2011	June 30 2012	December 31 2011
<b>Deferred tax assets:</b>				
Investment allowance tax asset	234,781,334	122,767,903	70,434,400	12,085,516
Warranty expense provision	87,520,044	85,521,492	17,504,009	17,104,299
Employee benefits provision	62,013,291	55,081,174	12,402,658	11,016,235
Expense accruals	111,990,001	50,209,442	22,398,001	10,041,888
Inventories	1,141,211	3,746,431	228,242	749,286
Difference between financial statements adjusted under IFRS and tax-based financial statements				
- Intangibles	89,701,304	94,512,342	17,940,261	18,902,468
			<b>140,907,571</b>	<b>69,899,692</b>
<b>Deferred tax liabilities:</b>				
Difference between financial statements adjusted under IFRS and tax-based financial statements:				
Tangibles	557,829,718	522,615,725	(111,565,944)	(104,523,145)
Income accruals	59,241,056	28,210,078	(11,848,212)	(5,642,017)
Unearned financial income – net	615,974	195,474	(123,195)	(39,095)
			<b>(123,537,351)</b>	<b>(110,204,257)</b>
<b>Net deferred tax liability</b>			<b>17,370,220</b>	<b>(40,304,565)</b>

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

Notes to financial statement for the period ended June 30, 2012

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

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

Deferred tax movements are as follows:

	January 1, 2012	Charged to profit/(loss)	Charged to comprehensive income statement as profit/(loss)	June 30, 2012
<b>Deferred tax liabilities:</b>				
Temporary difference between financial statements adjusted under IFRS and tax:				
Tangibles / intangibles	(85,620,677)	(8,005,006)		(93,625,683)
Income accruals	(5,619,521)	(6,168,233)		(11,787,754)
Unearned financial income - net	(39,095)	(84,100)		(123,195)
Fair vale increase in financial assets	(22,496)	-	(37,962)	(60,458)
<b>Deferred tax assets:</b>				
Warranty expense provision	17,104,299	399,710		17,504,009
Investment allowance tax asset	12,085,516	58,348,884		70,434,400
Employee benefits provision	11,016,235	1,386,423		12,402,658
Expense accruals	9,955,437	12,203,231		22,158,668
Inventories	749,286	(521,044)		228,242
Fair value decrease in financial derivatives	86,451	-	152,882	239,333
<b>Deferred tax liability-net</b>	<b>(40,304,565)</b>	<b>57,559,865</b>	<b>114,920</b>	<b>17,370,220</b>

	January 1, 2011	Charged to profit/(loss)	Charged to comprehensive income statement as profit/(loss)	June 30, 2011
<b>Deferred tax liabilities:</b>				
Temporary difference between financial statements adjusted under IFRS and tax:				
Tangibles / intangibles	(104,256,782)	6,902,330	-	(97,354,452)
Income accruals	(1,644,430)	219,363	-	(1,425,067)
Inventories	(28,418)	(335,135)	-	(363,553)
Unearned financial income - net	(19,958)	(157,824)	-	(177,782)
<b>Deferred tax assets</b>				
Warranty expense provision	13,744,631	2,936,941	-	16,681,572
Employee benefits provision	8,812,361	1,315,282	-	10,127,643
Expense accruals	7,699,844	30,117,945	-	37,817,789
Investment allowance tax asset	4,526,146	1,367,196	-	5,893,342
Fair value increase in financial assets	-	-	(118,807)	(118,807)
<b>Deferred tax liability-net</b>	<b>(71,166,606)</b>	<b>42,366,098</b>	<b>(118,807)</b>	<b>(28,919,315)</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

## 25. Earnings per share

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Net income for the period (TL)	331,155,235	164,832,461	331,587,503	188,801,975
Weighted average number of shares with nominal Value of Kr 1 each	35,091,000,000	35,091,000,000	35,091,000,000	35,091,000,000
<b>Earnings per share with nominal value of Kr 1 each</b>	<b>0.94</b>	<b>0.47</b>	<b>0.94</b>	<b>0.54</b>

## 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 June 30, 2012 and December 31, 2011 and the transactions with related parties during the period are as follows:

### a) Receivables from related parties:

#### i) Trade receivable from related parties

	June 30, 2012	December 31, 2011
<b>Due from shareholders:</b>		
Ford Motor Company and its subsidiaries	500,691,116	691,134,250
	<b>500,691,116</b>	<b>691,134,250</b>
<b>Due from group companies:</b>		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	210,637,099	186,190,661
Other	810,235	1,912,344
	<b>211,447,334</b>	<b>188,103,005</b>
Less: Unearned credit finance income	(1,432,405)	(1,863,052)
	<b>710,706,045</b>	<b>877,374,203</b>

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 Ford Motor Company are due in 14 days and receivables are collected regularly.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

Notes to financial statement for the period ended June 30, 2012

(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 due date of receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş is on average 1 month.

**b) Payables to related parties:**

**i) Trade payables to related parties**

	June 30, 2012	December 31, 2011
<b>Due to Shareholders:</b>		
Ford Motor Company and its subsidiaries	203,590,646	275,655,280
	<b>203,590,646</b>	<b>275,655,280</b>
<b>Due to group companies:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	19,470,980	28,611,410
Ram Dış Ticaret A.Ş.	16,777,174	17,378,510
Ram Sigorta Aracılık Hizmetleri A.Ş.	5,335,437	423,819
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	3,226,650	327,641
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	2,260,253	2,934,044
Setur Servis Turistik A.Ş.	1,421,855	2,854,488
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	1,367,695	1,795,311
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1,212,863	1,248,429
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,163,439	853,906
Opet Petrolcülük A.Ş.	521,042	3,175,831
Palmira Turizm Ticaret A.Ş.	128,270	86,860
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	122,685	254,801
Callus Bilgi ve İletişim Hizmetleri A.Ş.	108,432	46,937
Promena Elektronik A.Ş.	97,586	161,542
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	96,662	11,951
Koç Üniversitesi	54,804	51,095
Otokar Otomotiv ve Savunma Sanayi A.Ş.	51,576	197,904
Aygaz A.Ş.	8,832	16,596
Setair Hava Taşımacılığı A.Ş.	5,069	13,477
Arçelik A.Ş.	2,724	883
Bilkom Bilişim Hizmetleri A.Ş.	1,695	-
Özel Med Amerikan Polikliniği	1,400	5,200
Ark İnşaat	-	2,571,511
Aygaz Doğalgaz Toptan Satış A.Ş.	-	2,513,107
Tofaş Türk Otomobil Fabrikası A.Ş.	-	9,680
	<b>53,437,123</b>	<b>65,544,933</b>
Less: Unearned credit finance charges	(413,382)	(414,951)
	<b>256,614,387</b>	<b>340,785,262</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

26. Transactions and balances with related parties (continued)

ii) Other payables to related parties

	June 30, 2012	December 31, 2011
Koç Holding A.Ş.	2,604,730	2,408,926
Yapı ve Kredi Bankası A.Ş.	-	13,346,087
Other (publicly held)	791,925	713,183
	<b>3,396,655</b>	<b>16,468,196</b>

c) Sales to related parties:

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Ford Motor Company (*)	3,125,557,715	1,427,294,047	2,734,864,737	1,471,854,110
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.(**)	556,131,257	366,002,380	565,804,168	338,587,574
Zer Merkezi Hizmetler ve Ticaret A.Ş.(***)	27,775,357	13,671,386	28,551,726	15,341,593
Other	925,619	537,665	1,664,046	1,273,245
	<b>3,710,389,948</b>	<b>1,807,505,478</b>	<b>3,330,884,677</b>	<b>1,827,056,522</b>
Less: Financial income from credit sales	(7,096,220)	(4,047,586)	(4,321,682)	(2,584,948)
	<b>3,703,293,728</b>	<b>1,803,457,892</b>	<b>3,326,562,995</b>	<b>1,824,471,574</b>

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

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

(\*\*\*) Sales to Zer Merkezi Hizmetler ve Ticaret A.Ş. mainly consists of scrap sales.

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

Notes to financial statement for the period ended June 30, 2012

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

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

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

	January 1 – June 30, 2012			
	Material	Service	Fixed assets	Total
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	5,446,346	61,436,848	37,806	66,921,000
Ram Dış ticaret A.Ş.	31,375,630	-	-	31,375,630
Ark İnşaat	-	-	20,445,566	20,445,566
Arçelik A.Ş.	1,286	8,694,361	-	8,695,647
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	7,487,167	-	-	7,487,167
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	3,401,021	3,790,138	7,191,159
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	6,408,739	-	-	6,408,739
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	5,309,803	-	5,309,803
Koç Holding A.Ş.	-	4,160,538	-	4,160,538
Setur Servis Turistik A.Ş.	-	3,813,444	-	3,813,444
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	3,542,227	-	75,118	3,617,345
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	2,978,221	550,501	3,528,722
Opet Petrolcülük A.Ş.	1,513,998	-	-	1,513,998
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	640,662	-	640,662
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	431,830	-	431,830
Palmira Turizm Ticaret A.Ş.	-	375,918	-	375,918
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	261,101	-	261,101
Promena Elektronik Ticaret A.Ş.	-	243,700	-	243,700
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	152,021	-	152,021
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	-	111,733	-	111,733
Aygaz A.Ş.	69,168	-	-	69,168
Koç Üniversitesi	-	51,361	-	51,361
Özel Med Amerikan Polikliniği	-	7,190	-	7,190
Bilkom Bilişim Hizmetleri A.Ş.	-	1,437	-	1,437
Tofaş Türk Otomobil Fabrikası A.Ş.	-	980	-	980
	<b>55,844,561</b>	<b>92,072,169</b>	<b>24,899,129</b>	<b>172,815,859</b>
Less: Unearned credit finance charges	(985,373)	-	-	(985,373)
	<b>54,859,188</b>	<b>92,072,169</b>	<b>24,899,129</b>	<b>171,830,486</b>

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

Notes to financial statement for the period ended June 30, 2012

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

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

	April 1 – June 30, 2012			
	Material	Service	Fixed assets	Total
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,518,620	37,309,389	37,806	38,865,815
Ram Dış ticaret A.Ş.	16,105,242	-	-	16,105,242
Ark İnşaat	-	-	10,619,406	10,619,406
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	951,088	3,371,148	4,322,236
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	4,297,187	-	4,297,187
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	3,831,661	-	-	3,831,661
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	3,491,798	-	-	3,491,798
Koç Holding A.Ş.	-	2,103,753	-	2,103,753
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	1,604,414	291,566	1,895,980
Setur Servis Turistik A.Ş.	-	1,799,135	-	1,799,135
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	1,036,532	-	74,323	1,110,855
Opet Petrolcülük A.Ş.	846,553	-	-	846,553
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	307,696	-	307,696
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	199,731	-	199,731
Palmira Turizm Ticaret A.Ş.	-	164,126	-	164,126
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	-	96,378	-	96,378
Promena Elektronik Ticaret A.Ş.	-	89,700	-	89,700
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	66,103	-	66,103
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	42,540	-	42,540
Aygaz A.Ş.	20,876	-	-	20,876
Özel Med Amerikan Polikliniği	-	7,190	-	7,190
Koç Üniversitesi	-	5,092	-	5,092
Bilkom Bilişim Hizmetleri A.Ş.	-	1,437	-	1,437
	<b>26,851,282</b>	<b>49,044,959</b>	<b>14,394,249</b>	<b>90,290,490</b>
Less: Unearned credit finance charges	(456,602)	-	-	(456,602)
	<b>26,394,680</b>	<b>49,044,959</b>	<b>14,394,249</b>	<b>89,833,888</b>

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

26. Transactions and balances with related parties (continued)

	January 1 – June 30, 2011			
	Material	Service	Fixed assets	Total
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	52,321,069	-	52,321,069
Ram Dış ticaret A.Ş.	23,757,260	-	-	23,757,260
Eitek Elektrik Enerjisi İth. İhr. Ve Toptan A.Ş.	14,806,533	-	-	14,806,533
Opet Petrolcülük A.Ş.	9,594,121	-	-	9,594,121
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	8,851,432	-	-	8,851,432
Aygaz Doğalgaz Toptan Satış A.Ş.	8,610,376	-	-	8,610,376
Setur Servis Turistik A.Ş.	-	6,675,072	-	6,675,072
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	5,596,366	-	28,035	5,624,401
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	5,135,391	-	5,135,391
Koç Holding A.Ş.	-	3,794,540	-	3,794,540
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	1,303,264	1,959,288	3,262,552
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	1,003,628	518,475	1,522,103
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	-	1,063,403	-	1,063,403
Ark İnşaat	870,822	-	-	870,822
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	850,042	-	-	850,042
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	553,514	-	553,514
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	377,768	-	377,768
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	267,630	85,000	352,630
Palmira Turizm Ticaret A.Ş.	-	165,892	-	165,892
Promena Elektronik Ticaret A.Ş.	-	132,300	-	132,300
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	100,627	-	100,627
Koç Üniversitesi	99,153	-	-	99,153
Aygaz A.Ş.	73,956	-	-	73,956
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	-	71,835	-	71,835
Arçelik A.Ş.	17,045	-	-	17,045
	73,127,106	72,965,933	2,590,798	148,683,837
Less: Unearned credit finance charges	(1,840,871)	-	-	(1,840,871)
	71,286,235	72,965,933	2,590,798	146,842,966

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

Notes to financial statement for the period ended June 30, 2012

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

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

	April 1 – June 30, 2011			
	Material	Service	Fixed assets	Total
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	35,741,214	-	35,741,214
Ram Dış ticaret A.Ş.	13,096,608	-	-	13,096,608
Eltek Elektrik Enerjisi İth. İhr. Ve Toptan A.Ş.	7,688,593	-	-	7,688,593
Setur Servis Turistik A.Ş.	-	6,094,977	-	6,094,977
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	5,498,289	-	-	5,498,289
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	3,901,671	-	11,236	3,912,907
Opet Petrolcülük A.Ş.	3,814,082	-	-	3,814,082
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	3,681,742	-	3,681,742
Aygaz Doğalgaz Toptan Satış A.Ş.	3,527,650	-	-	3,527,650
Koç Holding A.Ş.	-	1,932,143	-	1,932,143
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	315,444	653,773	969,217
Ark İnşaat	870,822	-	-	870,822
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	356,351	467,137	823,488
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	-	673,844	-	673,844
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	356,762	-	-	356,762
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	251,753	-	251,753
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	153,188	-	153,188
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	178,756	-	178,756
Koç Üniversitesi	99,153	-	-	99,153
Promena Elektronik Ticaret A.Ş.	-	60,300	-	60,300
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic.A.Ş.	-	54,162	-	54,162
Palmira Turizm Ticaret A.Ş.	-	37,335	-	37,335
Aygaz A.Ş.	36,653	-	-	36,653
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	31,560	-	31,560
Arçelik A.Ş.	6,609	-	-	6,609
	38,896,892	49,562,769	1,132,146	89,591,807
Less: Unearned credit finance charges	(1,168,384)	-	-	(1,168,384)
	37,728,508	49,562,769	1,132,146	88,423,423

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

26. Transactions and balances with related parties (continued)

Import purchases of equipment, vehicle and services:

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Ford Motor Company	2,030,390,258	1,017,423,652	2,168,870,016	1,108,271,438

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

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
	27,592,836	17,060,910	29,830,676	16,724,927

f) Licence fees received from Jianling Motors Corporation included in other income:

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
	1,855,225	490,392	1,041,546	52,326

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

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
	6,833,415	3,612,734	7,568,030	4,094,880

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

Deposit to related banks:	June 30, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	75,793,549	133,962,936
- TL time deposits	20,012,131	55,287,918
- TL demand deposits	18,227,114	10,231,042
- Foreign currency demand deposits	589,204	667,664
	114,621,998	200,149,560
Loans obtained from related banks:	June 30, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	8,777,054	-

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

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

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

The Company obtained the loans from the consortium of Koç Holding and 14 financial institutions and as sub borrower, utilized TL 28,904,000 equivalent of USD 16 million of the loan obtained by Koç Holding (Note 6).

**i) Commission income:**

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Yapı ve Kredi Bankası A.Ş.	3,207,938	1,932,979	4,222,208	2,436,598

**j) Commission expense:**

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Yapı ve Kredi Bankası A.Ş.	21,798,079	16,989,137	6,715,539	4,281,968
Koç Tüketici Finansmanı A.Ş.	1,629,452	1,166,936	1,229,246	497,238
	<b>23,427,531</b>	<b>18,156,073</b>	<b>7,944,785</b>	<b>4,779,206</b>

The Company accounts for commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. as sales discounts.

**k) Interest income:**

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Yapı ve Kredi Bankası A.Ş.	3,919,583	1,003,865	3,848,296	1,964,339

**l) Dividend income:**

	January 1- June 30, 2012	April 1- June 30, 2012	January 1- June 30, 2011	April 1- June 30, 2011
Otokar Otobüs Karoseri San. A.Ş.	281,198	-	87,874	-

**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 7,916,241 as of June 30, 2012 (June 30, 2011 – TL 3,141,899).

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012  
(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 June 30, 2012 and December 31, 2011. The Company's foreign currency denominated assets and liabilities have been presented below in carrying amounts, categorized by currency.

June 30, 2012

	TL			
	(Functional Currency)	USD	Euro	GBP
1. Trade receivables	518,648,666	2,063,756	221,542,256	3,930,072
2. Monetary financials assets (including cash and cash equivalents)	312,857,465	20,157,694	121,513,290	34,401
3. Other	103,225,239	-	45,389,693	-
4. Current assets (1 + 2 + 3)	934,731,370	22,221,450	388,445,239	3,964,473
5. Monetary financial assets	170,967	94,640	-	-
6. Non-current assets(5)	170,967	94,640	-	-
7. Total assets (4+6)	934,902,337	22,316,090	388,445,239	3,964,473
8. Trade payables	284,320,544	17,577,179	110,149,677	731,845
9. Financial liabilities	227,388,752	16,206,528	87,112,681	-
10. Other financial liabilities	5,083,642	663,093	1,708,629	-
11. Short term liabilities (8 + 9 + 10)	516,792,938	34,446,800	198,970,987	731,845
12. Financial liabilities	478,351,603	-	210,338,406	-
13. Long term liabilities (12)	478,351,603	-	210,338,406	-
14. Total liabilities (11 + 13)	995,144,541	34,446,800	409,309,393	731,845
15. Net foreign currency assets / (liabilities) position (7 - 14)	(60,242,204)	(12,130,710)	(20,864,154)	3,232,628
16. Monetary items net foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(163,467,443)	(12,130,710)	(66,253,847)	3,232,628

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

27. Financial instruments and financial risk management (continued)

December 31, 2011

	TL (Functional currency)					
	USD	Euro	GBP	CAD	JPY	
1. Trade receivables	1,761,115	282,869,344	3,191,736	-	-	-
2. Monetary financials assets (including cash and cash equivalents)	20,051,902	153,814,991	5,842	-	-	-
3. Other	851,158	67,789,981	(17,992)	28,536	21,890,128	
4. Current Assets (1 + 2 + 3)	22,664,175	504,474,316	3,179,586	28,536	21,890,128	
5. Monetary financial assets	180,531	95,575	-	-	-	-
6. Non-current assets (5)	180,531	95,575	-	-	-	-
7. Total Assets (4+6)	1,284,709,366	504,474,316	3,179,586	28,536	21,890,128	
8. Trade payables	330,624,277	116,295,760	886,928	28,536	21,890,128	
9. Financial liabilities	226,735,699	92,635,680	-	-	-	-
10. Other financial liabilities	1,721,063	534,261	-	-	-	-
11. Short term liabilities (8 + 9 + 10)	559,081,039	209,465,701	886,928	28,536	21,890,128	
12. Financial liabilities	650,477,790	253,807,754	-	-	-	-
13. Long term liabilities (12)	650,477,790	253,807,754	-	-	-	-
14. Total liabilities (11 + 13)	1,209,558,829	463,273,455	886,928	28,536	21,890,128	
15. Net foreign currency assets / (liabilities) position (7 - 14)	75,150,537	41,200,861	2,292,658	-	-	-
16. Monetary items net foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(92,657,317)	(26,589,120)	2,310,650	(28,536)	(21,890,128)	

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

(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.

**June 30, 2012**

	<b>Profit/Loss</b>	
	<b>Appreciation in foreign currency / Depreciation in foreign currency</b>	
<b>Change in USD against TL by 10%</b>		
USD net (liabilities) / assets	<b>(2,191,413)</b>	<b>2,191,413</b>
USD net hedged amount	-	-
<b>USD net (loss) / gain</b>	<b>(2,191,413)</b>	<b>2,191,413</b>
<b>Change in Euro against TL by 10%</b>		
Euro net (liabilities) /assets	<b>(4,744,926)</b>	<b>4,744,926</b>
Euro net hedged amount	-	-
<b>Euro net (loss) / gain</b>	<b>(4,744,926)</b>	<b>4,744,926</b>
<b>Change in other foreign currency against TL by 10%</b>		
Other foreign currency denominated net asset/(liabilities)	<b>912,119</b>	<b>(912,119)</b>
Other foreign currency denominated hedged amount	-	-
<b>Other foreign currency denominated net gain/(loss)</b>	<b>912,119</b>	<b>(912,119)</b>

**December 31, 2011**

	<b>Profit/Loss</b>	
	<b>Appreciation in foreign currency / Depreciation in foreign currency</b>	
<b>Change in USD against TL by 10%</b>		
USD net (liabilities) / assets	<b>(3,151,698)</b>	<b>3,151,698</b>
USD net hedged amount	-	-
<b>USD net (loss) / gain</b>	<b>(3,151,698)</b>	<b>3,151,698</b>
<b>Change in Euro against TL by 10%</b>		
Euro net assets / (liabilities)	<b>10,086,666</b>	<b>(10,086,666)</b>
Euro net hedged amount	-	-
<b>Euro net gain / (loss)</b>	<b>10,086,666</b>	<b>(10,086,666)</b>
<b>Change in other foreign currency against TL by 10%</b>		
Other foreign currency denominated net assets / (liabilities)	<b>598,086</b>	<b>(598,086)</b>
Other foreign currency denominated hedged amount	-	-
<b>Other foreign currency denominated net gain / (loss)</b>	<b>598,086</b>	<b>(598,086)</b>

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

(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 June 30, 2012 and 2011 are as follows;

	<b>June 30, 2012</b>	June 30, 2012
Total export amount	<b>3,188,027,479</b>	2,815,038,537
Total import amount	<b>2,519,142,752</b>	2,687,613,465

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:

	<b>June 30, 2012</b>	June 30, 2012
<b>Fixed interest rate financial instruments</b>		
Financial assets		
- Designated as fair value through profit or loss (*)	<b>351,902,260</b>	738,079,840
Financial liabilities	<b>68,226,000</b>	73,314,000
<b>Floating interest rate financial instruments</b>		
Financial liabilities(**)	<b>634,304,246</b>	799,812,178

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

(\*\*) The Company has mitigated the interest risk on cash flow as of June 30, 2012 relating to the loan amounting to Euro 40,000,000 (TL 90,968,000) with a maturity of December 9, 2015 by an interest swap agreement.

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 period would have been lower/higher by TL 681,621 at June 30, 2012 (June 30, 2011 – TL 829,864), due to higher/lower interest expense.

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

(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:

June 30, 2012	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
<b>Non-derivative financial instruments</b>						
Financial liabilities						
Trade payables	713,576,791	759,480,212	23,306,258	232,722,798	475,425,935	28,025,221
- Related party	256,614,387	257,027,769	257,027,769	-	-	-
- Other	717,598,075	722,236,058	722,236,058	-	-	-
Other liabilities						
- Related party	3,396,655	3,396,655	3,396,655	-	-	-
- Other	301,962,325	301,962,325	301,962,325	-	-	-
Derivative Financial Liabilities						
Derivative Financial Instruments	1,227,416	1,227,416	-	-	1,227,416	-

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended June 30, 2012

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

**27. Financial instruments and financial risk management (continued)**

December 31, 2011	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years
<b>Non-derivative financial instruments</b>					
<b>Financial liabilities</b>					
<b>Trade payables</b>					
- <i>Related party</i>	876,889,936	928,011,724	16,673,977	236,631,382	674,706,365
- <i>Other</i>	340,785,262	341,200,213	341,200,213	-	-
	900,664,471	906,030,573	906,030,573	-	-
<b>Other liabilities</b>					
- <i>Related party</i>	16,468,196	16,468,196	16,468,196	-	-
- <i>Other</i>	150,137,511	150,137,511	150,137,511	-	-
<b>Derivative Financial Liabilities</b>					
<b>Derivative Financial Instruments</b>					
	424,850	424,850	-	-	424,850

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

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

## 27. Financial instruments and financial risk management (continued)

### Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

As of June 30, 2012 and December 31, 2011, the Company's assets at fair value and its levels are as follows:

#### June 30, 2012

	Level1 (*)	Level 2 (**)	Level 3
<b>Assets at fair value</b>			
Financial investments - Otokar shares	4,217,975	-	-
<b>Total assets</b>	<b>4,217,975</b>	<b>-</b>	<b>-</b>
<b>Liabilities at fair value</b>			
Cash flow hedge swap transaction	-	1,227,416	-
<b>Total Liabilities</b>	<b>-</b>	<b>1,227,416</b>	<b>-</b>

(\*) Fair value is calculated with market prices in Stock Exchange market at reporting date.

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

#### December 31, 2011

	Level 1 (*)	Level 2(**)	Level 3
<b>Assets at fair value</b>			
Financial investments - Otokar shares	3,458,740	-	-
<b>Total Assets</b>	<b>3,458,740</b>		
<b>Liabilities at fair value</b>			
Cash flow hedge swap transaction	-	424,850	-
<b>Total Liabilities</b>	<b>-</b>	<b>424,850</b>	<b>-</b>

(\*) Fair value is calculated with market prices in Stock Exchange market at reporting date.

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

(Convenience translation of financial statements originally issued in Turkish)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended June 30, 2012**

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

## **28. Derivative financial instruments**

	<b>June 30, 2012</b>	December 31, 2011
<b>Derivative financial instruments:</b>		
Long term financial derivatives	<b>1,227,416</b>	424,850
	<b>1,227,416</b>	424,850

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

As of June 30, 2012, the Company has entered into swap transaction for EUR 40,000,000 (equivalent of TL 90,968,000) with the maturity of December 9, 2015 to hedge itself from the risk caused by fluctuations in interest rates. The critical terms of the swap contract such as due date, repayment, and changes in interests are in line with the foreign currency loan agreement subject to the swap transaction as of June 30, 2012. The fair value of the related swap transaction as of June 30, 2012 is amounting to TL 1,227,416 and presented in "Long Term Liabilities".

## **29. Subsequent events**

The serial production of the new products Tourneo Custom and Transit Custom commenced as of July 23, 2012 inline with the investment in the new generation Transit products. The Tourneo Custom and Transit Custom will be produced for the domestic and exports markets with a production capacity of 130,000 units per year and sales will start at the beginning of October 2012.

## **30. 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.