

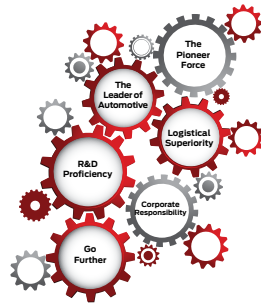
Our strength
Our future



FORD OTOSAN

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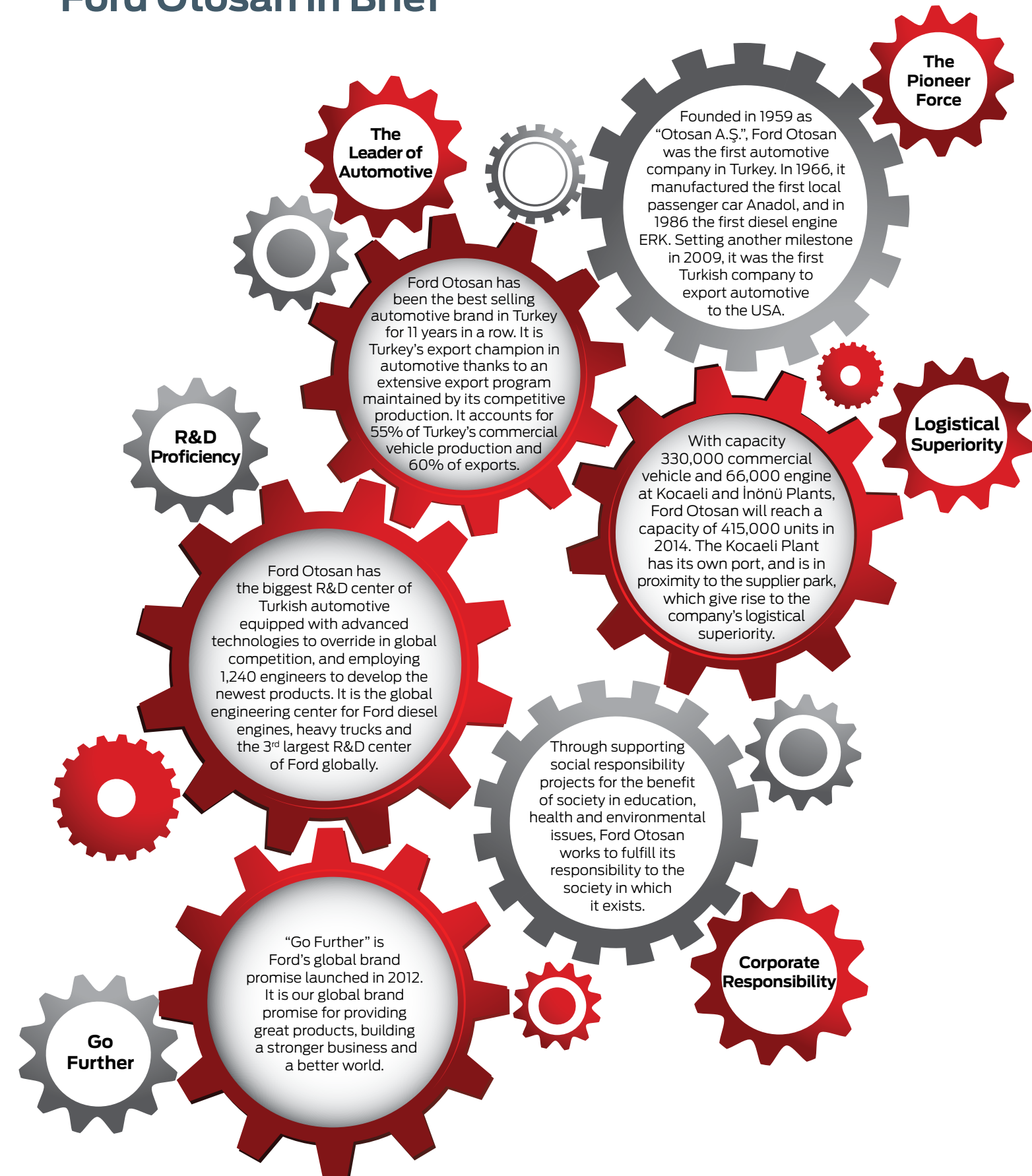


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Ford Otosan in Brief



Legal Disclaimer:

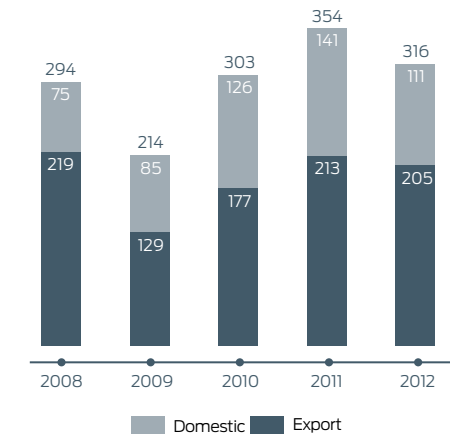
This Annual Report ("Report"), including the Board of Directors' Report about the operations and financials of 2012, Auditors' Report, Financial Statements and the Independent Audit Report, was prepared in compliance with the legal regulations in force, to be presented to the General Assembly of Ford Otosan A.Ş. (Company) to take place on the 21st of March 2013 Thursday at 11:00 in Divan Hotel Istanbul, Elmadağ at the address Asker Ocağı Caddesi No. 1, 34367 Şişli, Istanbul. The Report was written only to inform the shareholders, and does not serve the purpose to lay the ground for any investment decision. The opinions stated in the Report regarding the future and projections reflect the Company Management's view on the future situation; their materialization may differ depending on the variables and assumptions that yield the projections. Accordingly, the Company or Members of the Board of Directors, advisors or employees cannot be held liable for any information or communication conveyed as part of this Report or for any direct or indirect loss and damages that may be incurred on any individual because of information based on/omitted from the content of this report. It is believed that all information in the Report was accurate at the time of preparation. The Company rejects any responsibility for errors that may occur during writing or printing.

Summary Results

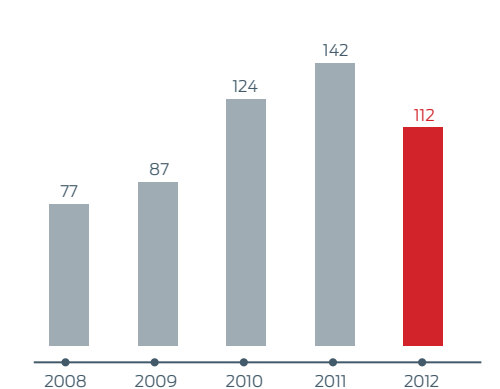
Financial Highlights	2012	2011	2010	2009	2008
Revenues (Million TL)	9,768	10,445	7,649	5,574	7,007
Export Revenues (Million TL)	5,936	5,854	4,105	3,164	4,821
Operating Profit (Million TL)	655	729	610	389	613
Operating Margin (%)	6.7	7.0	8.0	7.0	8.7
EBITDA (Million TL)	796	875	785	561	775
EBITDA Margin (%)	8.1	8.4	10.3	10.1	11.1
Profit Before Tax (Million TL)	642	800	619	409	616
Net Profit (Million TL)	675	662	505	333	436
Financial Debt (Million TL)	1,260	877	528	388	380
CAPEX (Million TL)	935	377	85	73	70
Return on Equity (%)	33.8	35.0	29.0	20.0	26.0
Financial Debt / Net Tangible Worth	0.65	0.47	0.31	0.24	0.23
Dividends (Million TL)	579	519	400	397	439
Year-End Market Cap. (Billion US\$)	4.2	2.8	3.0	2.1	1.0

Main Indicators

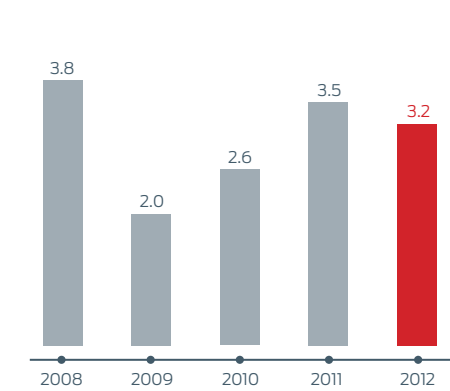
Total Sales (1000 units)



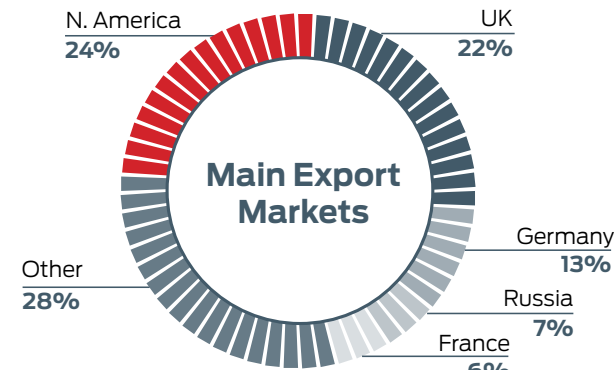
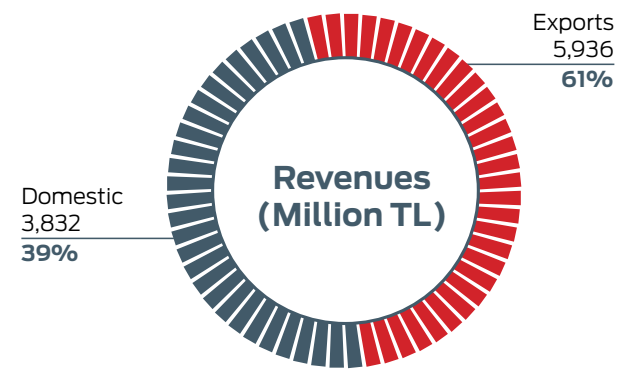
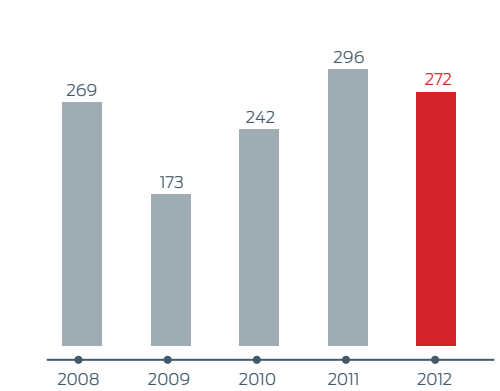
Retail Sales (1000 units)



Export Revenues (US\$ million)



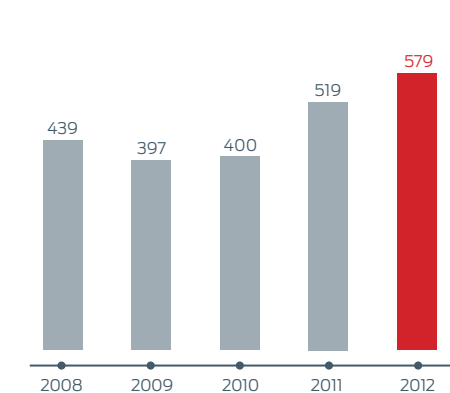
Production (1000 units)



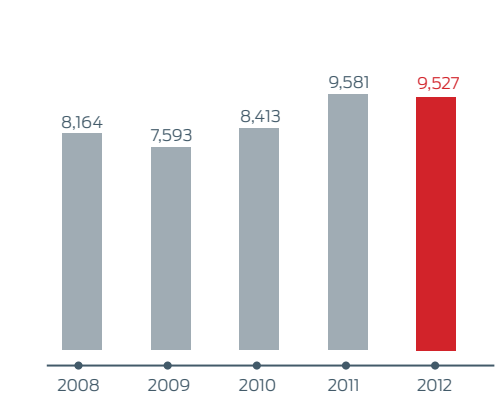
Ford Otosan Market Shares

Segments	Turkish Automotive Industry ('000)	Ford Otosan Sales ('000)	Market Share (%)	Ranking
Passenger Cars	556	47	8.5	4
Light Commercial Vehicles	131	29	22.1	2
Medium Commercial Vehicles	91	30	33.3	1
Trucks	30	6	20.0	2
Total	812*	112	13.8	1

Dividend Payments (TL million)



Employment



* Covers all Heavy Commercial Vehicles.

Ford Otosan by Numbers

Ford vehicles sold in the last 11 years

1,090,459

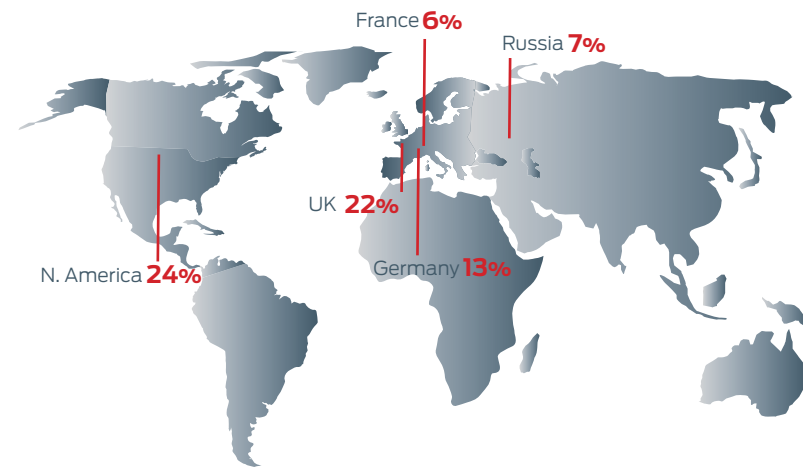
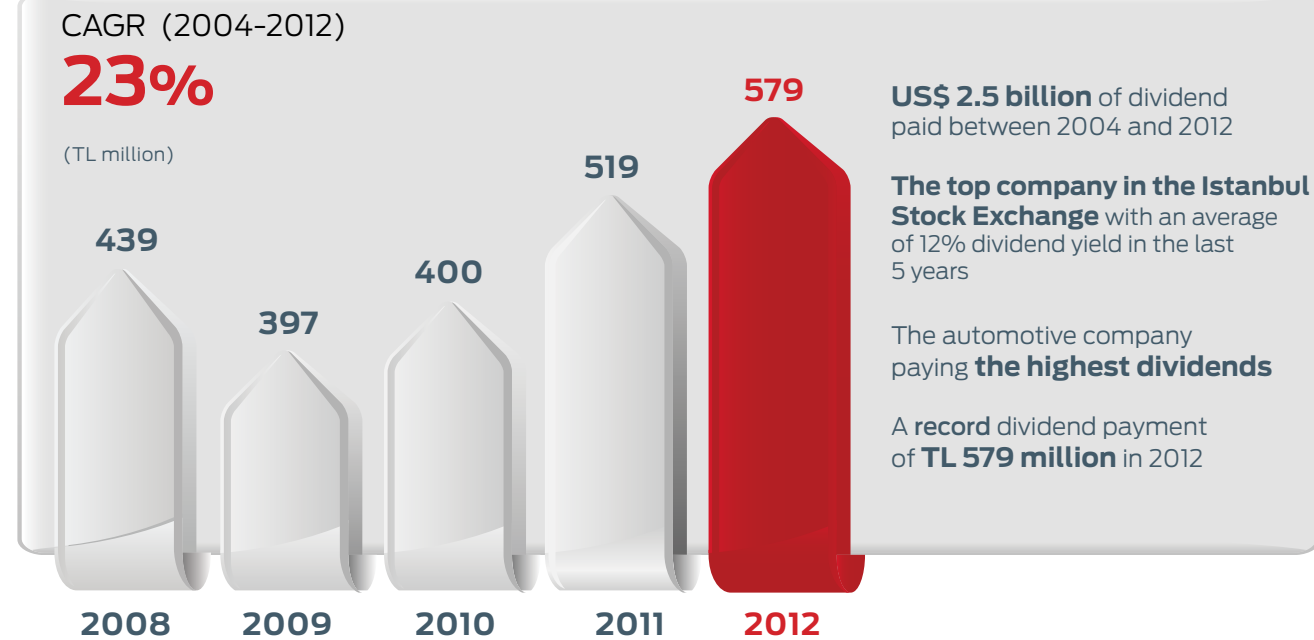
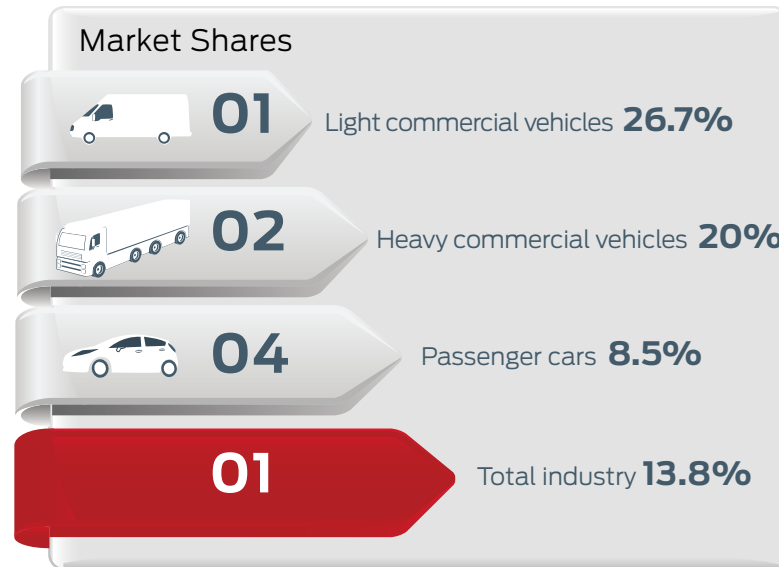
An annual turnover transcending

100,000

vehicle sales in the last 3 years

Turkey's best-selling automotive brand for

11 years

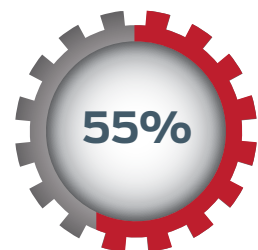


205,000 vehicles exported to

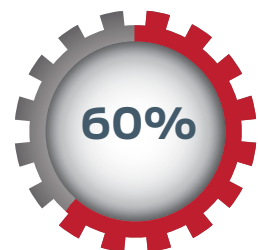
76 countries

US\$ 3.2 billion export revenue

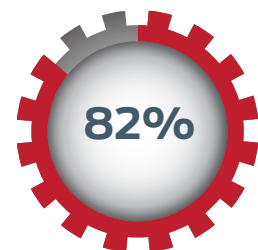
Turkey's automotive **export champion**



Our share in Turkey's commercial vehicle production



Our share in Turkey's commercial vehicle exports



Capacity utilization and efficient production above European and Turkish averages

75% foreign share in the free float

The **biggest** R&D organization of the private sector in Turkey with **1,240** engineers

3rd largest R&D center of Ford globally

One of the companies with the **highest** level of R&D expenditure in Turkey, with an approximate R&D investment rate of **3%**

The **highest** employment figure in Turkish automotive **9,527**

US\$ 4.2 billion market capitalization

9,449,250 kwh energy saving

4,912 tons CO₂ reductions

€ 1,176,608 environmental investments

US\$ 523 million capital expenditure

Vision, Mission and Strategies



Rahmi M. Koç:

“Strong shareholder structure is among the topmost strengths of Ford Otosan. We have ties with Ford Motor Company built on trust, harmony and friendship. This reliable partnership has been maintained for three generations.”

Vision

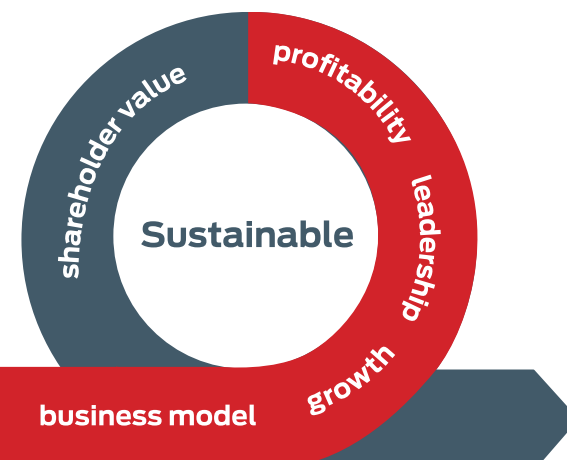
To be the leading consumer-oriented company in Turkey in automotive products and services.

Mission

To be the leader of the Turkish automotive market and the production center of Ford of Europe by offering the most suitable automotive products and services in response to customer needs and expectations.

Strategies

- To generate superior shareholder returns
- To create brand and customer value
- To achieve quality, costs and processes improvements
- To create a leading team
- To demonstrate strong corporate citizenship

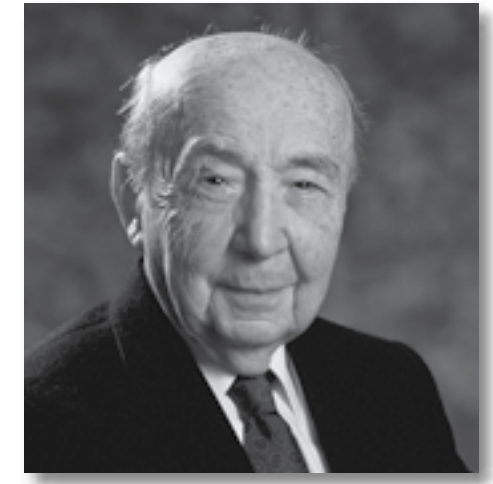


Our Values



Henry Ford:

“Coming together is a beginning; keeping together is progress; working together is success.”



Vehbi Koç:

“We must do our utmost to strengthen our national economy. The stronger our economy becomes, the better democracy is rooted and our reputation around the world is enhanced”

Our Values

Our employees: Are the source of our strength.

It is our goal to boost the skills and contentment of our employees by allowing them the opportunities to self-improve. It is our principle to accomplish “teamwork” that will ensure their participation in every area.

Our products and services: Are the upshots of our efforts.

The better our products and services are liked by our customers, the higher our value will grow.

Our earnings: Are an indication of the extent to which our products and services meet customer expectations.

We aim to profit so as to provide the resources necessary towards improving our products and services.

Chairman's Statement



Dear shareholders, business partners and employees,

Despite all the predicaments in our country and the world over, we completed the year with a satisfactory performance. The decease of our Company's General Manager as a result of a sudden heart attack left us devastated. We were tremendously aggrieved by the loss of the most precious person passionately devoted to his family, job, company, employees and the automotive sector. Notwithstanding, we accomplished our goals under arduous circumstances, and went through a successful year.

The World

It has been a relatively tough year for the global economy. The dilemmas in advanced nations, principally in the European area, have still not been fully resolved, which has been the blight of our nation and industry. As a string of European countries plunged into recession, unemployment and debt rates shot up. Even the possible exclusion of some countries from the European monetary union rose to the agenda. The injection of abundant and cheap

liquidity into economies fell short of triggering growth. Ongoing ordeals in developed economies marred the growth of developing nations, as well.

Turkey

Aside from fettered demand, a function of the economic crisis in our main export area, Europe, the instability in the Middle East dealt a blow to our country. Consumption shrank in the first three quarters of the year, and the economy slowed to a shuddering pace because of the measures taken to reduce the current accounts deficit. Unflinched by the quandaries and ambiguities in the world economy, Turkey remained as one of the few nations sailing safely in the tumultuous sea of the global economy. Economic and financial stability-backed by the sturdy banking sector-was unarrested. A pleasant development was the upgrade of Turkey to investment status by the credit rating agency Fitch. A second possible upgrade will allow our companies to borrow under better terms, extend and diversify our funding base.

Unflinched by the quandaries and ambiguities in the world economy, Turkey remained as one of the few nations sailing safely in the tumultuous sea of the global economy. Economic and financial stability-backed by the sturdy banking sector-was unarrested.

In the last quarter of the year, the Central Bank incrementally loosened its reins on measures to re-stimulate demand. By the closing of the year, the current accounts deficit had flexed. Hence in 2013, the priority of the economic administration was expected to be geared towards stimulating domestic demand. However, the statement by Moody's at the start of the year for Turkey to stand more resilient against the shocks of balance of payments in order to enjoy another upgrade, re-set priorities. The Central Bank's signal with respect to carefully monitoring credit growth incited a questioning of the targeted growth levels. In the face of existing challenges, I am with hope that the economic administration will keep up the good work of maintaining the fine balance with regard the delicate issues of growth, inflation and financial stability.

The Automotive Industry

Turkish automotive industry contracted by 10% over the previous year to 812,000 units. The main factors for this contraction were the deceleration of economic growth, measures taken to curb the increasing current accounts deficit and the slump in sales (particularly in the light commercial vehicle segment) due to hikes in Special Consumption Tax (SCT). While sluggish domestic demand impaired the budget balance, certain tax hikes in September afflicted us, as well. The automotive industry saw a second round of SCT increases within a spate of 12 months. In spite of such impediments, 2012 was a year that recorded the second highest sales figures; following 2011.

Abated demand in domestic and export markets bore on production as well. In 2012, automotive production in Turkey fell by 10% over the same period of 2011 to 1,073,000 units. Exports declined by 8% to 730,000 units. In this time period, Ford Otosan managed to produce 55% of our country's commercial vehicles, and did 60% of its exports.

Ford Otosan in 2012

In 2012, Ford Otosan sold 112,000 vehicles, and achieved a market share of 13.8%. Our company competently managed the stark competition and economic conditions that have been wavering for years. It has become the market leader for 11 consecutive times. The factors that played a leading role towards this accomplishment of Ford Otosan were product quality, pricing policy, marketing techniques, wide distribution channels and after-sales services.

Undeterred by the contraction in its major export market, Europe, Ford Otosan carried on with its large-scale export program by virtue of its market diversification strategy of recent years, and exported 205,000 vehicles. The Transit Connect model thrived in North America, the area which rose to first position with 49,000 vehicles exported and 24% share in our total exports. During the year, we experienced the joy of exporting our 100,000th Connect to America. In a year when Turkey's automotive exports contracted by 8%, the drop in the export quantities of Ford Otosan was limited to just 4% thanks to the precautions that had been put into place. In 2012, South Africa, Georgia, Kazakhstan and Turkmenistan were added to the list of our export markets. Vehicles and parts were exported to 76 countries. Ford Otosan became the export champion of the Turkish automotive sector once again with its US\$ 3.2 billion revenues. Across Turkey, we were the second top exporter after Tüpraş.

The 2012 output of 272,000 vehicles signified a capacity utilization rate of 82%, above the Turkish industry average and above the rates of European competitors, as well.

On the 19th of March 2012, we took another significant step towards growth and development. We initiated the construction of a new plant next to our Kocaeli Plant. This third manufacturing plant will be completed with an investment of € 205 million. It will be the only manufacturing center of the world for the Ford Transit Courier and Tourneo Courier models- the new light commercial vehicles to be released onto the international markets in 2014.

Our massive investment program, set off previously and planned to total US\$ 1 billion by 2014, went on during the year. On the 19th of March 2012, we took another significant step towards growth and development. We initiated the construction of a new plant next to our Kocaeli Plant.



This third manufacturing plant will be completed with an investment of € 205 million. It will be the only manufacturing center of the world for the Ford Transit Courier and Tourneo Courier models- the new light commercial vehicles to be released onto the international markets in 2014. Together with this new Yeniköy Plant that will have an annual capacity of 110,000 units, the annual capacity of Ford Otosan, including trucks, will become 415,000 units. Thus, our company will reinforce its position as the key base of Ford in Europe for developing and manufacturing light commercial vehicles.

For the investment of our new Transit project, we obtained a loan of € 190 million from the European Investment Bank in June and December. The bank's issuance of this credit in spite of the tight situation in Europe is testimony to the trust and confidence placed in the Turkish economy and in Ford Otosan.

By the end of July, we put into operation our third manufacturing line in our Gölcük Plant, and marketed our new generation Transit models, the Tourneo Custom and Transit Custom. In return for this hard work, we won awards from the most prestigious events of our industry in the world.

The new member of the Transit Family, the Transit Custom was awarded the "2013 International Van of the Year" even before being launched into the market. Furthermore, it was the first vehicle in its category to receive the highest safety rating of 5 stars from Euro NCAP, the independent vehicle safety organization. The Tourneo Custom received the same prize in the passenger transport segment. The Cargo 1846T, developed by Ford Otosan engineers and manufactured in the İnönü Plant was chosen 3rd in the "2013 International Truck of the Year" competition.

We focused on our R&D strength throughout the year for an edge in sustainable competition. Ford Otosan's engineering center has been accredited by the Ministry of Science, Industry and Technology as an R&D center. Our Gebze engineering facility has become Ford Motor Company's global center of development for diesel engines. The R&D operations of the Ford Transit and Cargo ranges have been designed by Ford Otosan. Our engineers have made us proud by handling all design and engineering of the new Transit Connect to be manufactured in the Valencia Plant. The new Cargo truck, released at the beginning of the year and developed entirely by Ford Otosan, will soon be on sale to international logistics companies.

Last year, we sustained our dividend distribution policy despite ongoing investments, and paid TL 579 million of dividends, the highest figure in the history of the company. Hence, the total dividend payment by Ford Otosan between 2004 and 2012 has exceeded US\$ 2.5 billion.

Ford Otosan has remained Turkey's largest R&D organization in terms of its R&D engineers, raised to 1,240. As one of the three biggest R&D centers of Ford globally, it has been the company with the highest R&D spending in the Turkish automotive industry. We have already approached the 3% R&D spending level aimed for Turkey by 2023.

Last year, we sustained our dividend distribution policy despite ongoing investments, and paid TL 579 million of dividends, the highest figure in the history of the company. Hence, the total dividend payment by Ford Otosan between 2004 and 2012 has exceeded US\$ 2.5 billion. Our company ranked 1st on the Istanbul Stock Exchange in the last 5 years with a 12% dividend yield.

Financial Results

Through saving measures taken in this year on the back of relatively difficult conditions both in terms of domestic and foreign markets, we concentrated on curbing costs, risk management and raising our levels of efficiency. We made TL 9,768 million of revenues and TL 655 million of operating profit. Our net income for the period reached TL 675 million.

The Outlook for 2013

We are prudent with our expectations and see last year's stagnation in the market to prevail in the first period of this year. We foresee the total automotive industry at 780,000-820,000 units. We aim to sell 112,000 units of this, and hold on to our leadership for the 12th consecutive year.

Although an array of precautions have been taken in Europe, no major recovery is anticipated for 2013. Last year, the automotive industry had sunk to the lowest levels of the past two decades with 13.8 million vehicles sold. The contraction is likely to continue this year at 13.4 million units. Nonetheless, thanks to our new products and the diversity of our export markets, we shall seek to export more or less the same quantities as in last year.

Dear shareholders, business partners and employees,

On the 10th of December 2012, I stepped down as Chairman of the Ford Otosan Board of Directors, the position that I had held for forty years since 1972.



I have always been involved in the operations of Ford Otosan ever since the start-up stage. I was present when the first truck came off the manufacturing line. Back then, our capacity was a mere 4 vehicles a day. Today, we have evolved into a world-class company, equipped with cutting-edge facilities, manufacturing over 1,000 vehicles per day, with total capacity growing to 415,000 units at the end of our planned investments.

I have always reserved a special place in my heart for this eminent company. I have always been involved in the operations of the company ever since the start-up stage. I was present when the first truck came off the manufacturing line. Back then, our capacity was a mere 4 vehicles a day. Today, we have evolved into a world-class company, equipped with cutting-edge facilities, manufacturing over 1,000 vehicles per day, with capacity growing to 415,000 units at the end of our planned investments. At our present state, with the support of our partner Ford, I contentedly handed over chairmanship to Ali Y. Koç. I am certain that under his leadership, the new generation will carry the flag and deliver further. I thank everyone who have expended enormous efforts and given us their unrelenting support for the foundation of Ford Otosan and for its progress to the current day.

Ford Otosan has hung on to market leadership in the last 11 years in the face of volatile conditions. I believe that in the future, it will persist in such success with its vision, know-how and background.

I would likewise wish to express my deepest gratitude to my venerable Ford Otosan colleagues, partner suppliers, distributors, loyal customers and to you our honorable shareholders.

Yours Sincerely,

Rahmi M. Koç
Chairman

A Tradition of Success

Mr. Rahmi M. Koç has been a member of the Ford Otosan's Board of Directors since 1961 and Board Chairman since 1972. He stepped down from his position as Chairman at the Board Meeting dated the 10th of December 2012, and our Board of Directors selected Mr. Ali Y. Koç to replace him. Mr. Rahmi M. Koç will remain as Board Member.

The Ford Otosan Family acknowledges profound gratitude to Mr. Rahmi M. Koç who has made invaluable contributions to our accomplishments by taking part in our Board of Directors since 1961.

"I am immensely proud of the achievements of Ford Otosan. I served as Chairman of the Board for 40 years. We have worked in perfect harmony with our partners. Ford Otosan has been a remarkable and inspirational investment for the Turkish automotive industry."

Rahmi M. Koç

"Mr. Rahmi M. Koç shall continue to guide our Company and Board of Directors, as in the past, with his vast knowledge, experience and visionary perspective."

Ali Y. Koç



The Koç-Ford union celebrated its 50th anniversary. 2010



Handover in our Board of Directors. 2012



The foundations were laid for the Koç-Ford partnership. 1956

"In this new period, Ford Otosan will be working again to bring the best to Turkey. With the new model launches, new investments and the completion of the Yeniköy plant, we will all see together that this enormous industrial corporation will keep on creating employment, export and value added in many areas for our country."

Ali Y. Koç

"Ford Otosan is a company that has led the Turkish Automotive Industry, provided employment, profited, paid tax, made investments, spared time and resources to R&D. It has instilled in its employees the concepts of unity of family and work discipline. The accumulation of these contributions has stuck on the walls of our plant."

Rahmi M. Koç



Koç and Ford representatives met in London. 1971

"Ford Otosan has now become the biggest automotive company in Turkey with its revenues of over TL 10 billion. It is the manufacturing base of the commercial vehicles in the world of Ford, the unrelenting leader of the Turkish automotive industry for 11 consecutive years and the export champion of the sector. In addition, it is one of the three core R&D centers of Ford; the company with the highest R&D spending in the Turkish automotive sector. I am positive that Ford Otosan will succeed in the next stages, as well."

Rahmi M. Koç



The shares of Koç Holding and Ford Motor Company in Otosan were made equal. 1996

"Ford Otosan is one of the longest-lived and most successful partnerships in the world automotive history."

Bill Ford

Board of Directors



Rahmi M. Koç

Chairman*
Honorary Chairman - Koç Holding A.Ş.

Mr. Rahmi M. Koç is a graduate of the Industrial Management and Business Administration Faculty of Johns Hopkins University. He stepped into his career at Otokoç A.Ş. of the Koç Group in 1958. He held a number of senior positions within Koç Holding. After becoming the Chairman of the Management Committee in 1980, from 1984 to 2003 he was the Chairman of the Board of Koç Holding, and is currently the Honorary Chairman. He was the Chairman of the International Chamber of Commerce in 1995-1996, and presently acts as the Vice Chairman of the Board of Trustees of the Vehbi Koç Foundation, Chairman of the Board of Trustees at Koç University, Founder and Chairman of Rahmi M. Koç Museum and Culture Foundation, Chairman of Vehbi Koç Foundation's American Hospital, Founding Member and Honorary Chairman of TURMEPA (Turkish Marine and Environment Protection Association), Honorary President of the High Advisory Council of the Turkish Industrialists and Businessmen's Association, Member of the Advisory Board of the Turkish Confederation of Employers Associations, Honorary Member of the Foreign Policy Association, Honorary Member of the New York Metropolitan Art Museum's Board of Trustees and Founding Member of the Global Relations Forum.

* Rahmi M. Koç has been a member of the Ford Otosan Board of Directors since 1961 and Board Chairman since 1972. He stepped down from his position as Chairman at the Board Meeting dated the 10th of December 2012, and the Board selected Ali Y. Koç to replace him. He will remain as Board Member.



Ali Y. Koç

Member*
Member - Corporate Governance Committee
Member - Board of Directors of Koç Holding A.Ş.

Mr. Ali Y. Koç capped his undergraduate studies at the Management Faculty of Rice University with an MBA from Harvard University. He joined the Management Trainee Program of the American Express Bank in 1990-1991, and worked as an Investment Analyst in Morgan Stanley Investment Bank from 1992 to 1994. He held senior positions in Koç Holding between 1997 to 2006 such as New Business Development Coordinator and IT Group President. In 2008, he became a member of the Board of Directors at Koç Holding. He was appointed a member of the Corporate Governance Committee set up in Ford Otosan on the 10th of July 2012. Ali Y. Koç has been serving on the Board of Directors of Ford Otosan since 1997, and was selected the Chairman of the Board of Ford Otosan on the 10th of December 2012.



Stephen T. Odell

Vice Chairman
Member - Remuneration Committee
Ford Motor Co. Executive Vice President and President of Europe, Middle East and Africa

Mr. Stephen T. Odell was enrolled as an intern at Ford UK in 1980. He worked in various management positions related to marketing and sales in the UK and the USA before being appointed as the Vice President of Marketing and Sales of Jaguar North America in 1997. In January 2000, he joined Mazda as the Sales and Marketing Vice President of North America, and became the North America Operations Director in October of the same year. 2 years later, Mr. Odell was appointed to the position of President of Mazda Europe, and in May 2003, was named Senior Executive Manager of Marketing, Sales and Customer Services at Mazda Motor Corporation Japan. From 2005 to 2008, he worked as the Vice President of Marketing, Sales and After Sales in Ford Europe. Mr. Odell served as Ford Motor Company's Vice President and Volvo Car Corporation's President and CEO from October 2008 to August 2010. By the 2nd of August 2010, he was the Vice President of the Ford Motor Company Group and President and CEO of Ford Europe. Starting from the 1st of December 2012, he was appointed the Executive Vice Chairman of Ford Motor Co. and President of Europe, Middle East and Africa. He has been serving on the Board of Directors of Ford Otosan since the 14th of October 2010. Mr. Odell was appointed a member of the Remuneration Committee of Ford Otosan, set up on the 10th of July 2012.



Bülent Bulgurlu

Member - Board of Directors
Member - Early Determination and Management of Risk Committee
Member - Board of Directors of Koç Holding A.Ş.

After completing his undergraduate studies at the Engineering and Architecture Faculty of Ankara University, Mr. Bulgurlu pursued a PhD program at the Norwegian University of Science and Technology. He took up his first business career as Civil Engineer at Elliot Strømme A/S, Oslo in 1972, and was a Field Construction Engineer at Garanti Construction in 1977. Following positions at that company as Engineer, Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager and General Manager, after 1996 he headed Koç Holding's Tourism and Services Group, Tourism and Construction Group, Consumer Durables and Construction Group. He was the Koç Holding CEO from May 2007 to April 2010. Since the 27th of March 2007, he has been serving on the Board of Directors of Ford Otosan. He was appointed as a Member of the Early Determination and Management of Risk Committee set up on the 10th of July 2012.



Osman Turgay Durak

Member - Board of Directors
Member - Remuneration Committee
Member of Board of Directors and CEO - Koç Holding A.Ş.

Mr. Durak is a graduate of the Mechanical Engineering Department of Northwestern University where he also completed a graduate degree. His career commenced at Ford Otosan in 1976 as Applications Engineer. In the same year, he assumed the position of Product Development and Design Engineer, and by 1979 he became the İnönü Project Leader. In 1982 and 1984, he was assigned the roles of Project Coordination Manager and Project Coordination Department Head. In 1986 and 1987, he was designated Assistant Manager of Marketing and Assistant Manager of Purchasing. He was the AGM of the company in 2000, the General Manager in 2002 when he also joined the Board of Directors. Between 2007 and 2009, he was assigned as Koç Holding Automotive Group President. By May 2009, he was the Deputy CEO of Koç Holding; in April 2010, he was the CEO and Board Member. Furthermore, he was the Chairman of the Board of the Automotive Manufacturers Association for 6 years (2004-2010). Mr. Durak was appointed a member of Ford Otosan's Remuneration Committee set up on the 10th of July 2012.



John Fleming

Member- Board of Directors
Executive Vice President - Ford Motor Company Global Manufacturing and Labor Affairs

Mr. Fleming studied Production Engineering at the North East London Polytechnic. He holds an honorary PhD degree from the John Moores University in Liverpool. He joined the Ford Motor Company at the Halewood Plant (1967), and was involved in the manufacturing processes of Ford Escort. In 1984, he was made the Manufacturing Manager of the Paint Shop, and in 1991 the General Manufacturing Manager in charge of Halewood Operations. Subsequent to a range of positions, he was appointed as the Global Manufacturing Engineering and New Model Programs Director and the Executive Director of the Stamping Unit. Prior to his current position announced on the 2nd of August 2010, he took full charge of all production plants and operations in Ford of Europe, and acted as Manufacturing Vice President and President of Ford of Europe. Mr. Fleming has been serving on the Board of Directors of Ford Otosan since 2002.

Board of Directors



Lyle A. Watters

Member - Board of Directors
Member - Early Determination and Management of Risk Committee
Member - Corporate Governance Committee
CFO and Vice President - Finance and Strategic Planning, Ford Europe

Mr. Watters did an MBA at Queens University, Belfast, and joined Ford UK as a financial analyst in 1987. Having taken numerous positions in Europe and America, he was appointed to the position of the Director of Treasury of Ford Europe in 1998. By 2000, he was the Finance Controller of Ford Premier Automotive Group. After 2003, he was the Global Marketing and Sales Finance Director of Jaguar and Land Rover owned by Ford. From October 2005 to September 2008, he worked as the Business Strategies Director of Ford Europe managing Business Development and Strategic Planning. He was the CFO of Ford South America from October 2008 to March 2012. In April 2012, he was appointed the CFO and Vice President-Financial and Strategic Planning of Ford Europe. Mr. Watters has been serving on the Board of Directors of Ford Otosan since March 2012. He was appointed as a member of the Early Determination and Management of Risk and Corporate Governance Committees set up on the 10th of July 2012.



Jeffrey Carter Wood

Member - Board of Directors
Vice President - Ford Europe
Manufacturing

Mr. Wood studied Electrical and Electronics Engineering and Computer Engineering. He began his career at Ford's Norfolk Assembly Plant. After working as an electronic technician and engineer outside Ford he returned to the Norfolk Assembly Plant in 1988 as Electrical Engineer. He was the Director of the North America Electrical and Electronic Unit, and headed the assembly manufacturing of multiple Ford, Mercury and Lincoln models. He endorsed the "Way Forward" initiatives of Ford's American activities as the Investment Efficiency Director. From October 2007 to December 2008, he was the Global Quality Director in the field of manufacturing. After a position as Truck Operations Manufacturing Director, he oversaw operations in six assembly operations of Ford in North America as the North America Vehicle Assembly Operations Manufacturing Director. On the 10th of May 2012, he was appointed Ford Europe's Vice President of Manufacturing. Since the 4th of June 2012, he has been serving on the Board of Directors of Ford Otosan.



Mehmet Barmanbek

Independent Member - Board of Directors
Chairman - Early Determination and Management of Risk Committee
Chairman - Remuneration Committee
Member - Audit Committee

Mr. Barmanbek graduated from the Finance and Economics Department of the Political Science Faculty of Ankara University in 1963. From December 1963 to January 1977, he was employed at the Ministry of Finance as Assistant Accountant, Accountant and Chief Accountant. In February 1977, he started working for Otosan A.Ş. (Currently Ford Otomotiv Sanayi A.Ş.) as Finance and Accounting Manager, became Assistant General Manager (Administrative -Financial Affairs) in 1986 and Deputy General Manager in 2000. On the 30th of June 2002, he retired from Ford Otosan, ending his professional career. From February 2006 to February 2010, he provided honorary services as a member of the Board of Directors and treasurer in Koç Executives Association (KOÇYÖNDER) for 4 years. Since February 2010, he has been the legal auditor of KOÇYÖNDER. Since March 2012, Mr. Barmanbek has been serving on the Board of Directors of Ford Otosan as an independent member and Audit Committee member. At the same time, he is the Chairman of both the Early Determination and Management of Risk Committee and Remuneration Committee set up on the 10th of July 2012.



Prof. Günter Verheugen

Independent Member - Board of Directors
Chairman - Corporate Governance Committee
Member - Audit Committee

With a background in history/political science education and journalism, Mr. Verheugen switched to a political career in 1969. He was a member of the German Federal Parliament (1983 – 1999). During his tenure, he was involved in European relations, security and foreign affairs. In 1998, he was appointed to the Minister of State for Foreign Affairs in the Federal Foreign Affairs Office; then in 1999, he became an EU Commissioner. Until 2004, he was the EU Commissioner for the Enlargement of the EU. In 2002, he administered the European Neighborhood Policy. From 2004 to 2010, he served a second term in the European Commission as the Commissioner for Enterprise and Industry. In 2007, he was the Chairman of the Transatlantic Economic Council. Presently, he is an honorary professor at the Frankfurt/Oder Viadrina University. Mr. Verheugen has been serving on the Board of Directors of Ford Otosan as an independent member and Audit Committee member since March 2012. In parallel, he is currently the Chairman of Ford Otosan's Corporate Governance Committee set up on the 10th of July 2012.



Haydar Yenigün

Member - Board of Directors
General Manager

Mr. Haydar Yenigün graduated from Yıldız Technical University in Mechanical Engineering and joined Ford Otosan in 1987, serving as Methods Engineer until 1990. He worked as the Project engineer between 1992 and 1996. He then served in a variety of positions during the establishment of the Kocaeli Plant after Ford Motor Company and Otosan A.Ş. shares became equal, and the related agreement was signed in 1997. He became Project Leader in 1998. He participated in the production process of the Transit model, and the design and production processes of the Transit Connect model. He worked as Body shop Area Manager in the Kocaeli Plant between 1999 and 2007, then served as Kocaeli Plant Manager and Assistant General Manager from 2007 to 2012. He was appointed Ford Otosan General Manager and Member of the Board of Directors on 15th of February 2012.



Grant E. Belanger

Member - Board of Directors
Deputy General Manager

Mr. Belanger completed the Business - Personnel Administration Department of Arizona University and did an MBA at Syracuse University. His career was initiated in 1985 in the Ford Motor Company. After a series of purchasing positions for 14 years, he was named the America Materials Planning and Logistics Director in 1999. Until 2005, he served in various executive positions in Planning and Logistics, and was then appointed the Operations and Quality Director at Ford South America. He was the Global Manufacturing Strategic Business Unit Director from 2008 to June 2011. Since June 2011, he has been Ford Otosan's Deputy General Manager and a Member of the Board of Directors.

Executive Management



Haydar Yenigün

General Manager and Member of the Board of Directors

Mr. Haydar Yenigün graduated from Yıldız Technical University in Mechanical Engineering and joined Ford Otosan in 1987, serving as Methods Engineer until 1990. He worked as the Project engineer between 1992 and 1996. He then served in a variety of positions during the establishment of the Kocaeli Plant after Ford Motor Company and Otosan A.Ş. shares became equal, and the related agreement was signed in 1997. He became Project Leader in 1998. He participated in the production process of the Transit model, and the design and production processes of the Transit Connect model. He worked as Body shop Area Manager in the Kocaeli Plant between 1999 and 2007, then served as Kocaeli Plant Manager and Assistant General Manager from 2007 to 2012. He was appointed Ford Otosan General Manager and Member of the Board of Directors on 15th February 2012.



Grant E. Belanger

Deputy General Manager and Member of the Board of Directors

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Oğuz Toprakoğlu

Assistant General Manager - Finance and Accounting (CFO)

Mr. Toprakoğlu graduated from the Economics Department of Boğaziçi University in 1991, and joined Ford Otosan in the same year as Finance Specialist. In 1993, he became the Inventory Planning and Control Specialist. Next, he was the Commercial Accounting Team Leader (1995) and Financial Control Manager (1998). Between 2002 and 2004, he was the Finance Manager of Ford Europe. In 2004, he has been the Deputy CFO and has been the AGM (CFO) of Finance and Accounting since 2006.



Aykut Özüner

Assistant General Manager - Marketing, Sales and After Sales

Mr. Özüner graduated from the Mechanical Engineering Department of Boğaziçi University in 1991, where he completed his MBA in 1995. He joined Ford Otosan in 1993 as the Marketing Strategies Manager. His ensuing assignments were Car Product Manager and Marketing Manager (1997), Sales Manager (2000), Sales Planning and Product Management of Ford Europe (2001), Marketing and Customer Relations Director (2002) and AGM Marketing and Sales (2004-2010). Since 2010, he has held the position of AGM for Marketing, Sales and After Sales.



Ernur Mutlu

Assistant General Manager - Product Development

Mr. Mutlu graduated from the Mechanical Engineering Department of the Middle East Technical University, and completed his M. Sc. in the Mechanical Engineering Department of Boğaziçi University. He joined Ford Otosan in 1980 as Product Development Engineer. He became Project Engineer (1983), Product Development Team Leader (1984), Product Development Manager (1986), Light Commercial Vehicle Product Development Manager (2000) and Product Development Director (2007). Since 2008, he has held the position of AGM for Product Development.



Ahmet Kinay

Assistant General Manager - Cargo Business Unit

Mr. Kinay graduated from the Mechanical Engineering Department of the Middle East Technical University, and joined Ford Otosan as Project Engineer in 1982. He served as Internal Purchasing Supervisor, and then Internal Purchasing Manager in 1987. He was Sales Director from 1997 to 2000, and was appointed AGM of Purchasing in 2000. Since 2010, he has been the AGM of the Cargo Business Unit.



Cengiz Kabatepe

Assistant General Manager - Purchasing

Mr. Kabatepe is a graduate of the Mechanical Engineering Department of Yıldız Technical University, and holds an MBA from the Istanbul University. He joined Ford Otosan as Intern Engineer in 1975. He was Method Engineer (1982), Manufacturing Planning Control Team Leader (1984), Planning Manager of the İnönü Plant (1985-1986), Central Planning Manager of the Istanbul Plant (1986-1992), Manufacturing Planning Manager of the Kocaeli Plant (1992-1997), External Purchasing Manager (1997-2000), and was appointed AGM of Materials Planning and Logistics in 2000. Since 2010, he has been the AGM of Purchasing.



Taylan Avcı

Assistant General Manager - New Projects

Mr. Avcı holds an undergraduate degree in Mechanical Engineering from the University of Birmingham and a Masters in Design Engineering from the Loughborough University of Technology. He joined Ford Otosan in 1981 as Application Engineer. He was Method Engineer (1982), Quality Control Team Leader (1984), Quality Control Manager (1986), Planning Manager (1987), Marketing Manager (1991), Investments Manager (1993) and International Marketing Coordinator (1994). After becoming the Vehicle Sales, Order Planning Coordinator in 1995, he worked as Assistant Plant Manager in 1997-1998. He was appointed as Project Manager in 1998 (General Coordination) and Project Director in 1999. Since 2002, he has held the position of AGM for New Projects.

Executive Management



Mehmet Candan Günel

Assistant General Manager - Kocaeli Plant Manager

Mr. Günel graduated from the Mechanical Engineering Department of the Middle East Technical University in 1977. He embarked on his business career in 1978 at Anadolu Cam San. A.Ş. In 1982, he joined Ford Otosan as Method Engineer. He worked as Assembly Shop Team Leader (1986), Assembly Shop Area Manager (1998), Manufacturing Group Manager and Manufacturing-Planning Group Manager (2004-2008). He was appointed as the Manufacturing and Planning Director of the Kocaeli Plant in 2008 and the Assistant Plant Manager of the Kocaeli Plant in 2010. In February 2012, he was appointed as the Manager of the Kocaeli Plant.



Mustafa Menkü

Assistant General Manager - İnönü Plant Manager

Mr. Menkü graduated from the Mechanical Engineering Department of the Middle East Technical University in 1993, and completed an MBA at Koç University. He joined Ford Otosan as Method Engineer in 1995. He held the positions of Powertrain Engineering Team Leader (1996), Quality Systems and Audit Team Leader (1999) and Truck Area Manager (2000). From 2006 to 2008, he served in China as the Director for Production and New Project Launches in JMC wherein Ford is a partner. He returned to Turkey as the Assistant Manager of the İnönü Plant in 2009. Since September 2009, he has been the Manager of the İnönü Plant.



Güven Özyurt

Assistant General Manager - Material Planning and Logistics

Mr. Özyurt graduated from the Mechanical Engineering Department of Istanbul Technical University in 1989, and completed an MBA at Istanbul University in 1990. In the same year, he joined Ford Otosan as Method Engineer. After taking up various positions in the fields of Product Development, Service Engineering, Export and Sales Planning, he became a Project Engineer in the Project Team of the Kocaeli Plant in 1997. He rose to the position of Project Leader of the same team in 1998. In 2000, he was appointed to the position of Material Planning Manager. Since 2010, he has been the AGM of Material Planning and Logistics.



Nursel Ölmez Ateş

Director - Human Resources and Corporate Communications

Mrs. Ateş graduated from the Industrial Engineering Department of Istanbul University, and launched her career as Assistant Specialist of Method Organization and Planning at Migros Türk T.A.Ş. She worked as an executive at the R&D, Planning and Project Management departments. She managed the project leadership of the HR SAP module in Migros in 1999-the first practice in Turkey, which was also rated among the best SAP practices worldwide. In 2003, she was appointed as HR Director to the foreign operations of Migros Ramenka-Ramstore, and carried on with her career as AGM of HR and Administrative Affairs. During her five-year tenure, she monitored the implementation and execution of HR systems. In 2008, she was appointed as the HR and Corporate Communications Director to Koçtaş and then to Ford Otosan. By 2013, she completed the ADLER certificate program of coaching, and has become a corporate coach.



Bülent Akdoğan

Director - Total Quality

Mr. Akdoğan graduated from the Mechanical Engineering Department of the Middle East Technical University in 1985. He worked as a Valve Specialist in Hidrel Hidrolik. In 1988, he joined Ford Otosan as Assembly Method Engineer. He served as Project Engineer (1991) and Product and Process Development Team Leader (1994). In 1999, he took part in the Kocaeli Plant Project Team as Deputy Manager Assembly Area. In 2007, he was the acting Quality Assurance Manager, the position which had formally been assigned to him between 2008 and 2012. In 2012, he was appointed to the position of Total Quality Director.

In Memory of Nuri K. Otay

An excellent executive, a warm personality



Nuri Otay had many achievements in his life of 55 years. During his professional career that began in 1983 in Ford Otosan, he achieved many firsts, and was recognized for his warmth and sincerity.

Born in 1957, Nuri Otay was a graduate of Istanbul Erkek Lisesi (boys' highschool) and the Mechanical Engineering Department of Boğaziçi University. After graduating from university, he began a career in the automotive sector that had captivated him since childhood. He was employed by Ford Otosan in 1983. Otay's first job in Ford Otosan was putting into operation the automation system of the Electrophoresis Paint Shop. In ensuing years, he worked as Foreign Purchases Manager and Istanbul Plant Manager.

As the first Plant Manager of the Kocaeli Plant built in 2000, he experienced the growth of a global production facility. In 2007 and 2008, he worked in Ford Motor Company as the Director of the Cologne Manufacturing Plant where the headquarters of Ford of Europe is located. Then, in 2009, he returned to Ford Otosan as Deputy General Manager, and became Ford Otosan's General Manager in March 2010.

Having achieved numerous firsts and feats in Ford Otosan, Nuri Otay was recognized for his warmth and sincerity besides his supreme performance in his professional career. Communicating directly with everyone around him and leaving a mark on all by his warm approach, Mr. Otay was a source of morale and inspiration for his colleagues with his inexorable positive energy.

He added value to the Ford Otosan family for 29 years; was one of the biggest architects of our current and future successes; left seminal works to Ford Otosan, the Koç Group and the automotive sector. We remember our Late General Manager Mr. Nuri K. Otay with love, respect and gratitude.

1957-2012

2012 Highlights and Achievements



Launching ceremony for the Yeniköy Plant

The launching ceremony for Ford Otosan's third plant was attended by Mr. Rahmi M. Koç, Honorary Chairman of Koç Holding and Chairman of Ford Otosan. The Yeniköy Plant, which is being constructed on the plant site in Kocaeli as part of a US\$ 1 billion investment plan by Ford Otosan, will manufacture new light commercial vehicles for the Ford family on a 70,000 m² site. The new plant will have a production capacity of 110,000 vehicles, taking Ford's annual production capacity to 415,000 units.



Euro Ncap



Transit Custom
Touneo Custom
New Kuga
B-Max
Ranger
Focus
New Fiesta



€ 190 million Loan Agreement with the European Investment Bank for the New Transit investment



The launch of Transit Custom and Touneo Custom.

Transit Custom has been awarded "International Van of the Year 2013" with the highest-ever scores from the jury.



Changeover in our Board of Directors

Mr. Rahmi M. Koç, who has served as a Member of the Board since 1961 and as Chairman since 1972, retired from his position. Mr. Ali Y. Koç was elected as the new Chairman by the Board of Directors.



Our Country's first European Championship with Castrol Ford Team Türkiye

Pilot Yağız Avcı and co-pilot Bahadır Gücenmez competed for the Castrol Ford Team Türkiye in their Fiesta S2000. They made history in the Rally Serbia leg of the East European Rally Cup, and became the first Turkish team in history to win a European Rally Championship. Following this victory, Castrol Ford Team Türkiye also won the 2012 Turkish Rally Championship and became the Turkish Teams Champion. The season was completed with double titles.



Production of Ford Cargo 1846T, developed by Turkish engineers, started.



100,000th Transit Connect Export

Ford Otosan set a new milestone in 2009 by exporting the Transit Connect, already exported to 5 continents around the world, to the USA, the original home of the automotive industry. The 100,000th Transit Connect exported to Northern America, its largest market after Turkey, was a New York taxi. Ford's Transit Connect taxis, the pride of Turkey, are now used in Boston, Chicago, Las Vegas, Los Angeles, Orlando, San Francisco and New York.



Ford's newest engine, 1.0L EcoBoost, which won the "2012 International Engine of the Year" award, was launched in Turkey, powering the New Ford Focus.

Ford won the "2012 International Engine of the Year" award for its 1.0L EcoBoost engine, which combines high performance with low volume and low fuel consumption. As well as setting a new record in the "Engine of the Year" event by receiving the highest ever vote from the jury, the "Ford 1.0L EcoBoost Engine" also won "Best New Engine" and "Best Sub 1-Litre Engine".



Awards



2013 International Van of the Year



2013 International Pick-up of the Year



2013 International Truck of the Year, 3rd Place



President's Healthy and Safety Awards
Excellence in Safety Culture and Standards in Europe - achieved by the Inönü Plant.

Safety Performance Award - Manufacturing Facilities - once again, the Kocaeli Plant received the Bronze award this year.

Lifesaving Awards -In Recognition of Lifesaving Interventions- Kartal Health Center won the award.

Special Contribution Award - Ford Otosan team took part in the global Ford team, with the participation of all continents, on the "Construction and Service Contractor Specification Team Development and implementation of common strategy for Construction Contractors and Service Contractors" project and claimed this special award for its contributions.

Special Contribution Award - Our Senior Advisor for Occupational Safety was honored with the "Special Contribution Award" by Ford of Europe for his great contributions in creating Ford Otosan's outstanding occupational safety culture.

"Health & Safety Professional of the Year Awards" - Our Occupational Safety Manager was granted the award.



Mixx awards - Best Digital Out-of-Home Interactive Videos and Best Branded Content **Bronze Mixx**



Mixx awards - Interactive Videos and Best Video Advertising **Gold Mixx**

Mixx awards - Best Branded Content **Gold Mixx**

Mixx awards - Social Marketing **Silver Mixx**



"Best-Selling Brand" Award (Car and Light Commercial Vehicle)

"Best-Selling Light Commercial Vehicle" Award

"TV Application of the Year" Award Tourneo Custom



Social Security Institution award to **Top 10 premium-contributing corporations** in Turkey Ford Otosan

"My Clean Turkey" Competition Ford Otosan, **3rd Place**

The Cleanest Industrial Plant **Inönü Plant**



Rio +20 - United Nations Conference on Sustainable Development

One of the Best 25 Global Applications

The Automotive Industry and Ford Otosan

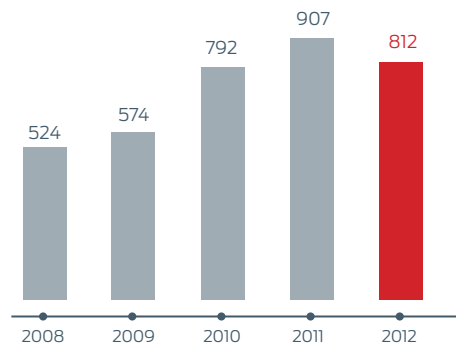
Ford Otosan went from strength to strength, maintaining its market leadership as the top-selling automotive brand in Turkey for the 11th consecutive year, with 1,090,459 units sold over the last 11 years.

Market Assessment

The Turkish automotive industry contracted by 10.4% in 2012 over the previous year with domestic market sales of 812,126 units.

There were several reasons for this contraction. A high base year effect, especially in December and the first half of the year, due to the fact that 2011 was a record year on many fronts; a decline in economic growth to 3% levels; measures taken to cool down the economy against the current accounts deficit, and a hike in SCT (Special Consumption Tax) rates resulted in a significant reduction in sales, especially in the light commercial vehicles sector. However, 2012 still recorded the second highest sales volume, following 2011's record breaking figures.

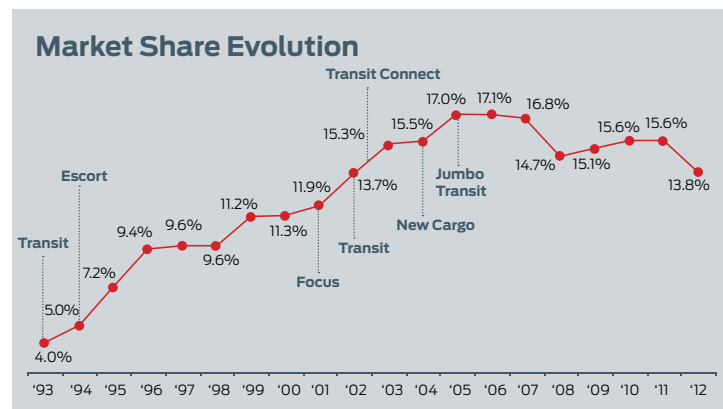
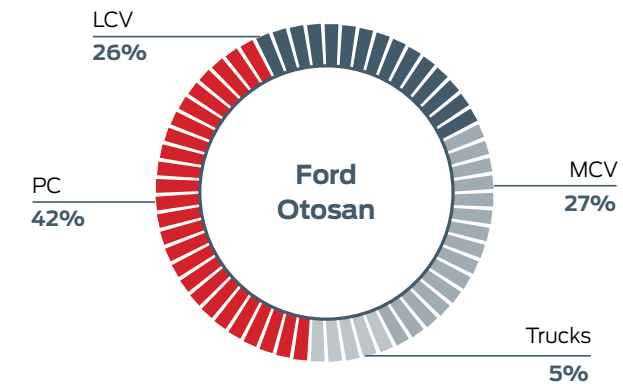
Total Automotive Industry ('000 units)



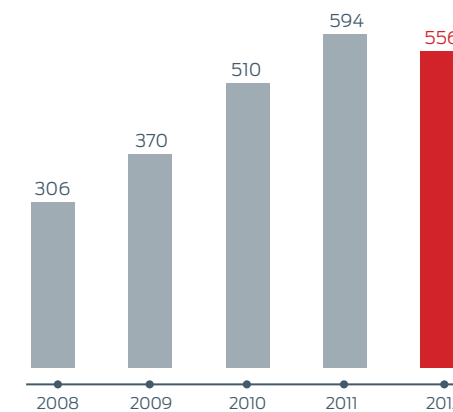
Price competition, which customarily intensifies, especially in the last months of recent years, was especially aggressive throughout 2012. As the rise in SCT rates, which went into effect in October 2011, caused a shift from light commercial vehicles to passenger cars, the market share of the latter rose to 68% in 2012 from 65% in 2011.

The change in the model year transition application led to decelerating sales in December. SCT rates applied to passenger cars below 1.6 liter were hiked by 3 percentage points to 40% in the last week of September. However, the impact of these changes was limited thanks to campaigns held by the companies.

Ford Otosan sold 112,162 units for a market share of 13.8% in 2012. Ford Otosan succeeded in maintaining its market leadership for the 11th consecutive year by adapting to the changing macro economic conditions and stiff competition, thanks to its large product range and flexible strategy.

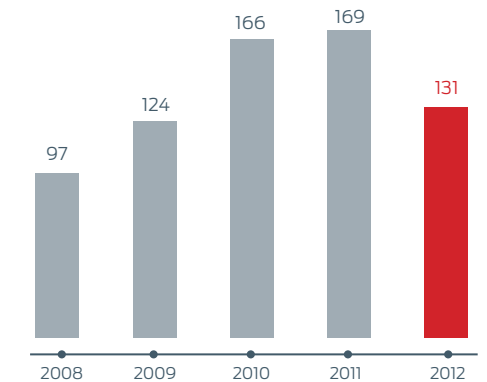


Passenger Cars ('000 units)



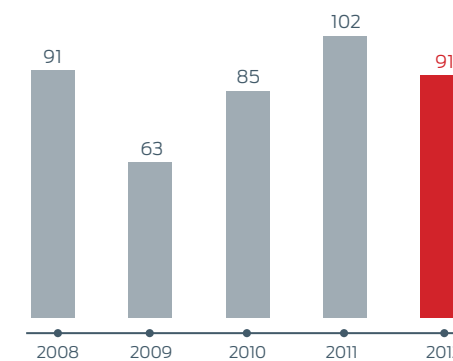
The toughest price competition was observed in the passenger car segment, which was the least affected by the contraction in 2012. The passenger car segment contracted by 6% during the year with sales of 556,280 units. Ford Otosan captured 8.5% of this segment with sales of 47,030 units and became the fourth most popular brand in passenger cars.

Light Commercial Vehicles ('000 units)



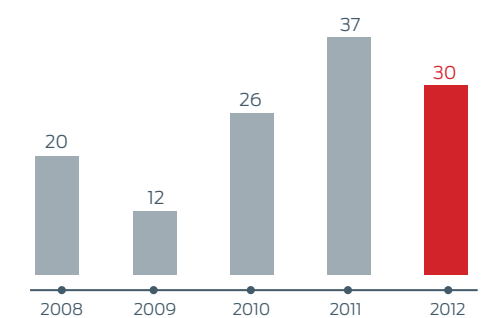
The heaviest fall in 2012 occurred in the light commercial vehicles segment, declining by 22% over the previous year. One of the most significant reasons for this decline was the consumer shift to passenger cars following the hike in Special Consumption Tax rates in October 2011. A total of 130,884 models were sold in this segment. Ford Otosan attained a market share of 22.1% with 28,971 units of Transit Connect sales and closed the year in second place.

Medium Commercial Vehicles ('000 units)



Ford Otosan achieved a market share of 33.3% in the medium commercial vehicles segment, and maintained its undisputed market leadership with sales of 30,165 units. Total sales in this segment amounted to 90,597 units, representing a contraction of 11% in 2012. Transit, the segment's flagship brand, captured a greater market share than the total market shares of the subsequent two brands.

Heavy Trucks ('000 units)

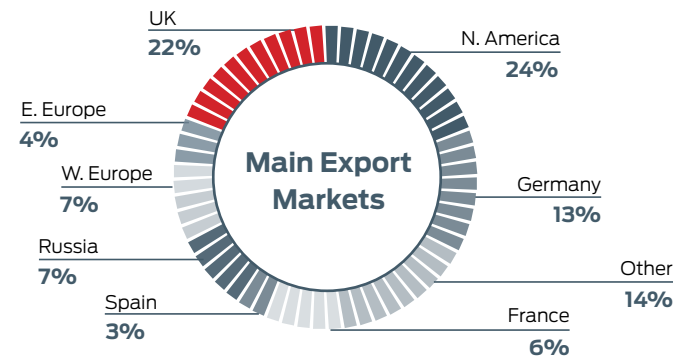
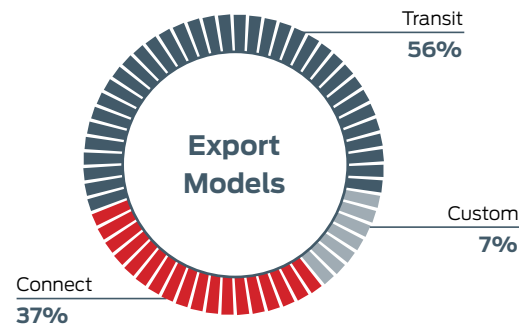


Ford Otosan captured a 20% share of the heavy trucks segment market with Cargo, and closed the year in second place. The segment declined by 18% in 2012, with sales of 30,042 units.

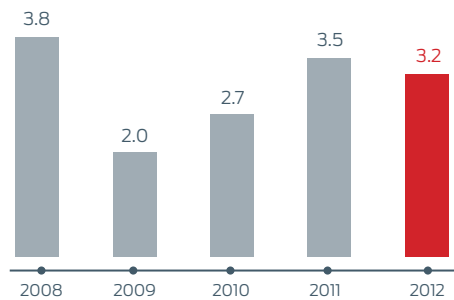
Exports

Ford Otosan, export leader of Turkish automotive with US\$ 3.2 billion in export revenues, commenced exports to the Republic of South Africa, Georgia, Turkmenistan and Kazakhstan in 2012.

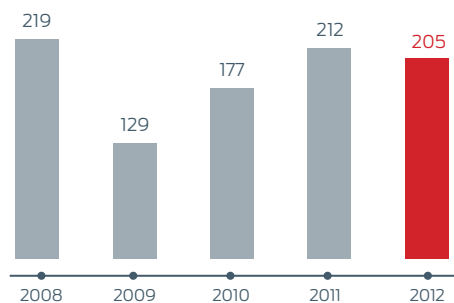
The European automotive market continued to contract in 2012 hitting a 20-year low with sales of 13.8 million units. However, despite this shrinkage in the European markets, Ford Otosan still achieved exports of 205,000 vehicles. Leading tenaciously with US\$ 3.2 billion in export revenues, Ford Otosan enhanced its net exporter position. Although the Turkish automotive exports fell back by 8%, the drop in Ford Otosan's exports was limited to 4% thanks to its diversified export markets. Ford Otosan exported vehicles and parts to 76 countries spanning 5 continents, adding the Republic of South Africa, Georgia, Turkmenistan and Kazakhstan to its export destinations in 2012.



Export Revenues (US\$ billion)



Exports ('000 Units)



US\$ 2.1 billion
net exports over the last 5 years

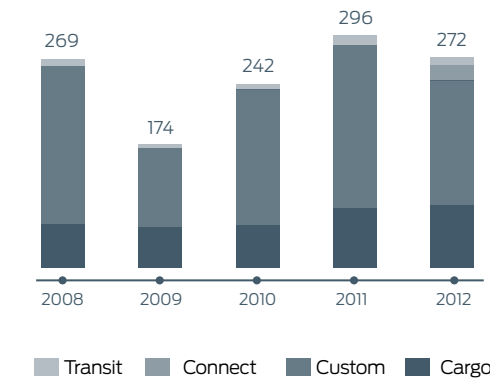
Vehicle and parts exports to
76 countries in 5 continents

60%
of Turkey's commercial vehicle exports

Production

Ford Otosan reached a capacity utilization rate of 82% in 2012, which exceeds the averages of both the European and Turkish industries.

Production ('000 Units)



Ford Otosan produced 272,102 vehicles despite the challenging conditions of 2012, and worked efficiently with a capacity utilization rate of 82%, which exceeds the averages of both the European and Turkish industries. The company complemented this success in effective capacity utilization by also boosting its performance in quality and occupational safety. Ford Otosan successfully integrated a new vehicle line into the current field without hindering production thanks to its flexible planning, engineering prowess and work discipline.

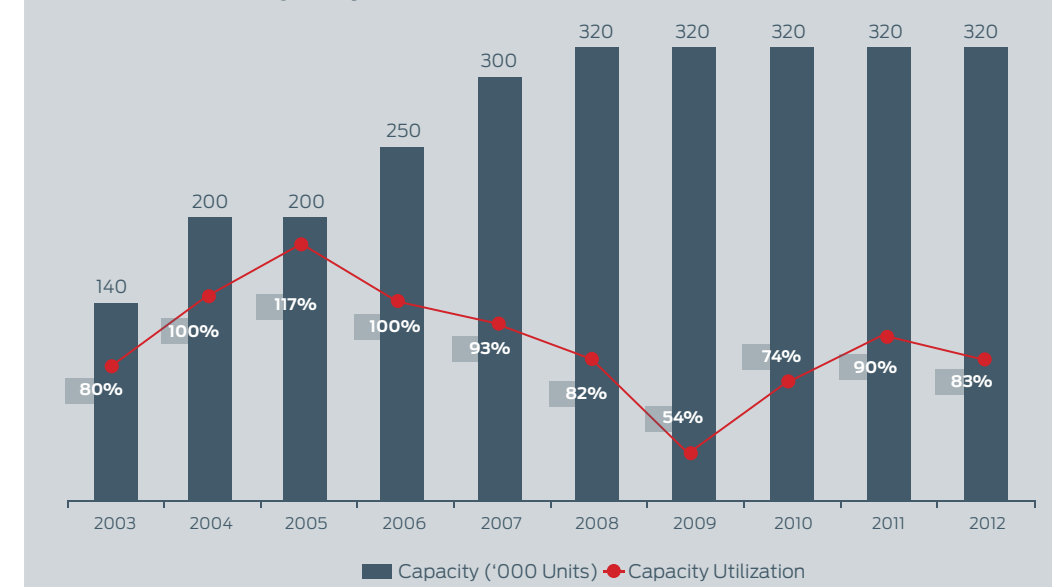
Ford Otosan produces
55 of every 100
commercial vehicles manufactured in Turkey

25%
of Turkey's total vehicle production

The brand-new members of the Transit family, Transit Custom and Tourneo Custom, entered into production on 23rd of June 2012 with the third line established in the Kocaeli Plant.

During the year, the Kocaeli Plant manufactured 143,000 Transit, 105,000 Transit Connect, and 17,000 Transit Custom and Tourneo Custom vehicles, while the İnönü Plant produced 7,000 Cargo trucks.

Kocaeli Plant Capacity Utilization



efficiency

Extensive Product Range



FORD TRANSIT

Production of over 6 million units since 1965
The longest-running model in Ford of Europe

Transit, which has been in production in the Kocaeli Plant since 1967, has achieved major success owing to its robustness, endurance, low operational costs and efficient fuel consumption. Transit has become the generic brand of its class with its product diversity and robustness, and maintained its traditional leadership in the market during 2012. Investment in the new generation Transit is still in progress and will be manufactured in the Kocaeli Plant in 2013.

FORD TRANSIT CUSTOM FORD TOURNEO CUSTOM

Brand new segment entry by Ford

Transit Custom and Tourneo Custom offer users class-leader load carrying capacity and fuel economy, as well as low utilization cost and high endurance all in one package, and went on sale in a new segment for Ford in 2012. Even before Transit Custom, the new member of the Transit Family, was recognized with the "International Van of the Year 2013" award, even before it was launched, garnering the highest number of votes from the jury, and the highest marks, in the history of the competition. This was the fourth time that Ford was honored as "International Van of the Year" in the award's 22-year history. Ford claimed the award with the Ford Transit in 2001, with the Transit Connect in 2003, with the Ford Transit in 2007, and finally with the Transit Custom in 2013. Moreover, the Transit Custom became the first vehicle in its class to be awarded the maximum 5 stars in independent Euro NCAP car safety ratings. The Tourneo Custom won the sister award in the passenger transportation segment.



FORD TRANSIT CONNECT

The first Turkish manufactured vehicle to be exported to the USA, homeland of the automotive industry

Introduced in 2002, Transit Connect blazed a trail in 2009 and became the first Turkish manufactured vehicle to be exported to the USA, the original home of the automotive industry. After receiving the "International Van of the Year" award in Europe in 2003, the Transit Connect won the same award in the USA in 2010. It cemented its status by claiming second place in the light commercial vehicle segment in 2013.



FORD CARGO

Most reliable business partner

Ford Cargo trucks combine endurance, technology and performance together with low operational costs. The new Ford Cargo 1846T model, developed by Ford Otosan engineers and manufactured at the Inönü Plant, emerged third in the "International Truck of the Year 2013" competition.

The new Ford Cargo, designed in accordance with the "One Ford" strategy in the heavy commercial vehicles class, will be produced in Brazil in addition to the Inönü Plant, and launched on the market in 2013.



FORD FOCUS



FORD RANGER



FORD B-MAX



FORD C-MAX



FORD FIESTA



FORD KUGA



FORD MONDEO



FORD S-MAX



FORD GALAXY

dynamic

New Members of the Transit Family



Tests to stretch the limits between **-40 °C** and **+50 °C**

Door test, opening and closing **250,000** times

Test drive for **5,000,000 km**

Tests lasting **6 months**

Lowest fuel consumption in its class
6.5 lt per/100 km

Lowest **CO₂** emissions in its class
172 gr/km



Ford Cargo

15 New Product Launches in 24 Months

2012



Focus 1Lt EcoBoost



B-Max



Ranger



Transit Custom



Tourneo Custom

2013



Fiesta



Cargo 1846T



Kuga



Transit Connect



Tourneo Connect



Transit

2014



Mondeo



Ecosport



Transit Courier



Tourneo Courier



US\$ 75 million investments

3 continents

400 engineers

8 countries

3 years of development process

12 test locations



Plants

Almost half of the US\$ 630 million investment at the Kocaeli Plant for the new Transit production has been completed.



Ford Otosan Kocaeli Plant

The lead manufacturing plant of the new generation Transit

The annual production capacity at the Kocaeli Plant, where Transit and Transit Connect are manufactured stands at 320,000 units. Opened in 2001, the Kocaeli Plant has been the Transit's main global production center since 2004, due to the high quality output of Turkish workers and advanced manufacturing technology in use at the facility. The Kocaeli Plant stands out among global Ford manufacturing facilities for its top quality standards. In addition, the Kocaeli Plant has won many national and international awards for its environment-friendly production.

The Kocaeli Plant, on 340,000 m² covered and in a total area of 1,600,000 m², with its proximity to its supplier park and its very own port is has a major logistics advantage.

The brand-new models, Transit Custom and Tourneo Custom, which have been adopted into the Transit family since June 23, entered into production in the third line established in the Kocaeli Plant in 2012.

Almost half of the US\$ 630 million investment at the Kocaeli Plant for the new Transit production has been completed. After the completion of the investments and the engagement of the Yeniköy Plant, the capacity of the Kocaeli Plant will expand to 400,000 units.



Ford Otosan İnönü Plant

One of Ford's two global truck production centers

Located in Eskişehir, the İnönü Plant produces Cargo trucks, engines and powertrains. It has an annual production capacity of 66,000 engines (10,000 truck engines, 56,000 Transit Duratorq engines), 10,000 trucks, and 140,000 powertrains.

As part of the new Global Cargo investment, the covered area of the İnönü Plant expanded from 76,500 m² to 79,000 m².

Along with Brazil, the İnönü Plant will become one of the two production centers for the new Ford Cargo models, designed in accordance with the "One Ford" strategy in the heavy commercial vehicle class.

The İnönü Plant will reach production capacity of 15,000 trucks after the completion of the investments in 2014. Cargo trucks produced at the İnönü Plant will be exported to 65 countries on 3 continents. İnönü is the only plant in Turkey to combine vehicle, diesel engine and powertrain production diversity under a single roof.

excellence



Ford Otosan Yeniköy Plant

The single production center in the world of Ford's new light commercial vehicle, Courier.

As part of the sizeable US\$ 1 billion investment program, Ford Otosan laid the foundations of its third plant, the Yeniköy Plant, on 19th of March 2012. The Yeniköy Plant, which is still under construction within the Kocaeli Plant, will have a covered area of 70,000 m². The plant will have an annual capacity of 110,000 units and will be the only production center in the world of the new light commercial vehicle models, Transit Courier and Tourneo Courier, to be launched in 2014. This new facility will be one of Ford's most significant light commercial vehicle production bases and it will be fully equipped with environmentally friendly high-tech applications.

Energy consumption will be minimized thanks to the 3wet painting system, which will be used for the first time in Turkey. Since waste paints will be expunged without the need for water due to the Dry-Scrubber technology (to be used for the first time in Ford Europe), this will enhance our "environment friendly" identity. Approximately 130 advanced technology robots will be used in the production lines to maintain efficiency and vehicle quality. Within the plant, which will be recognized as a "Disabled-Friendly Plant", all work areas and all equipment in these areas are designed ergonomically in order to support workers' health and the workspace. The Yeniköy Plant will create additional employment, and will enhance Ford Otosan's contribution to the development of the region by attracting supply industry investment.



Kartal Parts Distribution Center

95% fill rate

Ford Otosan Parts Distribution Center is the largest of its kind in Turkey with a 25,000 m² warehouse, and is home to the Company's spare parts, marketing, sales and after sales operations.

It ranks as the fourth largest among Ford's Parts Distribution Centers in Europe in terms of warehouse capacity. This center displays higher performance than peer Ford centers, with a 95% fill rate achieved by means of effective parts management.



Gebze Engineering Center

Ford's diesel engine development center

Gebze Engineering Center was established in 2007 in order to accelerate Ford Otosan's success in domestic and export markets, and to seize the advantage in global competition by developing the newest products and most advanced technologies.



The Center pioneers the engineering of Ford's global diesel engine production with 1,240 R&D engineers.

Growing Capacity



Investor Relations

Strong and Committed JV Partners



2012 Main Indicators

Ford Otosan has been trading on the Istanbul Stock Exchange (ISE) since January 13, 1986 under the ticker symbol FROTO.IS.

TL 21.40
closing Price

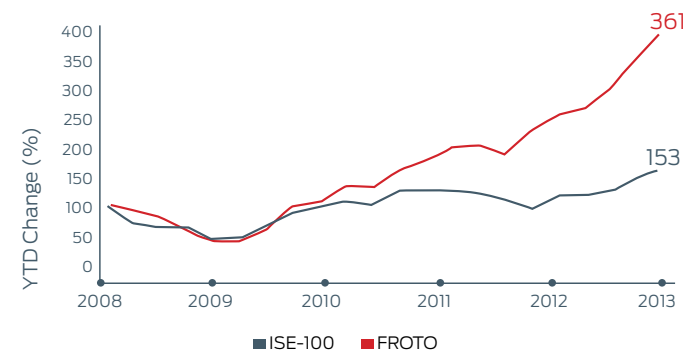
TL 22.50
highest

TL 13.02
lowest

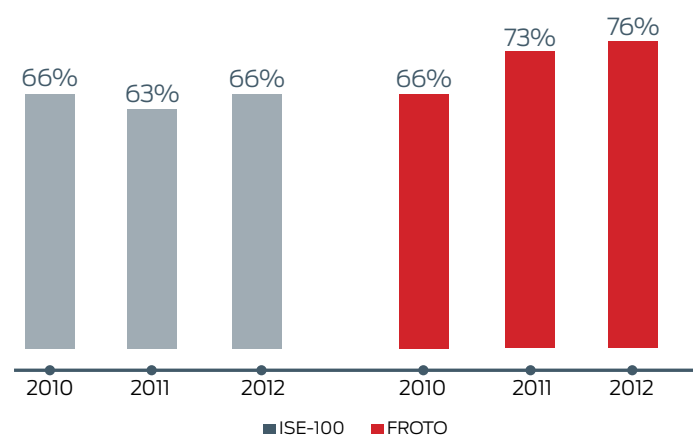
US\$ 4.2 billion
highest market cap in the automotive sector on the ISE

US\$ 2.8 million
average daily trading volume

Strong Relative Share Performance



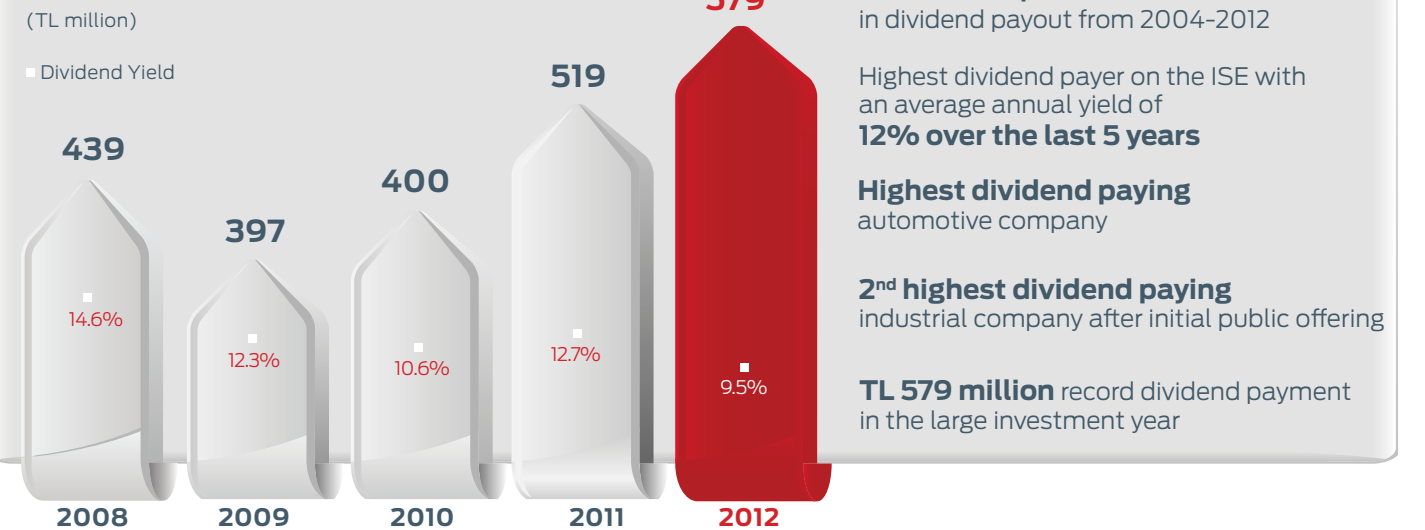
Increasing Foreign Ownersip in Free Float



Why Ford Otosan?

- Economies of scale and new projects to boost profitability**
 - 55% of Turkey's commercial vehicle production
 - 60% of Turkey's commercial vehicle exports
 - Customer focused wide service network
 - New projects to strengthen the product range and expand capacity
- Strong financial position and prudent risk management**
 - High cash-generating capacity
 - Strong financial structure
 - Natural hedge due to fx-denominated export revenues
- Resilience and high efficiency**
 - Resilient structure due to the diversity of export markets
 - High capacity utilization rate
 - Efficient, flexible and low cost production
- Commitment to Corporate Governance Principles**
 - Separate CEO and Chairman roles
 - Independent Members of the Board
 - Executive Committee
 - Audit Committee
 - Corporate Governance Committee
 - Early Detection and Management of Risk Committee
 - Remuneration Committee

Sustainable and Attractive Dividend Yield



Dividend Policy

Providing high returns for our shareholders is one of Ford Otosan's main strategic objectives. Within this context, the Company's dividend distribution policy is defined as "predictable and stable dividend distribution, including during moderate economic stagnation periods, except periods of large investment and serious economic crisis." There are no privileges in Ford Otosan shares pertaining to dividend distribution.

2012 Investor Relations Activities

- 230** investor meetings
- 10** conferences
- 5** analyst meetings and site visits
- 26** material disclosures

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consistency

R&D

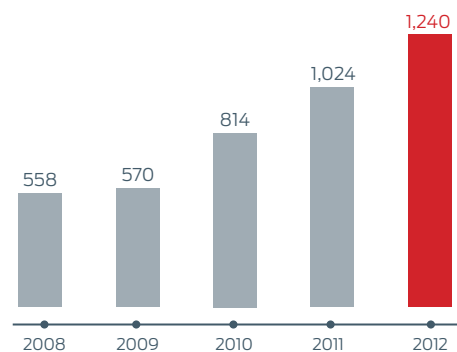
1,240 engineers developing advanced technologies and the newest products in order to gain an edge in global competition

Deep-rooted R&D Culture

The Ford Otosan Product Development division, which pioneered R&D activities in the Turkish automotive sector, produced Anadol, the first domestic passenger car designed by Turkish engineers, in 1966 and ERK, the first local diesel engine, in 1986. The first license agreement signed with Ford granted the Company the production license for Anadol and Transit engines, together with production and sales licenses for Cargo trucks and Transit models. In 1997, Ford Otosan became an equal partnership with Ford and developed the Transit Connect model, its first large scale project, followed by Ecotorq, a brand new heavy vehicle engine for the new Cargo truck, in 2003.

With 1,240 R&D engineers designing its own vehicles and engines, Ford Otosan R&D Center is not only the Turkish automotive industry's biggest R&D center, but also ranks among Ford's top three R&D Centers worldwide. Besides running R&D operations for the Ford Transit and Cargo series, Ford Otosan also undertook the engineering process for the new generation Transit Connect slated for production in the Valencia Plant.

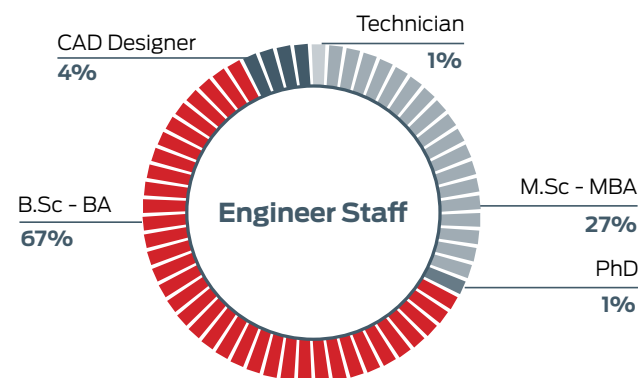
Number of R&D Engineers



The only design and engineering center for Ford's global heavy commercial vehicles and diesel engines

The Kocaeli Gölcük Engineering Center has been officially registered as an R&D center by the Ministry of Science, Industry and Technology. In addition, the engineering center in Gebze TÜBİTAK Free Zone is also focused on R&D studies pertaining to the development of trucks, engines and powertrains.

Ford Otosan is in charge of the management of R&D activities in the Cargo truck, Transit Connect and Courier projects and domestic market Transit projects. Puma, Ecotorq, DV/DW, Lion engines and all of powertrain products are designed by our R&D departments and produced at the İnönü Plant. The Gebze Engineering Center is Ford's global development center for diesel engines. The engineering operations of four of Ford Motor Company's plants, manufacturing huge numbers of products, including the Kocaeli Plant, are supported and the newly produced engines are developed in Gebze.



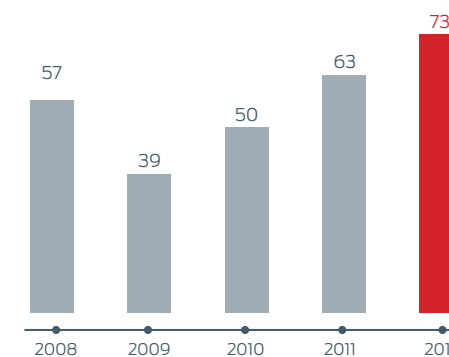
In addition, the software (calibration) requirements of Europe and the Far East (excluding continental America) are developed by Ford Otosan engineers.

Ford Otosan possesses the talent and infrastructure required to design, develop and test a whole vehicle, including its engine, from blank paper to completed product. Also, Ford Otosan works hard on advanced technologies in order to offer products that can compete not only in the domestic market, but also in all potential export markets, such as the European and North American markets.

354 patents and 40 usable models

Ford Otosan believes that the sustainable growth of the Turkish automotive industry on a global scale is dependent upon the improvement and proliferation of R&D competence. Creating or developing a new product that meets all standards in the automotive sector, against a background of intense competitiveness and rapidly changing technology, can only be achieved by means of long-term studies with proficient engineering teams.

Number of Patent Applications



Therefore, it is crucial to preserve or advance market position by driving on R&D activities without interruption, to protect the industrial property rights of developed products and to secure patents on them. 73 patent applications were filed in 2012. The Company has filed 40 usable models and 354 patents in total.

Ford Otosan breaks further new ground in the automotive world: Engineering export

Ford Otosan boasts 70% of domestic production and a significant position in engineering amongst the global Ford family, also exporting engineering for products that are not produced by Ford Otosan. US\$ 56 million worth of know-how was exported to the Ford Motor Company in 2012.

University - Industry cooperation

University - industry cooperation provides universities with the opportunity to develop the basic sciences, publish journals and contribute to national and international science. It also provides the industry with the opportunity to meet the technological requirements, solve the problems encountered, and present the product quality appropriate to changing market conditions. Towards these ends, various cooperation agreements have been signed with several universities such as the Boğaziçi University, Istanbul Technical University, Middle East Technical University, Koç University, Kocaeli University, Sabancı University and Okan University. 85 academicians and 112 students have been involved in a total of 95 projects.



Human Resources

Ford Otosan's motto is "Each employee is a talent".

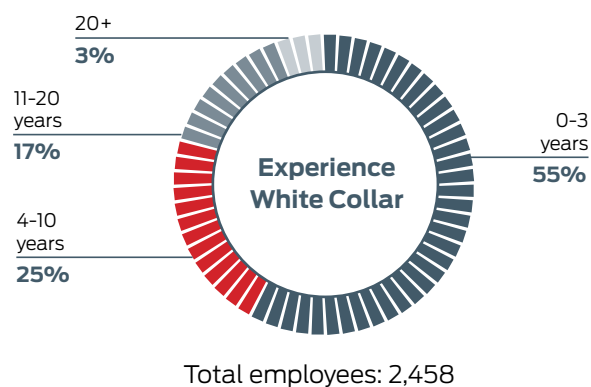
Ford Otosan's Human Resources (HR) Department aims to improve the skills of the Company's employees. To accomplish this objective, the Department blends its vision: "To become the most preferred automotive company by employees in Turkey," with its mission: "To pioneer people-oriented HR practices, keeping loyalty and motivation always at the highest level, and ensure the continuity of a high performance corporate culture."

The Department uses priorities and road maps, based on an employee's loyalty, by continuously improving its processes in order to apply HR systems, in all units and at all locations, at the same quality level.

Maintaining its steadily growing labor force at the highest quality level, Ford Otosan encourages its employees to change for the better, in line with the principle of continuous development, by evaluating the skills, performance and potential of each employee.

Integrated HR Applications

Ford Otosan uses standard evaluation methods, including performance management, 360 degrees competency evaluation, talent management and leadership potential assessment to ensure sustainable continuous improvement and growth, in line with its philosophy, "Each employee is a talent". In addition to providing inputs to the development plan, career management and compensation management, the assessment and evaluation results also provide employees with reciprocal development opportunities.



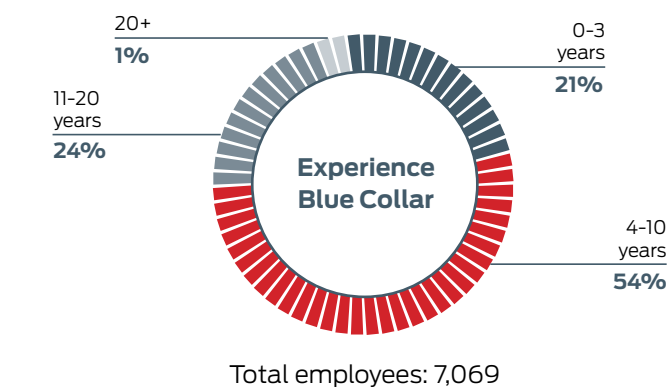
Talent Management System

In a rapidly evolving labor market, the Ford Otosan Talent Management System is of utmost importance in identifying talented employees who join the Company, and to retain them as permanent staff. This vital tool enables the Company not only to identify talented employees, but also to determine their improvable qualities and further fulfill their potential.

All Ford Otosan employees are subject to 360 Degrees Competency Evaluation by their direct managers, peers and subordinate employees, if any, in accordance with the Ford Otosan Behavioral Competency Set.

This process, administered annually for all white-collar employees, aims to ensure the most efficient utilization and improvement of the workforce in order to maintain continuity and growth, and to create a common corporate culture using standard evaluation methods. At improvement planning interviews between the manager and the employee, feedback is provided to the employee, his/her development areas are prioritized based on the employee's opinions, and their development plans are designed accordingly.

Ford Otosan offers employees the opportunity to understand what behaviors and competencies are expected of them. This is accomplished by analyzing the competencies required for the next level position. Competency job families, defined according to role, also enable employees to design their own development plans and to prepare themselves for a higher-level position.

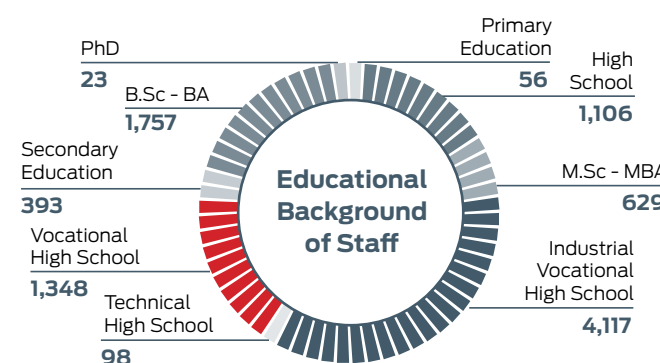


Training and Development Management

Ford Otosan's training and development policy is designed to enhance personal achievement and motivation levels. It offers high standard development and training opportunities that help employees to meet their requirements and to contribute to organizational development and success.

Developed to map out areas for improvement for white-collar employees, this process determines the primary areas to be developed, and prepares development plans accordingly. The process also considers the requirements of the position, performance targets in that period, competency evaluation, results of performance, potential and other evaluations, manager's opinions, and the employee's own requests.

Personal Development Planning aims to achieve development at both organizational and employee level. This method identifies the employee's strengths and improvable qualifications for knowledge, skills and behaviors required for the current/future position. It prioritizes improvable qualities in accordance with Company objectives and the requirements of the employee's current position. Personal Development Planning organizes activities applicable for development areas, prepares the road map and analyzes the employee's development status after the completion of the prescribed activities.



Human Resources Principles And Approaches

Competency Management System

All Ford Otosan employees are subject to 360 Degrees Competency Evaluation by their direct managers, peers and subordinate employees, if any, in accordance with the Ford Otosan Behavioral Competency Set. This process is administered once every year for all white-collar employees. It aims to ensure the most efficient utilization and improvement of the workforce in order to maintain continuity and growth, and create a common corporate culture using standard evaluation methods.

Development Planning

Designed to map out developments for white-collar employees, this process determines primary areas to be developed and prepares development plans. The process also considers the requirements of the position, performance targets for that period, competency evaluation, results of performance, potential and other evaluations, manager's opinions and the employee's own requests.

Performance Management System

Ford Otosan's Performance Management System aims to achieve perfect performance in the Company, and to manage employees by objectively evaluating their performance within a framework of common standards. The Goal Setting Interview, held at the beginning of the year between the manager and the employee, sets performance targets for the employee, integrated with the Company's targets. The employee's achievements are monitored every 6 months and remedial measures are taken if necessary.

Human Resources

Ford Otosan encourages employees to change for the better, in line with the principle of continuous development, by evaluating the skills, performance and potential of each employee.

Intra-Company Communication

Internal Communications

The Human Resources and Corporate Communications Department offers Company personnel a variety of platforms on which they can query all developments related to Ford Otosan, follow the achievements of the Company, and share their opinions.

Open Door Meetings

“Open Door” Meetings are held in the middle and at the end of every year at all business locations. They are attended by senior management and all employees at the relevant location.

Leadership Meetings

Leadership Meetings are held at the end of each quarter to share information about Ford Otosan's financial position, Turkey's political and economic conditions, current developments pertaining to HR applications, and the Company's strategic plans and targets.

Intranet Portal

Information on Ford Otosan's financial developments, investments, organizational changes, appointments and social activities are published via Intranet Portal, giving employees access to up-to-the-minute detail. Moreover, employees are informed by e-mail with regard all developments.

Internal Communication Activities

A variety of social activities are organized in order to help our employees come together socially during the year. Employees participate in our traditional events including concerts, iftar meals (evening meals during Ramadan), and circumcision feasts with their families. In 2012, the Company organized 5 fast-breaking dinners, which were attended by 4,865 employees, and 2 circumcision feasts for 436 children, attended by 1,950 people.

“Aramızda” Magazine

Current news, improvements achieved by employees, and marketing activities are shared with all employees in the monthly “Aramızda” magazine.

Sports Activities

Athletes from our company participate in teams in the annual Koç Sports Festival. Our athletes, competing in 9 different categories, won 19 cups in this year's festival. In addition to the Koç Sports Festival, our employees are also encouraged to participate in the Dragon Festival in order to further support their sporting activities. Our employees entered 3 teams in the 2012 Dragon Festival, with 51 athletes. One of our teams, “Haliç'in Sultanları - Sultans of the Golden Horn” won first prize in the Entertainment category.



Social Benefits Provided to Employees

Social Benefits

Ford Otosan extends a wide range of social benefits to employees including fuel allowance, educational assistance, child allowance, marriage payment, military service payment, religious holiday allowance, annual leave payment, death benefit, maternity benefit and nursery benefit, as detailed in the “Collective Labor Contract”.

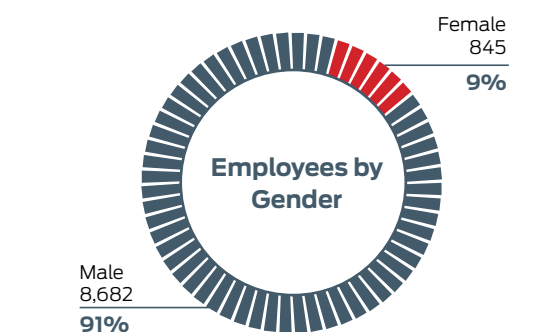
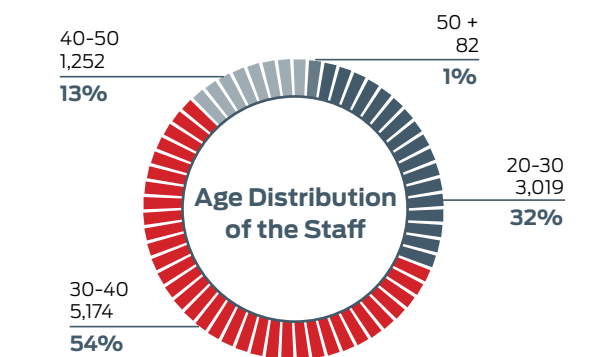
Koç Holding Retirement and Support Fund Foundation

Koç Holding Retirement and Support Fund Foundation provides additional social benefits and support to Koç Group employees and extends financial support upon retirement.

Relations with the Labor Union

Ford Otosan and the Turkish Metal Workers Union engage in collective bargaining covering all hourly paid personnel employed at the Company. The negotiation process between the Company and the Union takes place through industrial relations coordination meetings, preserving labor harmony. Ford Otosan perpetually strives to develop and maintain a consistent, sound and constructive dialogue with the Union, in compliance with local legislations, as well as with EU legislations and the UN Global Compact.

In November 2010, Ford Otosan signed a two-year collective labor contract, effective from 1st of September 2010, with blue-collar personnel through the Turkish Employers' Association of Metal Industries (MESS). The collective labor contract negotiations, to be effective between 2012 and 2014, will start in January 2013. A representative from the company has been appointed to manage relations with the Union personnel, in addition to union representatives who are appointed in accordance with the Collective Labor Agreement. The HR and Corporate Communications Department conducts all relations with the Labor Union.



Occupational Health and Safety

Ford Otosan places great importance not only on the occupational safety of employees, but also of visitors, contractors and auxiliary industry companies, and applies risk avoidance systems and rules.

Occupational Health and Safety Policy

Ford Otosan strives to create a safe and healthy work environment by satisfying all statutory and organizational requirements pertaining to occupational health and safety at the workplace. The Company makes improvement efforts to eliminate all risks which pose a threat to the safety of life and property, including illness, physical injury and fire. The administration and employees are of a single mind in this process. Ford Otosan believes in cooperation and joint participation of management and employees in order to attain its goal of safeguarding personnel against loss or injury due to occupational accidents. Prevention of accidents and losses is a direct and common responsibility of administration and employees.

Production and support services departments abide by this policy for designing, operating and maintaining all plant and equipment. All employees meticulously follow current occupational safety rules and procedures. The employees and the administration expend enormous efforts and care to comply with this policy. Ford Otosan undertakes to identify and define all occupational health and safety risks involved in its operations, and to develop and review its objectives and schedules in light of these risks.

This policy, undertaken and implemented by Ford Otosan, will be distributed to all employees and all parties working for the Company. It is also accessible to the public and third parties.

Risk Assessment Process

Every step of the production lines is subject to risk analysis. These risk analyses are performed by active operators and are evaluated with the participation and approval of expert staff, including occupational safety engineer/technician, process engineer, environmental engineer and ergonomics officer. Risk analysis is based on a review of physical, chemical, ergonomic and hygienic risk potential in the course of operations, and on taking the relevant measures to prevent such risks. Risk analysis is also conducted for activities off the production line. Risk analysis is conducted again in the event of any change in processes and/or layout, acquisition of new equipment or adoption of a new system, and after any occupational accident.

Risk analyses are reviewed once a year regardless of whether or not any of the aforementioned extraordinary situations occur.

Health Center

Employees enjoy an annual health examination at Health Centers which are accessible every day during work hours at all locations. Additionally, the Health Centers respond to emergency cases, address numerous health issues such as studies on disabled employees, and organize training sessions on relevant topics.

Ford Otosan Search & Rescue Team (FOKE)

The FOKE Team, staffed by employee volunteers, was established in 1999 at the time of the Gölcük earthquake. In 2011, the Team augmented its membership and refreshed its training sessions. FOKE provides volunteer support to search and rescue efforts in the event of natural disasters. Recently, the Team's volunteers participated in rescue efforts in the aftermath of the Van earthquake. FOKE's 81 members run regular training activities to maintain its search and rescue capacity at natural disasters and in emergencies.

Awards in 6 Categories

Ford Otosan received 6 awards in the prestigious, "President's Health and Safety Award (PHSA)" competition on occupational health and safety, organized by Ford since 1999.



Quality

Ford Otosan's primary task is to consistently develop its products and services to meet consumers' requirements and expectations. Quality is Ford Otosan's most distinguishing feature in the current intensely competitive environment.

Ford Otosan's Quality Policy

Customer satisfaction is Ford Otosan's number one job. Quality comes first.

Ford Otosan conducts its operations with utmost faith in the necessity of providing excellent product and service quality to deliver total customer satisfaction.

Customers stand at the heart of business.

Ford Otosan conducts its business by consistently keeping customers at the forefront and offering better quality products and services than its competitors, thus fully ensuring customer confidence in and loyalty to the Company.

Continuous improvement underlies Ford Otosan's achievements.

Ford Otosan conducts its operations with the philosophy of aiming to be excellent in all activities. To strive for perfection in value and reliability of the very latest products, as well as in human relations, competitiveness and profitability, continuous improvement must become a way of life. To this end, management sets the Company's quality targets and makes sure that all personnel are informed with respect to these goals. In addition, management reviews the quality targets on a regular basis and identifies opportunities for improvement.

Teamwork is a way of life for Ford Otosan.

Ford Otosan is like a family that embraces members who trust and respect each other. The Company strives to create a positive work environment free from prejudice and based on mutual communication, to ensure that employees understand, trust and support each other.

Authorized dealers and suppliers are Ford Otosan's business partners.

It is Ford Otosan's principle to provide mutual benefits in its relations with authorized dealers, suppliers and other business partners in order to develop and grow together.

Trustworthiness is a must.

Ford Otosan conducts business in a respectable manner, contributing to society and fostering a trustworthy reputation.

The ISO 9001 Quality Management System serves as guide for Ford Otosan leading to sustainable improvement in quality and customer satisfaction.

The fundamental philosophies of the ISO 9001 Standard comprise customer orientation, process approach and sustainable improvement.

Ford Otosan differentiates itself with its quality management

Along with all employees, Ford Otosan strives for every action and decision taken, and each product and service provided, to enhance customer satisfaction. To this end, on 6th of June 2011 the Company obtained the ISO 10002:2004 Quality Management Certification and ISO 14064 Comprehensive Assurance Certification.

Rules of Excellent Total Quality

Adopted by Ford Otosan management, the philosophy of "Excellent Total Quality" is best expressed as, "Whatever we do must be the last word."

Ford Otosan also aims to be perfect in its basic tasks, values and implementation of its corporate philosophy.

In order to bring customer satisfaction to a level of perfection, quality of products and services should be the "number one" priority.

Quality level is set by the "customer".

The best way to attain Excellent Total Quality is to take measures to prevent a problem, instead of solving the problem.

The individual efforts of all Ford Otosan employees, suppliers and dealers each make up a part of customer-oriented products or services.

In order to attain Excellent Total Quality;

It is necessary to review, improve and develop all processes (not only production processes but also all processes supporting production and sales) on a continuous basis.

Employees are required to make innovations and organize planned activities in order to implement these developments.

Ford Otosan conducts its operations with the principle, "We all are customers of others and every customer deserves the best".

Environment

Ford Otosan believes that the environment is a priceless treasure to be protected in the best possible manner for future generations.

9,449,250 kwh
energy saving

2,440 hours
environmental training for company personnel

4,912 tons
CO₂ emissions reduction

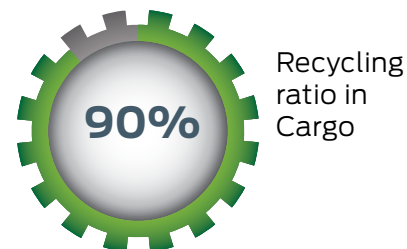
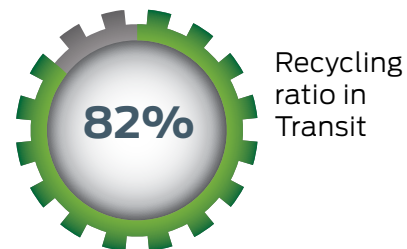
3,799 hours
environmental training for contractors

380,579 m³
waste water treatment

€ 1,176,608
environmental investments

1,867 tons
recycled hazardous waste

Zero
ozone-depleting Halon gases in the fire and cooling systems



Environment Policy

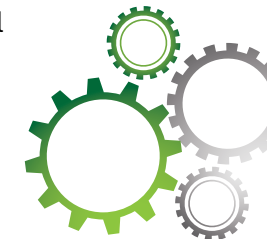
- Meet or even exceed the relevant environmental regulatory requirements,
- Strive for continual improvement in the environmental management system,
- Minimize waste, prevent pollution at source and reduce adverse impact on the environment,
- Protect the environment and spread environmental awareness to our community, country and the world,
- Define and reduce environmental risks and emergencies,
- Comply with Occupational Health & Safety regulations to prevent adverse impact on the environment.
- Raise the environmental awareness of staff and contractors through training.

Environmental Management System



Ford Otosan initially obtained the ISO 14001 Environmental Management System Certification, which covers all activities related to manufacturing processes, products, services and other business activities, in 1998.

The Company has integrated its Environmental Management System, which focuses on continuous development, with other management systems such as quality and occupational safety management systems implemented therein.



To date, Ford Otosan's Kocaeli and İnönü Plants have passed all environmental inspections with zero non-conformity.

The main drivers of the Company's environmental initiatives are respect for the environment and raising environmental awareness among Ford Otosan personnel.



In order to promote environmental awareness, the Company requires its suppliers to obtain the ISO 14001 Certification, as a prerequisite for a business partnership.

Air Emissions

Having embraced "sustainable development" as a guiding corporate principle, Ford Otosan has used the most environmentally friendly, state-of-the-art technologies during all processes since the Project phase of the Kocaeli Plant. One of the best illustrations of this is the use of water-based paint in the painting process. Water-based paints are used at the Kocaeli Plant to reduce air-polluting Volatile Organic Compounds (VOC) in painting processes. Ford Otosan is the first company among Ford's European plants to use water-based paint applications for primer coats, and first in the Turkish automotive industry for both primer and base coats.

As a result, the Company has minimized solvent emissions. In addition, incinerators have been placed at the exits of paint-drying ovens to further reduce VOC emissions.

This has led to both a reduction in emissions and a boost in energy conservation by recycling the energy produced in furnaces.

Besides water-based paint and incinerators, the Company also uses natural gas as fuel for heating and processing purposes, thus minimizing combustion-related emissions. Periodic air control measurements at the plants indicate that the Company's emission figures are well below legal limits.

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

Energy

Each Ford Otosan plant has an Energy Committee, which monitors energy conservation efforts. At its periodic meetings, the Energy Committee determines which measures can be taken to reduce energy consumption in plants and/or processes, and develops relevant projects.

Environment

Ford Otosan Kocaeli Plant's sustainable environment-friendly automotive production process was deemed to be one of the best applications by the Ministry of Development. This project represented Turkey at the UN Rio +20 Summit.

Direct and indirect greenhouse gas emissions caused by energy consumption or other activities are evaluated and approved by an independent body.

Ford Otosan obtained the ISO 14064 certificate for all operations in its 4 plants in June 2012. The certification process for ISO 50001 started in 2012, with a view to earning the certificate in 2013. Four of our projects competed in the finals of the Energy Efficiency in Industry Project Competition organized by the Renewable Energy Directorate.

Energy conservation and reduction of greenhouse gas emissions were major considerations during the project phase of the Kocaeli Plant, and the following measures were taken:

- Use of energy saving photocell and reduction systems in the lighting of outdoor areas,
- Energy conservation through the use of well-insulated, automatic doors at the personnel and vehicle entrances,
- Use of spot-welding torches consuming 50% less energy in the body shop,
- 30% reduction in energy consumption through the energy automation system,
- Re-using the energy generated by the incinerators at the paint furnace exits.

Some of the energy saving initiatives undertaken in plants in recent years include:

- Lighting Consumption Improvement in the Engine and Powertrains Plant
- Enhanced Efficiency by Reducing Compressor Suction Temperature
- Energy Saving Project through Damper Application in Press Lines
- Energy Saving Project by Changing Armatures in Welding Fields
- Energy Saving Project with the Engine Drives

Products and Materials

The primary objective in the development and production of Ford Otosan products is to reduce any adverse impact on the environment, not only at the production stage but also during the life cycle of the product and afterwards. The Company's efforts to this end include:

The recycling ratio of Transit produced at the Kocaeli Plant stands at over **85%**.

The recycling ratio of new Cargo produced at the İnönü Plant stands at above **90%**.

Fire and cooling systems **do not** contain halon gases, which deplete the ozone layer.

All Ford service centers and dealers

are informed about the environment in order to reduce any environmental impact during the use of the product.



Wastewater Treatment and Water Use

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

Water processed at the treatment facilities is analyzed and controlled both at the plant laboratories and in the laboratories of accredited institutions. The wastewater in the Kocaeli Wastewater Treatment Plant is now under constant observation by means of online measurements at the plant exit.

The water used in the plants is supplied from wells. Strenuous efforts towards the protection and conservation of natural resources have resulted in significant gains in process water consumption.

Waste Management

Waste management awareness in Ford Otosan's plants is extensive. All landfill and waste disposal are conducted in line with relevant technical and legal standards. The Company's activities especially focus on reducing waste at source and increasing recycling.

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

One recent project is the establishment of a sludge drying unit at the Kocaeli Plant's waste water treatment plant. This project reduced the amount of treated sludge and raised the calorific value of the waste, allowing it to be used as an alternative fuel. The positive benefits for the environment were that the amount of waste fell and the waste was used in a productive manner. Additionally, significant financial savings were generated. The project is the first of its kind among Turkish automotive plants and for Ford of Europe. The initiative is widely recognized as an innovative enterprise. As a result, the project won first prize in the 2010 Ford Environmental Leadership Award.

Ford Otosan 2012 Environment Awards

The Ford Otosan Kocaeli Plant's "Sustainable Environment Friendly Automotive Production" Project was very successful in the Turkey's Best Applications on Sustainability awards, organized by the Ministry of Development. The Project went on to represent Turkey at the UN Sustainable Development Summit in Rio.

The presentation of the Project application in the sustainable Development Summit won great recognition and approval. It was especially emphasized that the application was proof that industrial production could exist in harmony with the protection of ecosystems and biodiversity. The contributions of the application to the environment can be summarized as; development and maintenance of biodiversity in the plant site, formation of a wide range of flora consisting of 9,619 trees and 40,227 briar patch plants, and the fact that the conserved wetlands have become a stopover zone around the gulf for migratory birds, which have difficulty finding stopover opportunities due to industrialization. In addition, Ford Otosan's broad partner base, first and foremost the employees and then the supply industry, services and the families of these employees, contributes to the spread of environmental awareness through its partners. Moreover, the applications are shared through such platforms so that the other companies can also implement them.

Ford Otosan was awarded the Environmental Charter for its successful performance in the "Clean Industry" competition organized by the Ministry of Environment and Urbanization, in 2012.

Ford Otosan was also granted 3 awards in the 13th Environment Awards organized by the Istanbul Chamber of Industry.

Another award received by the Kocaeli Plant in 2012 was the "Environmentalist Plant Award", by the Turkish Healthy Cities Association.

sensitive

Corporate Social Responsibility

Ford Otosan endeavors to bear its share of the responsibility in ensuring that the community in which it resides achieves its sustainable targets.

Providing financial and moral support to social responsibility projects that will benefit society in the fields of culture, art and sports and especially education, health and the environment, Ford Otosan expends efforts to bear its own share of the responsibility in ensuring that the community in which it resides attains its sustainable targets.

To this end, 43 social responsibility projects were implemented in 2012.

Education

Ford Otosan supports educational institutions by providing them with the materials, equipment and funds they need.

Rear Window Project: OİB Technical and Industrial Vocational High School completed its transformation thanks to funds collected through the "Rear Window" Project, initiated by cooperation between Ford Otosan and OİB Educational Foundation. The school holds the honor of being the first and only educational institute and the first public institution to hold a "Green Building" certificate.

A library with 2000 volumes was established for students of the Gölcük High School of Science.

Vehbi Koç Foundation Ford Otosan Teachers Lodging Houses: A modern lodging house complex was built for 128 teachers and their families in Kalecik Village, Van, which was badly affected by earthquake.

Theoretical and applied trainings were run at Düzce Technical and Industrial Vocational High School.

144 computers were provided for the use of 700 elementary and secondary level students, greatly enhancing the quality of their education.

Gölcük Dumlupınar Elementary School, which was damaged by the earthquake, was demolished, and the 32-classroom KSO Elementary School was built in its place with the support of the Kocaeli Chamber of Industry and Ford Otosan.

University students can now benefit from education on new generation engine technologies with the donation of new hardware such as engines, transmissions and parts to the engineering laboratories of a number of universities.

Health

In-house doctors of the Ford Otosan Kocaeli Plant and two of the İnönü Plant doctors performed cardiovascular tests and eye screening on 70 elementary school students.

Culture and Arts

"Ferhad İle Şirin" Theatre Play: Ford Otosan's theatre group comprising 26 employees, of which 22 are disabled, put on 3 performances.

Sports

Eurasia Marathon "For My Country" Project: The Ford Otosan Athletic Team participated in the Eurasia Marathon on 11th of November 2012 wearing special outfits to create awareness of the "No Barriers for My Country" Project. Our athletes made a memorable impression as they pushed the wheelchair up to the finishing line, boosting social awareness and sensitivity.

14th Football Tournament: 5 teams of disabled employees entered the 14th Ford Otosan Football Tournament to enhance awareness.

Voluntary Activities

Seminar on the rehabilitation of hearing impaired people: Discussion of Ford Otosan's applications aiming to provide hearing impaired people with a comfortable workplace.

Temporary Prefabricated Houses: 3 temporary prefabricated houses were built and delivered to our citizens who were left homeless by the earthquake in Van.

Painting Saraylı Çocuk Village: A team of 50 employees from Ford Otosan's mounting personnel completed the interior whitewashing of 7 buildings in Saraylı Çocuk Village and decorated the living spaces of abandoned or orphaned children.

"No Barriers for My Country" Project

The 2012 – 2013 theme of the Koç Group's "For My Country" Project was determined as "No Barriers for My Country".

Disabled people make up 12.29% of Turkey's population. With this Project, we aim to enhance the quality of life of disabled people at work and socially, and to create social awareness and sensitivity about disability.

One of the Project's 2012 targets was delivering "Approach towards the Disabled" trainings to all Ford Otosan employees and creating a difference. To this end, 46 employees volunteered for the "For My Country" Project, which planned to train more than 85 groups and provided 12,000 hours of training to 6,091 employees since May 2012. In addition, 300 people, including suppliers, customers, students, subcontractors and relatives of employees were also trained.



VKV Culture and Recreation Center

Vehbi Koç Foundation Ford Otosan Gölcük Culture and Recreation Center, was established in 2011 to provide a facility for the social development of Ford Otosan employees and the local community. The Culture and Recreation Center covering a total of 27,000 m², 4,700 m² indoors, is replete with natural beauty and architectural elegance, and includes an auditorium, a gym, an observatory, art studios, a restaurant and several halls for social activities.

97,615 visitors

A total of **145** activities

14 exhibitions

16 theatre plays

11 children's theatre shows

21 concerts and shows

50 educational, health and environmental seminars

17 courses and workshops

8 workshops for children

8 panel discussions and recitals



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Agenda of the Ordinary General Assembly

1. Opening and election of Chairmanship Panel,
2. Reading, discussion and approval of the Annual Report of year 2012 prepared by the Board of Directors,
3. Reading of the Statutory Auditor's Report and summary report of the Independent Audit Firm of 2012 Fiscal Period,
4. Reading, discussion and approval of the Financial Statements of 2012 Fiscal Period,
5. Release of the members of the Board of Directors and Statutory Auditors separately for year 2012 activities,
6. Giving information to the shareholders regarding the Company's "Profit Distribution Policy" for 2012 and the following years, in accordance with the regulations of the Capital Markets Board,
7. Approval, or approval with amendments or refusal of the Board of Directors' proposal for profit distribution for the year 2012 and the distribution date,
8. Determination of the number and the term of duty of the members of the Board of Directors and election of the members base on the determined number, election of the Independent Board Members,
9. As per the regulations of the Capital Markets Board, informing the shareholders regarding the "Remuneration Policy" for members of the Board of Directors and the senior executives and payments made under this policy and approval of the "Remuneration Policy" and related payments,
10. Determination of the monthly gross fees to be paid to the members of the Board of Directors.
11. As per the regulations of the Turkish Commercial Code and Capital Markets Board, approval of the Board of Directors' election for the Independent Audit Firm,
12. Approval, or approval with amendments or refusal of the Board of Directors' proposal for "Internal Directive of the General Assembly" which includes principles and procedures for the conduct of the General Assembly,
13. Giving information to the shareholders regarding the transactions made with related parties in 2012, in the context of the regulations of the Capital Markets Board,
14. Giving information to the shareholders regarding the Company's "Disclosure Policy", in accordance with the regulations of the Capital Markets Board,
15. Giving information to the shareholders regarding the donations and contributions made by the Company to the foundations and societies for social charity purposes in 2012, in accordance with the regulations of the Capital Markets Board and determination of a upper limit for donations to be made in 2013,
16. Under Articles 395 and 396 of Turkish Commercial Code and the regulations of the Capital Markets Board, authorizing: shareholders with management control, members of the Board of Directors who are also a shareholder, senior executives and their spouses and relatives related by blood or affinity up to the third degree, to enter into transactions with the company or its subsidiaries, which may cause a conflict of interest; to compete; to enter into transactions with the company on their own or third parties' behalf; to conduct the activities within the fields of business of the Company on their own or third parties' behalf; and to participate in other companies engaged in the same fields of business of the Company as a partner with unlimited liability; and to do other transactions; and also informing the shareholders regarding the transactions made in this extent in 2012 pursuant to the Corporate Governance Principles.
17. Authorization of the Chairmanship Panel to sign the meeting minutes of the General Assembly of Shareholders on behalf of the shareholders,
18. Wishes and opinions.

Board of Directors Report

Dear Shareholders, Partners and Employees,

In submitting the Board of Directors' Report on the operations of Ford Otomotiv Sanayi A.Ş. in 2012 for your examination, we welcome all of our esteemed shareholders to the 54th Annual Shareholders Meeting.

We completed 2012 with a successful performance despite domestic and global difficulties that marred the previous year. We were deeply shocked by the loss of Mr. Nuri Otay, General Manager of the Company, to a sudden heart attack at the beginning of the year. We felt the deep sorrow of losing a treasure who was passionately dedicated to his family, his job, his company, his employees and the automotive industry. We will always remember him with love and respect. May God bless his soul. Despite these unexpected events, we have emerged from a year in which we obtained successful results in a compelling market by diligently focusing on our targets throughout the year.

The World

2012 was a challenging year for the global economy. Despite the raft of measures taken, the problems experienced in developed countries, especially the Eurozone, could not be fully fixed. These circumstances obstructed the task environment for our country and sector. In addition to many European countries slipping into recession, indebtedness and unemployment rates also reached peak levels. Even the expulsion of a number of countries from the monetary union came up for discussion. Moreover, the supply of abundant and inexpensive liquidity failed to trigger growth in economies all around the world. The ongoing problems in developed economies even had an adverse effect on the growth of developing economies.

Turkey

As well as the contraction in foreign demand caused by the economic crisis in Europe, our main export destination, the ongoing instabilities in the Middle East also impacted the Turkish economy in 2012. While consumption fell in the first three quarters of the year, the economy slowed down considerably compared to the previous year as a result of the measures taken in order to reduce the current account deficit. However, despite the problems and uncertainties in the world economies, Turkey remained one of the few countries to maintain sail on the choppy seas of the global economy. Turkey has managed to distance itself from the general negativity thanks to its economic and financial stability, supported by a strong banking sector. It was a pleasant development for our country that Fitch rating agency upgraded Turkey to "investment grade" in November. In the event of a second upgrade in the upcoming period, our companies will benefit from more favorable borrowing conditions, and our funding base will broaden and become more diversified.

The Central Bank started to support the recovery of domestic demand by relaxing strict measures step by step in the last quarter of the year. As the current account deficit shrank towards the end of 2012, the economy authorities were expected to prioritize the recovery of domestic demand in 2013, with regard to the 4% growth estimates according to the Mid-term Program. However, at the beginning of 2013, Moody's rating agency stated that Turkey should display a more resistant performance to shocks on the balance of payments side in order to upgrade Turkey to investment level. This disclosure changed the priorities once again. While the current account deficit remained the main agenda at the beginning of 2013, the Central Bank has declared that they will keep following the growth in consumer loans closely and maintain their tightening monetary policy.

Automotive Market

The Turkish automotive industry contracted by 10.4% in 2012 over the previous year with domestic market sales of 812,126 units. There were several reasons for this contraction. A high base year effect, especially in December and the first half of the year, due to the fact that 2011 was a record year on many fronts; a decline in economic growth; measures taken to cool down the economy against the current account deficit, and a hike in SCT (Special Consumption Tax) rates resulted in a significant reduction in sales, especially in the light commercial vehicles sector. As well as the slowdown in domestic demand due to the measures taken by the Central Bank leading to a breakdown in the budget balance, some tax increments applied in September had a negative impact on the automotive industry. Our sector saw a second hike in SCT within the same 12-month period. However, 2012 still recorded the second highest sales volume, following 2011's record-breaking figures.

The European automotive market continued to contract in 2012, hitting a 20-year low with sales of 13.8 million units. Despite the diversification strategy applied in export markets in recent years, Europe is still Turkey's largest export destination. The Turkish automotive industry generated exports of 729,923 vehicles in 2012, falling back by 8% due to the problems in Europe.

The reflection of the shrinkage in domestic and foreign markets on automotive production in our country was naturally negative. Automotive production in Turkey fell by 10% to 1,072,978 vehicles in 2012. In this period, Ford Otosan managed to generate 55% of the country's commercial vehicle production and 60% of commercial vehicle exports. Ford Otosan holds its position as Turkey's export leader in automotive, with US\$ 3.2 billion in export revenues, and as Turkey's second largest exporter overall, after Tüpraş.

Ford Otosan in 2012

Ford Otosan sold 112,162 units for a market share of 13.8% in 2012. Ford Otosan succeeded in maintaining its market leadership for the 11th consecutive year by adapting to the changing macro economic conditions and stiff competition, thanks to its large product range and flexible strategy. We were especially pleased to top the commercial vehicle market, and the combined passenger car and commercial vehicles excluding trucks market, in addition to our overall market leadership. The main contributory factors of these achievements were our broad product range, strong products, competitive pricing policies, well-placed marketing strategies, wide distribution channels and customer-focused after sales service.

As can be understood from the data in the section dealing with the Turkish automotive industry in our Annual Report, in 2012 Ford Otosan occupied fourth place in passenger cars with a market share of 8.5%, second place in light commercial vehicles with a market share of 22.1%, the lead in medium commercial vehicles with a market share of 33.3%, and runner up in trucks with a market share of 20%.

With its strong domestic market performance in 2012, Ford Otosan overtook 39 European countries, including the UK, and achieved the highest Ford market share in commercial vehicles in Europe.

Exports

Despite the contraction in the European markets, Ford Otosan still achieved exports of 205,000 vehicles. Leading persistently with US\$ 3.2 billion in export revenues, Ford Otosan further enhanced its net exporter position.

Ford Otosan's market diversification strategy has sustained its large-scale exports program in recent years. We exported 204,489 vehicles in 2012 despite the shrinkage in Europe, our main exports market. With the success of our Transit Connect vehicles in North America, this region became our largest export destination with 49,000 sales, which correspond to a 24% share of our total exports. Ford Otosan exported its 100,000th Connect to America in 2012. The fact that more than half of our exports are destined for countries such as the UK, North America and Germany, which are comparatively little affected by economic fluctuations, helps us to minimize the fragility of our export revenues. Although the Turkish automotive industry fell back by 8%, the drop in Ford Otosan's exports was limited to 4% thanks to its diversified export markets. Ford Otosan exported vehicles and parts to 76 countries, adding the Republic of South Africa, Georgia, Kazakhstan and Turkmenistan to its export portfolio in 2012.

Wholesale Volume

In 2012, Ford Otosan achieved a wholesale volume of 315,500 units, 204,489 of which were shipped to international markets and 111,011 sold in Turkey. Domestic sales volume, export volume and total wholesale volume fell by 21%, 4% and 11%, respectively, over the previous year.

Production

Ford Otosan produced 272,102 vehicles despite the challenging conditions of 2012, and worked efficiently at a capacity utilization rate of 82%, which exceeds the averages of both the European and Turkish industries. The company complemented this success in effective capacity utilization by also boosting its performance in quality and occupational safety. Ford Otosan successfully integrated new Transit Custom and Tourneo Custom production lines into the current field without hindering production thanks to its flexible planning, engineering prowess and work discipline.

The brand-new models, Transit Custom and Tourneo Custom, which have been adopted into the Transit family since June 23, entered into production with the third line established in the Kocaeli Plant in 2012.

The Custom series, which is the 1-ton version of the Transit model, helped Ford make a strong entry into a new segment, and was launched on the market towards the end of 2012. Transit Custom and Tourneo Custom are produced with an annual capacity of 130,000 units for the Ford world only in our Kocaeli Plant.

During the year, the Kocaeli Plant manufactured 142,827 Transit, 104,660 Transit Connect, and 17,253 Transit Custom and Tourneo Custom vehicles, while the İnönü Plant produced 7,362 Cargo trucks.

Investments and new products

Ford Otosan continued apace with its huge US\$ 1 billion investment program, which was launched in 2010 and is slated for completion in 2014, in the challenging task environment of 2012. Ford Otosan, taking another significant step for the sake of growth and development, laid the foundations of its new plant near the Kocaeli Plant, on March 19, 2012. The Yeniköy Plant, embarking with approximately € 205 million fixed asset investment, will be the only production center in the world of the new light commercial vehicle models, Transit Courier and Tourneo Courier, to be launched by Ford in 2014. After the launching of the Plant, with an annual production capacity of 110,000 units, Ford Otosan's annual capacity including trucks will reach 415,000 units. This new facility will be one of Ford's most significant light commercial vehicle production bases and it will be fully equipped with environmentally friendly high-tech applications. Energy consumption will be minimized thanks to the painting system, which will be used for the first time in Turkey. Waste paints will be expunged without the need for water due to technology to be used for the first time in Ford Europe. Energy consumption will be reduced and this will enhance our "environment friendly" identity. 130 advanced technology robots will be used in the production lines to maintain efficiency and vehicle quality. Within the plant, which will be recognized as a "Disabled-Friendly Plant", all work areas and all equipment in these areas are designed ergonomically in order to support workers' health and the workspace. The Yeniköy Plant will create employment as soon as it becomes operational, and will boost Ford Otosan's contribution to the development of the region by attracting support industry investment. As a result of these investments, Ford Otosan enhanced its position as Ford's most important light commercial vehicle development and production base in Europe.

Ford Otosan took out a loan worth € 190 million from the European Investment Bank for the New Transit Investment in June and December. The fact that the Bank granted a loan to the Turkish industry, despite the prevailing conditions in Europe, is testimony to the trust in the Turkish economy and in Ford Otosan.

TL 935 million was spent in 2012 on new projects and ordinary annual maintenance activities (2011: TL 377 million).

The Company received two new investment incentives totaling TL 1,344,405,935 in December 2010 to be used for new projects. Information pertaining to the use of the incentives is summarized in the footnotes of our Financial Statements. These investments, sporting a contribution rate of 30%, are placed in the 1st Region according to the incentive legislations.

R&D activities

At Ford Otosan, we place special emphasis on research and development activities for sustainable growth and competitive edge. Ford Otosan's Engineering Center has been officially registered as an R&D center by the Ministry of Science, Industry and Technology. The Gebze Engineering Center has become Ford Motor Company's global development center for diesel engines. Besides running R&D operations for the Ford Transit and Cargo series, Ford Otosan engineers filled us with pride by undertaking the whole engineering process for the new generation Transit Connect slated for production in the Valencia Plant.

Ford Otosan R&D Center, exporting vehicles, engines and engineering with 1,240 R&D engineers, is not only the Turkish automotive industry's biggest R&D center, but also ranks among Ford's top three R&D Centers worldwide. Ford Otosan, retaining its status as one of the companies with the highest R&D expenditure rate in Turkey in 2012, is proud to be already approaching a 3% R&D expenditure rate, which is the national target set for 2023.

In 2012, the Company spent TL 257 million on R&D expenditures covering ongoing projects (2011: TL 168 million).

Social Responsibility and Donations

Ford Otosan and its employees contribute to numerous social responsibility projects in the fields of education, health, environment and culture. The largest projects are usually implemented by the Vehbi Koç Foundation. Including the donation to the Vehbi Koç Foundation, total donations to tax-exempt foundations and associations in 2012 were TL 13,214,246. (2011: TL 18,315,200)

Awards

Ford Otosan fully reaped the fruits of its operations by receiving several awards from the sector's most prestigious global organizations. Even before the Transit Custom, the new member of the Transit Family, was put on the market, it was recognized with the "International Commercial Vehicle of the Year 2013" award, garnering the highest number of votes from the jury, and the highest marks, in the history of the competition. This was the fourth time that Ford was honored as "Commercial Vehicle of the Year" in the award's 22-year history. Ford claimed the award with the Ford Transit in 2001, with the Transit Connect in 2003, with the Ford Transit in 2007, and finally with the Transit Custom in 2013.

Moreover, the Transit Custom became the first vehicle in its class to be awarded the maximum 5 stars in independent Euro NCAP car safety ratings. The Tourneo Custom won the sister award in the passenger transportation segment.

The new Ford Cargo 1846T model, developed by Ford Otosan engineers and manufactured at the İnönü Plant, emerged third in the "Truck of the Year 2013" competition.

Changeovers in the Board of Directors

Mr. Michael Robert Flewitt, who left his job in Ford Motor Company on June 4, 2012, resigned from his Board membership. Pursuant to the decision taken by the Board, Mr. Jeffery Carter Wood was appointed a Board member upon the suggestion of the Ford Motor Company. This appointment was approved in the extraordinary general assembly meeting held on October 19, 2012.

Mr. Rahmi M. Koç, who has served as a Member of the Board since 1961 and as Chairman since 1972, retired from his position in the Board of Directors' Meeting held on December 10, 2012. Mr. Ali Y. Koç was elected as the new Chairman by the Board of Directors. Mr. Rahmi M. Koç will continue his service as a Member of the Board of Ford Otomotiv Sanayi A. Ş.

Changeovers in Company Management

Pursuant to the decision taken at the Board of Directors' meeting; Mr. Haydar Yenigün, who has been acting as Assistant General Manager - Kocaeli Plant Manager, was appointed General Manager as of February 15, 2012 following the passing away of Mr. Nuri Kamil Otay.

Pursuant to the decision taken at the Board of Directors' meeting; Mr. Mehmet Candan Günel, who has been acting as Kocaeli Plant Assistant Manager, was appointed Assistant General Manager - Kocaeli Plant Manager as of March 8, 2012 further to the appointment of Mr. Haydar Yenigün as the General Manager.

Mr. Ahmet Şatiroğlu, who has been acting as Assistant General Manager - Total Quality in the Company, retired from his position as of May 2012. Mr. Bülent Akdoğan was appointed Total Quality Director as of May 1, 2012.

Employment and Personnel

Ford Otosan employed 2,458 white-collar and 7,069 blue-collar employees, totaling 9,527 personnel. Ford Otosan retained its position as the automotive company with the highest employment rate. (December 31, 2011: 2,167 white-collar and 7,414 blue-collar employees, totaling 9,581 personnel).

The Company's Blue-collar workers are under the coverage of the Group Collective Labor Contract signed between the Turkish Metal Union and Turkish Employers' Association of Metal Industries (MESS), which expired on August 31, 2012. Following the communication of the authorization determinations to MESS after the Unions and Collective Labor Contracts Law number 6356 went into effect on November 7, 2012, the negotiations for the new period Group Collective Labor Contract, covering September 1, 2012 – August 31, 2014, started on January 9, 2013 between the Turkish Metal Union and MESS, the employers' union in the metal work branch of which the Company is a member.

Financial Results

2012 Financial Statements and their explanatory footnotes, audited by the Independent Auditors, have been submitted for your review in the relevant sections of the Annual Report.

Revenues fell by 6 % in 2012, when compared to the previous year, to TL 9,768 million. Domestic revenues fell by 17 % to TL 3,882 million due to the shrinkage in the domestic market, a reduction in the number of units sold and stiff price competition. On the other hand, export revenues rose by 1.4 % to TL 5,936 million, despite the contraction in export volume. Gross profit fell by 11 % to TL 1,075 million and the operating profit fell by 6.7%. While the impact of the appreciation of TL vs. Euro, and the positive trend in raw material prices, reflected positively on costs, the high cost of marketing campaigns due to stiff price competition, the burden of the special consumption tax hike on passenger cars that took effect in the second half of September but was not reflected in prices, the cost of launching new vehicles in the third quarter, and the negative impact of price and leadership competition on an aging product range further pressured the profit margins.

Profit before tax went down by 20 %, when compared to 2011, to TL 642 million. Net profit for the period rose by 2 % to TL 675 million, exceeding the amount of profit before tax, thanks to the deferred tax assets accounted over the tax advantage provided by the investment incentive certificates.

In 2012, the Company obtained fresh borrowings of Euro 305 million and repaid debt of Euro 129 million. As a result, total financial liabilities rose by Euro 176 million. On the other hand, the Company's cash reserves went up by 40 %. According to the Balance Sheet dated December 31, 2012, the Company holds TL 302 million in cash versus TL 1,260 million in financial debts.

The Company pursues extremely cautious policies against financial risk. Data pertaining to such risk is closely monitored, and the financial metrics set up by the Board of Directors and Early Detection and Management of Risk Committee are kept within the limits. Risk management policies are explained in the Risk Management section of our Annual Report, and the nature of financial risks and related levels are provided in detail in the footnotes to the financial statements.

Dividend Policy and Dividend Proposal

In 2012, Ford Otosan maintained its maximum dividend distribution policy and this allowed the Company to make another record high dividend distribution of TL 579 million despite the ongoing investments. As a result, Ford Otosan's total dividend payment between 2004 and 2012 exceeded US\$ 2.5 billion. Ford Otosan maintained its number one spot among the ISE companies with the highest dividend yield, at an average of 12%, over the last 5 years.

We aim to continue our policy of predictable and stable dividends this year. In this respect, we hereby propose to distribute a dividend of TL 300,028,050, at a ratio of 85.5000% (net 72.6750%) over a basis of gross Kr 85.5000 (net=Kr 72.6750) per share with the nominal value of TL 1, and to commence payment on April 3, 2013. Detailed information on the dividend distribution proposal can be found in the Dividend Distribution Proposal enclosed in the annual report.

Selection of the Independent Auditors

Following extensive research, and consultation with the Audit Committee, the Board of Directors has selected Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited) as the independent Audit firm for the 2013 financial year. We submit this selection for the approval of the General Assembly.

2013 Outlook

In consideration of the hike in Special Consumption Tax rates applied to sub – 1.6 liter passenger cars in September, 2012, the declaration of the Central Bank that they will continue to closely monitor loans growth, and the tightening monetary policy despite low interest rate conditions, the effect of the economic and political problems occurring in the world, in Europe and in Turkey on consumer confidence, we project that the total market volume of the automotive industry will be in the range of 780,000 - 820,000 units in 2013. Ford Otosan aims to maintain leadership in the 12th year by achieving sales at a similar level to 2012.

Despite all the measures taken in Europe, a significant recovery in the economy is not expected in 2013. On the contrary, it is predicted that the shrinkage will continue and the market volume will be around 13.4 million units. Despite these problems, we aim to achieve exports at similar levels to 2012 thanks to our new products, diversification and extension of our export markets.

We are planning to reach US\$ 430 million in capital expenditure within the context of the ongoing investments, in 2013.

As Ford Otosan enters a year of high expenditures on new product launches and project implementations, cost cutting measures and efficiency gains will remain our foremost priorities. Our main targets are to complete the projects in parallel with the plans, launch the products in the projected periods, grow by means of new products added to our product range, continue our leadership in the upcoming decade, and enhance our profitability and market share.

Dear investors, business partners and employees,

Mr. Rahmi M. Koç, who has served as a Member of the Board since 1961 and as Chairman since 1972, retired from his position in the Board of Directors' Meeting of the Company held on December 10, 2012. Mr. Ali Y. Koç was elected as the new Chairman by the Board of Directors. Mr. Rahmi M. Koç has contributed greatly, to the Turkish economy and to the lives of our employees, dealers and producers for several generations since the establishment of our Company. We would like to express our deepest gratitude to Mr. Rahmi M. Koç, who has made the greatest contribution in Ford Otosan's financial and operational magnitude and its leading position in the Turkish automotive industry, thanks to his vision, profound knowledge and extensive experience, as well as his outstanding leadership qualities.

The Company and the Board of Directors will maintain its growth and accomplishments under the leadership of Mr. Ali Y. Koç. Ford Otosan will continue to create added value for our country in employment, exports and many other areas in the upcoming period.

We hereby extend our sincere gratitude to our founders, business partners, our former and current employees, the Turkish Metal Union, our suppliers, our dealers and to all our customers and you, our dear shareholders for the significant contributions in making Ford Otosan one of the largest and most successful industrial corporations in Turkey.

Best regards,

FORD OTOMOTİV SANAYİ A.Ş. BOARD OF DIRECTORS

Dividend Distribution Proposal for the Year 2012

According to our financial statements for the accounting period 01.01.2012 - 31.12.2012 prepared in accordance with the International Financial Accounting Standards within the framework of the Capital Markets Board's Communiqué Serial:XI, No:29 and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited), a net income of TL 675,022,759 has been generated. Our dividend proposal per Company's dividend policy can be found below. Subject dividend distribution transactions mentioned below will begin on April 3, 2013 according to the General Assembly Resolution.

Ford Otomotiv Sanayi A.Ş. 2012 Dividend Distribution Proposal Table (TL)

1. Paid-in/Issued Capital		350,910,000	
2. Total Legal Reserves (According to Tax Book)		426,439,720	
If there is dividend privilege in the Articles of Association, information regarding this privilege		-	
	According to CMB		According to Tax Book
3. Income for the Period	641,582,558	502,155,243	
4. Taxes Payable (-)	33,440,201	(89,919,272)	
5. Net Income for the Period (=)	675,022,759	412,235,971	
6. Retained Losses (-)	-	-	
7. First Series of Legal Reserves (-)	0	0	
8. Distributable Net Income for the Period (=)	675,022,759	412,235,971	
9. Donations within the year (+)	13,214,246		
10. Distributable Net Income for the Period including Donations to Calculate First Dividend	688,237,005		
11. First Dividend to the Shareholders	137,647,401		
- Cash	137,647,401		
- Bonus			
- Total	137,647,401		
12. Dividend Distribution to Shareholder with Privileged Shares	0		
13. Dividend Distribution to Board of Directors, employees etc.	0		
14. Dividend Distribution to Redeemed Shareholders	0		
15. Second Dividend to Shareholders	162,380,649		
16. Second Series of Legal Reserves	28,248,255		
17. Statutory Reserves	0	0	
18. Special Reserves	0	0	
19. EXTRAORDINARY RESERVES	346,746,454	83,959,666	
20. Other Reserves Distributable			
- Retained Earnings			
- Extraordinary Reserves			
- Other Reserves Distributable per Law and Articles of Association			

Information About the Ratio of Distributed Dividend (in terms of privileged-nonprivileged share)

DIVIDEND INFORMATION PER SHARE

GROUP	TOTAL DIVIDEND (TL)	DIVIDEND FOR EACH SHARE WITH THE NOMINAL VALUE OF TL 1	
		AMOUNT (TL)	RATIO (%)
GROSS	A	2,388,161	0.855000
	A	59,511,182	0.855000
	B	115,011,241	0.855000
	C	123,117,466	0.855000
TOTAL	300,028,050		
NET	A	2,388,161	0.855000
	A	50,584,504	0.726750
	B	115,011,241	0.855000
	C	104,649,847	0.726750
TOTAL	272,633,753		

THE RATIO OF THE DISTRIBUTED DIVIDEND TO DISTRIBUTABLE NET INCOME FOR THE PERIOD INCLUDING DONATIONS

DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)	THE RATIO OF THE DISTRIBUTED DIVIDEND TO DISTRIBUTABLE NET INCOME FOR THE PERIOD INCLUDING DONATIONS (%)
300,028,050	43.59

1) There is no Privileged Share Group in Income

2) 0% withholding tax rate is applied to dividend of TL 2,388,161 allocated to Koç Holding A.Ş., 15% withholding tax rate is applied to dividend of TL 5,718,065 allocated to Koç Holding Emekli ve Yardım Sandığı Vakfı and Vehbi Koç Vakfı, 15% withholding tax rate is applied to the remaining dividend of TL 53,793,117 assuming that all the shares belong to individual shareholders within A Group.

3) 0% withholding tax rate has been applied for B Group in calculating the net dividend amount as all the shares belong to legal corporations, Koç Holding A.Ş. and Temel Ticaret A.Ş.

4) 15% withholding tax rate has been applied to the C Group in calculating the net dividend amount as all the shares belong to our foreign based tax payer shareholder, Ford Motor Company.

Corporate Governance Principles Compliance Report

1. Declaration of Compliance with Principles of Corporate Governance

Ford Otosan has adhered to and implemented the compulsory Corporate Governance Principles published by the Capital Markets Board within the scope of "Vol:IV, No.56 Communiqué on Determination and Implementation of Corporate Governance Principles" during the period of its operation ending on December 31, 2012 and compliance for the remaining principles has been mostly attained. Full compliance target has not been achieved yet due to the challenges encountered in the implementation of some principles, the ongoing discussions in Turkey and in the international platform regarding compliance with certain principles and failure of the current structure to meet such principles in a proper fashion. We are working on the principles that have not been put into practice and application is planned for reinforcing efficient management after the completion of administrative, legal and technical infrastructure.

In 2012, significant efforts were made for compliance with the Capital Markets Board Communiqué Vol:IV, No.56 and new Turkish Commercial Code. All the changes in the Articles of Association required by this Communiqué have been fulfilled in 2012 General Assembly Meeting. The procedure for determining and announcing independent candidate members became effective and election process was completed accordingly. The Committees founded in the Board of Directors carried out their activities efficiently. Remuneration Policy for Board and Executive Management was explained to shareholders in the general assembly. Information about preferred shares, shareholder rights, organizational changes, candidate members of the Board, reports for transactions made with related parties were announced three weeks in advance of the general assembly meeting. All related party transactions have been submitted to the Board of Directors and resolutions for continuation were obtained with the approval of independent Board members. The Company website and annual report have been reviewed and revised for full compliance with the principles of the Capital Markets Board.

Necessary steps will be taken to ensure compliance with the principles parallel to the developments in legislation and general practice.

SECTION I – SHAREHOLDERS

2. Investor Relations Unit

An Investor Relations Team was established in the company in 2004. This unit reports to CFO, Oğuz Toprakoğlu (otoprako@ford.com.tr /+90 262 3156900) and is headed by Investor Relations Manager, Aslı Selçuk (aselcuk@ford.com.tr /+90 216 5647499).

The Investor Relations Team is responsible for updating the stakeholders correctly and equivalently about the company in line with the Corporate Disclosure Policy. For achieving this objective, meetings are organized with the concerned parties, investor conferences and road shows are attended and all incoming telephone or e-mail questions are answered. In 2012, the Team attended 10 investor conferences and held one-on-one meetings with 230 investors and analysts.

Any type of information that may affect the way in which shareholders exercise such rights is presented to shareholders convention in the company website on a regular basis.

3. Shareholders Right to Obtain Information

Ford Otosan does not discriminate among shareholders related to their right to obtain and evaluate information. Enquiries directed to Investor Relations, with the exception of information considered confidential or a trade secret, are answered in writing or by phone by the most authorized person concerning that particular issue. The "Investor Relations" section in the company's website (www.fordotosan.com.tr) includes all kind of information and announcements regarding the utilization of rights by shareholders by using electronic tools effectively.

The request for nominating of a private auditor has not been set down in the Articles of Incorporation as an individual right; it has been predicted that the provisions of the Turkish Commercial Code will be implemented. There was no request during the period of operation for the appointment of a private auditor. The Company's activities are audited periodically by the Independent Auditor assigned at the general assembly.

4. General Shareholders Meetings

During the calendar year of 2012, two General Shareholders' Meetings were held; one ordinary meeting on March 20th and one extraordinary meeting on October 19th. Both meetings achieved a participation of on average 86% and convened at sessions that were open to the public. The meetings can be attended by stakeholders and the media. Executive Management and minimum two Board members are present in the General Shareholders' Meetings.

Invitations to the Shareholders' Meetings have been sent out through Public Disclosure Platform, Turkish trade registry gazette and national newspapers in accordance with the regulations set by the Turkish Commercial Code and the Capital Markets Board.

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

There were no demands by the shareholders related to the agenda of the meetings.

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

The Chairman of the Board and the members are granted permission at each Annual Ordinary General Shareholders' Meeting in accordance with articles 395 and 396 of the Turkish Commercial Code to undertake business that falls into the business scope of the company on behalf of themselves or of others and to be shareholders in companies that undertake such business. The members of the Board of Directors are thus allowed to take on other duties, with no restrictions, outside of the company, within the framework of this permission.

Information about donations and support made in the period is provided as a separate agenda item, there is no change in the donation policy.

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

5. Voting and Minority Rights

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

- In order for the resolutions of the Shareholders' Meetings to be valid, shareholders representing more than half of B or C group shares must have cast an affirmative vote.

- The principle has been set forth that half of the members of the Board of Directors must be elected from candidates representing Group B and the other half from candidates representing Group C shares. It has also been set forth in the same way that one of the auditors shall be elected from among candidates representing Group B and the other from among candidates representing Group C shares.

- In addition, it is also required by Article 454 of the Turkish Commercial Code that amendments to the Articles of Incorporation be approved by privileged shareholders of Group B and C at the Shareholders' Meeting if they are against privileged voting rights.

There are no companies that are reciprocal shareholders. Because of the provisions of the Articles of Incorporation stated above, minority shares cannot be represented at the Board of Directors nor can cumulative voting be applied.

6. Dividend Rights

There are no dividend privileged rights in shares.

In the annual reports of the company presented at the Shareholders' Meetings in the last years, one of the company's strategies has been announced as "ensuring a high return for our shareholders." Besides, as it is emphasized in these reports which are published in the website, Ford Otosan's dividend policy is "a predictable and stable dividend payment except during periods of huge investment or periods of severe economic downturns but, on the other hand, within periods of moderate economic recession."

In accordance with this policy, TL 579,001,500 dividend in total was distributed in the calendar year of 2012; TL 350,910,000 was paid on April 2, 2012 and TL 228,091,500 on October 31, 2012.

7. Transfer of Shares

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

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Ford Otosan is committed to a policy of complete, true, clear, transparent and accurate public disclosure of all material information in a timely manner, in order to keep shareholders and the investing public informed about the company's operations. In this frame, company's Corporate Disclosure Policy was published in the website and announced to the public. The Board of Directors is responsible for preparing, overseeing and updating the Disclosure Policy. Principles regarding the announcement of forward looking information are stated in this policy. If it is perceived that such information or forecasts shall not be realized, updated data is provided.

9. The Company's Website and Its Content

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

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

10. Annual Report

The annual report is prepared in sufficient detail asserted in Corporate Governance Principles to ensure complete, true information is presented to the public about company operations in line with the legal requirements.

SECTION III – STAKEHOLDERS

11. Disclosure of Information to Stakeholders

Stakeholders are regularly informed by the company about company policies, procedures for protection of their rights and matters concerning them.

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

Stakeholders can report practices which violate regulations and ethically inappropriate transactions to the Internal Control Department to be communicated to the Audit Committee.

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

12. Stakeholders Participation in the Company Management

Some of the activities regarding the participation of stakeholders in management are as follows: It is discussed and reached a mutual understanding with the labor union before changes are made in working conditions, working environment and employee rights; decisions are taken together.

Dealers' participation in management is achieved through the "Dealers Council," which was formed many years ago. This Council, made up of representatives elected by dealers, meets regularly and develops suggestions concerning company sales and marketing activities together with management representatives. There is also a Dealers Meeting organized every year with the attendance of all dealers.

Suppliers Meetings are held with the local suppliers of the company. These meetings, which are attended by almost all of our suppliers, act as a platform where the two sides of the supply chain discuss how to make procedures more effective and productive, basing their comments on the views presented by auxiliary industry companies.

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

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

13. Human Resources Policy

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

Our Human Resources Management strategies are; to create high performance culture, to train leaders digesting the latest technology using their social and technical abilities moderately, to develop a learning organization, to form an HR process conducting the evolution, to improve and to perpetuate. The Company principle of announcing job descriptions and performance evaluation criteria is applied. The "Employee Engagement Survey" distributed every year measures employee satisfaction, loyalty and pinpoint areas for development, facilitating taking steps for improvement.

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

14. Ethical Rules and Social Responsibility

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

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

Ford Otosan has adopted the principle of developing the environment, community and life standards of the people. The company's environmental policies have been announced in our annual report and website. The Kocaeli and Inönü Plants both have Environmental Impact Assessment Reports. All of Ford Otosan facilities are holders of ISO 14000 certificates. Environmental compliance and sustainability are underlined in the environmental activities.

Company's corporate citizenship projects and details are explained separately in the related sections of the Annual Report.

SECTION IV – BOARD OF DIRECTORS

15. The Structure and Establishment of the Board of Directors

The list of the Board of Directors is presented below. Two of the twelve Board members (General Manager Haydar Yenigün and Deputy General Manager Grant E.Belanger) are executive members and the resumes of the Board members are included in the Annual Report.

Name - Surname	Executive	Independent	Appoint. Date	Duration	Membership in Board Committees	Duties outside Company
Y. Ali Koç	No	No	19.10.2012	5 months	Corporate Governance Committee	Koç Holding
Stephen T. Odell	No	No	19.10.2012	5 months	Remuneration Committee	Ford Motor Company
M. Rahmi Koç	No	No	19.10.2012	5 months		Koç Holding
Bülent Bulgurlu	No	No	19.10.2012	5 months	Early Determination and Man. of Risk Comm.	Koç Holding
O. Turgay Durak	No	No	19.10.2012	5 months	Remuneration Committee	Koç Holding
Mehmet Barmanbek	No	Yes	19.10.2012	5 months	Risk Comm. Pres./Remun. Comm. Pres. /Audit Comm. Pres.	-
John Fleming	No	No	19.10.2012	5 months		- Ford Motor Company
Lyle A. Watters	No	No	19.10.2012	5 months	Corporate Governance Committee / Risk Committee	Ford Motor Company
Jeffery C. Wood	No	No	19.10.2012	5 months		- Ford Motor Company
Günter Verheugen	No	Yes	19.10.2012	5 months	Corp.Gov.Committee Pres. / Audit Committee	-
Haydar Yenigün	Yes	No	19.10.2012	5 months		-
Grant E. Belanger	Yes	No	19.10.2012	5 months		-

The Chairman of the Board and General Manager are different people. Rahmi M. Koç, who is a member of the Board of Directors since 1961 and Chairman since 1972, has left the Chairman position on December 10, 2012 and Board of Directors has elected Ali Y. Koç as the Chairman. Care is shown by the Board members to spare sufficient time for company matters and there is no restriction for duties outside Company. Especially the contribution of independent members as a result of their experiences does not oblige such restriction. The resumes and duties outside company are announced to shareholders before general assembly meeting. There is no woman member in the Board of Directors.

The responsibilities of Nomination Committee are carried out by Audit Committee until July 10,2012 and by Corporate Governance Committee afterwards.

The number of independent members in Audit Committee is two for 2012. The candidate declarations and resumes are evaluated in Audit Committee and Board of Directors meetings dated 6/2/2012 and 10/2/2012 respectively. All the independent board members have submitted their independence declarations to Audit Committee and no condition which cancels the independency has been observed in 2012.

16. Principles of Activity of the Board of Directors

The principles of activity of the Board of Directors have been set out in Articles 8, 9, 10 and 11 of the Articles of Incorporation. In summary, according to the Turkish Commercial Code and the provisions of the Articles of Incorporation, the Board of Directors is authorized to take all decisions other than those procedures that are required to be taken at the General Shareholders' Meeting.

There are no independent members in the Board of Directors presently. Appropriate actions to have two independent Board members shall be evaluated in the 2012 General Shareholders' Meeting.

The Board of Directors meets regularly at least three or four times during the year with the participation of all of its members. At these meetings, all the activities of the company are reviewed and decisions are taken on important matters. In addition to these regular meetings, the Board of Directors may meet to take decisions on matters deemed necessary with a simple majority of members or in accordance with Article 390/4 of the Turkish Commercial Code the Board may take a decision without actually convening. According to the provisions of the Articles of Incorporation, shareholders representing more than half of B and C group shares must have cast an affirmative vote in the meeting for the resolutions.

In the calendar year of 2012, 33 Board of Directors' resolutions are taken and five circular type BOD resolutions have been adopted.

The agendas for the regular meetings are prepared by the Board of Director's Secretarial Office in consideration of previous decisions and decisions that need to be taken on certain matters. Agendas for other meetings are defined by subject which are required by law to be decided upon by the Board. The Board of Directors Secretarial duty is managed by the Assistant General Manager - Finance (CFO).

Since no member has opposed to decisions taken at the meetings in recent years, no indication of opposition has been made in the minutes and consequently no such report has been made to the auditors.

All the transactions made with related parties are submitted to Board of Directors approval in 2012. It is determined by independent members jointly that any changes in conditions and transactions above 2 Million USD are brought to the Board approval and remaining transactions will be monitored by Company management in line with Signature Circular authorizations. There is no related party or significant transaction in 2012 that needs General Assembly approval due to disapproval of independent board member.

17. Number, Structure and Independency of Committees established by the Board of Directors

Audit Committee, comprising Mehmet Barmanbek and Günter Verheugen, meets before the regular meetings of the Board. It reviews the quarterly financial statements and presents opinion to the Board of Directors. The working principles of the committee have been put forth in a written set of procedures. Reviewing and monitoring detailed data about the company's financial status, independent audit and internal control mechanisms and presenting all views and decision drafts to the Board of Directors are among the duties of the Audit Committee.

New Committees have been established within the scope of Board Resolution dated July 10 2012, numbered 2012/18; Turkish Commercial Code and Capital Markets Board Communiqué Vol:IV, No.56 on Determination and Implementation of Corporate Governance Principles.

Corporate Governance Committee, which aims to enhance corporate governance activities and carry out Nomination Committee responsibilities, consists of three members, Günter Verheugen as President, Yıldırım Ali Koç and Lyle Alexander Watters as members.

Early Determination and Management of Risk Committee, which aims to establish risk management system, consists of three members, Mehmet Barmanbek as President, Bülent Bulgurlu and Lyle Alexander Watters as members.

Remuneration Committee, which aims to determine benefits provided to executive management, consists of three members, Mehmet Barmanbek as President, Osman Turgay Durak and Stephen Terence Odell as members.

The members, working principles and responsibilities of the established committees are announced to the public through company website.

The executive members of the Board have not taken on duties in the committees.

18. Risk Management and Internal Control Mechanism

The primary goals of Ford Otosan in risk management are to foresee, manage, monitor the potential risks in each area and to prepare action plans for risk and crisis management in advance. The Board of Directors, Early Determination and Management of Risk Committee, Audit Committee and Executive Management of the Company are regularly informed about the risks. Detailed explanations regarding Risk Management and Risk Control systems could be found in "Risk Management" section of the Annual Report.

19. Strategic Objectives of the Company

The past performance and degree of reaching the strategic targets developed in line with the manner described in the "Principles of Activity of the Board of Directors" section are announced to the public by annual report and company website.

20. Financial Benefits

The remuneration criteria of the Executive Management and Board members is announced in the "Information Document" three weeks prior to General Assembly meeting dated 20 March 2012 and put into practice afterwards. The total payments to Board members and Executive Management within scope of remuneration policy are evaluated by Corporate Governance Committee and Board of Directors annually and announced to the public in the footnotes of our financial statements.

The company has not lent any amounts to any of the members of its Board of Directors nor to its executives, nor has it extended credit to them, nor offered any guarantees in their favor that might lead to conflict of interest.

Risk Management and Report on the Activities of the Early Determination and Management of Risk Committee

a. Risk Management

The primary goals of Ford Otosan in risk management are to foresee, manage, monitor the potential risks in each area and to prepare action plans for risk and crisis management in advance. The Board of Directors, Early Determination and Management of Risk Committee, Audit Committee and Executive Management of the Company are regularly informed about the risks.

Risk Management Department has been established as of 1 September 2012 under Treasury Department. This department led the establishment of cross functional ERM (Enterprise Risk Management) team in October 2012. ERM team determines, measures, prioritizes and manages Ford Otosan's financial, operational, strategic and legal risks at biweekly ERM meetings and prepares the action plans. For measuring the risks "Impact and Probability Chart" is used; for impact severity "Impact Severity Classification Chart" is utilized. Risk Management department is responsible for reporting ERM studies to Ford Otosan Executive Management and to "Early Determination of Risk Committee".

The company monitors the risk management under four categories.

Financial Risks:

Credit risk: Direct Debiting System, which is an effective way to guarantee the receivables, is applied to dealer receivables from domestic vehicle and spare-part sales. Most of the export sales are made to Ford Motor Company and its affiliates with a term of 14 days. Foreign sales that are made to parties other than Ford Motor Company are guaranteed through letter of credit, bank guarantees or advance payment methods.

Liquidity risk: Ford Otosan keeps cash, credit commitment and factoring capacity to maintain 21 days' cash outflow for managing the liquidity risk, with a treasury policy change implemented at the beginning of 2013. Within this context, Euro 80 million credit commitment and TL 140 million factoring agreements are established with financial institutions in case it is required. As of December 31, 2012 net financial debt is TL 958 million.

Interest rate risk: The policy dictates balancing the remaining maturities of interest bearing assets and liabilities. Interest bearing assets are directed to short term financial investments.

Split between fixed and variable interest rate for long term credits is targeted as %50 / %50.

Foreign exchange risk: The ratio of the net FX position (after natural hedge) to Equity is targeted within +/- 10% in the Balance Sheet. Natural hedge calculation involves addition of FX denominated inventory to the assets and exclusion of investment loans from FX denominated liabilities. As of December 31, 2012 net exchange position is TL 300 million positive as a result of this policy. Total export and import amounts are TL 5.936 million and TL 5.079 million respectively in 2012.

Capital risk: Ford Otosan's objectives when managing capital are to safeguard the ability to continue providing maximum returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. Since the beginning of 2013, The Company monitors the capital on the basis of "total financial debt to tangible net worth" ratio which is targeted to be less than 0.8.

The explanations about Company's indebtedness and capital structure is presented in the relevant sections of annual report.

Operational risks:

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

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

Strategic risks:

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

Legal risks:

The Company's Legal team monitors the legislation regularly, informs the personnel and leads training activities to prevent any incompliance with the regulations. Any important discrepancies and serious litigation requirements are being reported to "Internal Audit Committee" and "Early Determination and Management of Risk Committee" and action plans are determined.

b. Risk Management Committee Activities

At Ford Otomotiv Sanayi A.Ş.'s Board of Directors meeting held on July 10th, 2012, an Early Determination and Management of Risk Committee has been founded in accordance with the provisions of Capital Markets Board regulations and Turkish Commercial Code No. 6102 to advise the Board of Directors with the purpose of early determination of risk which may jeopardize the Company's existence, development, sustainability, managing and establishing an effective risk management system. Committee consists of three members: Mr. Mehmet Barmanbek is Committee Chairman, Mr. Bülent Bulgurlu and Mr. Lyle Alexander Watters are Committee Members.

The Committee had two meetings in which Risk Management System and risk reporting criteria were evaluated. Risk reporting studies and the Committee evaluations are periodically submitted to the attention of Board of Directors.

c. Internal Control System and Internal Audit

Ford Otosan applies an internal control plan annually which covers all company operations. With this structure, over 3000 control points are being tested as an assurance to the accuracy of Company's operations on behalf of Board of Directors and shareholders.

Internal Audit Committee periodically monitors internal control and internal audit activities as a subcommittee of Board of Directors. It submits the financial reports conformity and recommendations to the Board of Directors.

Koç Holding, Ford Motor Company and Internal Audit make investigations within the Company on an annual basis. Additionally, some public authorities such as Ministry of Finance and Customs may request information. Results of these reports are presented to Internal Audit Committee which consists of independent board members.

Legal Disclosures

a. Capital:

Paid-in/Issued Capital: TL 350,910,000

Authorized Capital: TL 500,000,000

b. Shareholder Structure

Title of Holder	Group	Bearer / Registered	Nominal Value (TL)	Total (TL)	Share in Capital (%)	Type of Privilege	Publicly Traded (Y/N)
Ford Motor Company	C	Registered	0,01	143,997,036.76	41.0353	Management	N
Koç Holding A.Ş.	B	Registered	0,01	134,953,357.14	38.4581	Management	N
Other (Free Float)	A	Registered	0,01	62,915,926.49	17.9294	-	Y
Vehbi Koç Foundation	A	Registered	0,01	3,428,592.30	0.9770	-	N
Koç Holding Retirement and Support Fund Foundation	A	Registered	0,01	3,259,202.32	0.9288	-	N
Temel Ticaret A.Ş.	A	Registered	0,01	2,355,885	0.6714	-	N
Total				350,910,000	100		

c. Share Information

Type	First Trade Date	Country	Exchange	Market
Stock certificate	13.01.1986	Turkey	Istanbul Stock Exchange	National Market

Ford Otosan shares are included in the following indices: ISE-All, ISE-50, ISE-Kocaeli (city index), ISE- Metal Products and Machinery, ISE-Industrial, ISE-Dividend, ISE-Dividend 25, ISE-National, ISE-100, ISE 100-30.

d. Information on the Extraordinary General Assemblies held in 2012

Ford Otosan's Extraordinary General Assembly convened on October 19, 2012, Friday at 10:00 AM at the Company Headquarters at "Akpınar Mahallesi, Hasan Basri Caddesi, No:2 Sancaktepe İstanbul. The following agenda items were discussed and resolved:

Dividend proposal:

TL 228.091.500 to be paid to shareholders as dividend in cash where TL 160.576.630 to be covered from the extraordinary reserve amounts, TL 52.836.811 from prior years' profits and TL 14.678.059 from other profit reserves composed of participation sales profits, as per the relevant tax legislation, and TL 22.809.150 to be allocated as second rank legal reserve as fully covered from extraordinary reserves in accordance with Article 519 of the Turkish Commercial Code. In accordance with the financial statements prepared within the framework of Capital Markets Board regulations, out of TL 228.091.500 proposed to be paid as dividend in cash, TL 213.413.441 to be covered from extraordinary reserves, TL 14.678.059 covered from other profit reserves composed of other participation sales profits, and TL 22.809.150 second rank legal reserve covered from the extraordinary reserves.

According to the calculations made in accordance with the tax regulations, TL 228.091.500 dividend to be paid by assuming each share with a nominal value of 1-TL receives gross Kr 65,0000 and net Kr. 57,2693.

To make the dividend distribution in accordance with the dematerialization regulations of Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency Corporation) starting from October 31st 2012.

The changes made to the Board of Directors were approved as per Turkish Commercial Code Article 363.

e. Organizational Changes in 2012

Following the passing of our General Manager and Board Member Nuri K. Otay, Mr. Haydar Yenigün was appointed for the remaining term as a Board Member representing B group shareholders upon Koç Holding's proposal.

Assistant General Manager – Kocaeli Plant Manager Haydar Yenigün was appointed General Manager to replace our late General Manager Nuri K. Otay, effective as of February 15, 2012.

Mehmet Candan Günel, Deputy Manager of the Kocaeli Plant, was appointed Assistant General Manager – Kocaeli Plant Manager, effective as of March 8, 2012.

Michael Robert Flewitt, who has resigned from his position at Ford Motor Company, has resigned from Board Membership in our Board of Directors' meeting on June 4, 2012. Upon Ford Motor Company's proposal, Jeffery Carter Wood was appointed as Ford Otosan Board Member. This appointment was approved at the Extraordinary General Assembly dated October 19, 2012.

Rahmi M. Koç, who was a member of the Board of Directors since 1961 and Chairman since 1972, has stepped down from the Chairman position on December 10, 2012 and Board of Directors has elected Ali Y. Koç as the Chairman. Rahmi M. Koç will continue to remain on our Board of Directors.

Report on Related Party Transactions for 2012

Pursuant to Article 199 of the Turkish Commercial Code No. 6102 ("TCC"), which went into effect on July 1, 2012, Ford Otomotiv Sanayi A.Ş. Board of Directors is obliged to annually prepare an affiliation report stating the relationship between the company and the parent company and other subsidiaries of that parent company in the first quarter of the year. The necessary explanations about all of the transactions of Ford Otomotiv Sanayi A.Ş., made with the relevant parties, are cited in footnote number 26 in the financial report.

It is stated in the Report prepared by Ford Otomotiv Sanayi A.Ş. Board of Directors on February 27, 2013 that, "In all transactions made between Ford Otomotiv Sanayi A.Ş. and the parent company and other subsidiaries of that parent company in 2012, it is precipitated that, in the event that the transactions were made or the measures were taken or not taken, a counter action was applied in each transaction. There were no measures taken or not taken which cause losses to the company, and there were no transactions made or measures taken that require compensation within this frame".

Remuneration Policy for the Board of Directors and Senior Executives

This policy document describes the remuneration system and applications of the Board of Directors and the Senior Executives who have administrative responsibilities, pursuant to the Capital Markets Board (CMB) regulations.

The fixed salaries to be valid for all the Members of the Board of Directors are determined every year at the Ordinary General Assembly Meeting of the Company.

Executive Board Members are compensated as per the Remuneration Policy for Senior Executives, detailed below. Performance - based compensation or stock option plans cannot be used to determine the remuneration of independent Board Members.

Members of the Board of Directors are paid according to the principle of per diem deduction taking into consideration their term of service. Costs borne by the members of the Board of Directors due to their contributions to the company (transportation, telephone, insurance etc. expenditures) can be met by the Company.

Remuneration of Senior Executives consist of two components: Base salary and performance based bonus.

Base salaries of Senior Executives are determined in accordance with international standards and legal responsibilities, taking into consideration macro-economic data within the market, the remuneration policies in the market, size and long-term goals of the company, and positions and efficiency levels of the individuals.

Performance - Based Bonus of Senior Executives are calculated according to company performance and individual performance. Relevant criteria is summarized below:

-Bonus Base: Bonus bases are updated at the beginning of each year and vary according to the workload of the executives' positions. When updating bonus bases, senior management bonus policies within the market are taken into consideration.

-Company Performance: Company performance is obtained through the calculation at period ends of the financial and operational goals (market share, exports, foreign activities, efficiency etc.) given to the company at the beginning of each year. When determining company goals, sustainability and improvements with respect to the previous years are taken into consideration as important principles.

-Individual Performance: For the determination of individual performance, employee, customer, process, technology and long-term strategy-related goals are taken into consideration, together with the company goals. For the calculation of individual performance, the long-term sustainability improvement principle is observed also, outside the financial spheres, as is the case for company performance.

The total remuneration amount determined according to these principles, and paid to the Senior Executives and the Members of the Board of Directors during the year, is submitted for the information of the partners in the subsequent General Assembly Meeting, in accordance with the regulations.

Auditor's Report

To the General Assembly of Ford Otomotiv Sanayi A.Ş.

The audit results regarding the Company's 2012 calendar year activities are as follows:

1. According to the Turkish Commercial Code and the related regulations, it has been observed that:

- a. Books and records that are mandatory have been kept properly per legal requirements,
- b. Documents validating the records are kept decently, and
- c. The Board of Directors resolutions were recorded and kept properly according to the related procedures.

2. Consequently, we submit to the approval of the General Assembly the Board of Directors' Report summarizing the Company operations, the financial statements prepared in accordance with the Capital Market regulations, the proposal of the Board of Directors related to the period results and the release of the Board regarding the above. Istanbul, 27.02.2013

Yours Sincerely,

MEHMET APAK



MUSTAFA BİLGÜTAY YAŞAR



FORD OTOMOTİV SANAYİ A.Ş.

Independent Auditor's Report

Financial Statements as of December 31, 2012


Güney Bağımsız Denetim SMMM A.Ş.

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Convenience translation of financial statements originally issued in Turkish
Independent auditor's report

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

We have audited the accompanying financial statements of Ford Otomotiv Sanayi A.Ş. (the "Company") which comprise the balance sheet as at December 31, 2012 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards accepted by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ford Otomotiv Sanayi A.Ş. as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the Capital Markets Board.

Additional paragraph for convenience translation to English:

As disclosed in Note 2.5 to the accompanying financial statements, as of December 31, 2012, the accounting principles described in Note 2 (defined as CMB Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Ferzan Ülgen, SMMM
 Partner

February 26, 2013
 İstanbul, Turkey.

Ford Otomotiv Sanayi A.Ş.
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Ford Otomotiv Sanayi A.Ş.**Balance sheet as of December 31, 2012**

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

	Notes	Current Period Audited December 31, 2012	Prior Period Audited December 31, 2011
Assets			
Current assets			
		2,438,262,072	3,089,000,716
Cash and cash equivalents	4	301,518,353	808,849,078
Trade receivables			
- Due from related parties	26	752,478,555	877,374,203
- Other trade receivables	7	478,607,642	521,587,032
Other receivables	8	4,552,464	4,346,575
Inventories	9	726,816,032	724,972,219
Other current assets	16	174,289,026	151,871,609
Non-current assets			
		2,208,855,227	1,332,458,953
Trade receivables	7	537,623	474,645
Financial assets	5	5,961,405	3,458,740
Property, plant and equipment	10	1,739,343,486	1,108,089,000
Intangible assets	11	55,475,988	28,777,170
Deferred tax asset	24	83,167,885	-
Other non-current assets	16	324,368,840	191,659,398
Total assets			
		4,647,117,299	4,421,459,669

The financial statements were approved for issue by the Board of Directors on February 26, 2013 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager - Chief Financial Officer ("CFO") and Devrim Kılıçoğlu, Finance and Accounting Director.

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.**Balance sheet as of December 31, 2012**

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

	Notes	Current Period Audited December 31, 2012	Prior Period Audited December 31, 2011
Liabilities			
Current liabilities			
		1,652,686,554	1,730,705,260
Financial liabilities	6	363,516,248	226,836,996
Trade payables			
- Due to related parties – trade	26	292,778,669	340,785,262
- Other trade payables	7	807,166,340	900,664,471
Other payables			
- Due to related parties – non-trade	26	1,449,061	16,468,196
- Other payables	8	139,020,033	150,137,511
Current income tax payable	24	7,741,631	56,963,729
Provisions	13	41,014,572	38,849,095
Non-current liabilities			
		998,765,910	792,535,926
Financial liabilities	6	896,037,316	650,052,940
Provision for employee benefits	15	72,876,906	55,081,174
Deferred tax liabilities	24	-	40,304,565
Provisions	13	28,167,783	46,672,397
Derivative financial instruments	28	1,683,905	424,850
Equity			
	17	1,995,664,835	1,898,218,483
Equity attributable to the equity holders of the Company			
	17	1,995,664,835	1,898,218,483
Share capital		350,910,000	350,910,000
Inflation adjustment to share capital		27,920,283	27,920,283
Share premium		8,252	8,252
Valuation funds		4,712,623	2,335,091
Net loss on cash flow hedge		(1,298,245)	(345,806)
Restricted reserves		432,432,060	390,964,519
Retained earnings		505,957,103	464,337,418
Net income for the year		675,022,759	662,088,726
Total equity and liabilities			
		4,647,117,299	4,421,459,669

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.**Statement of income for the year ended December 31, 2012**

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

	Notes	Current Period Audited December 31, 2012	Prior Period Audited December 31, 2011
Continuing operations			
Sales	18	9,767,937,257	10,445,022,950
Cost of sales	18	(8,693,361,846)	(9,243,511,780)
Gross profit		1,074,575,411	1,201,511,170
Sales and marketing expenses	19	(231,097,209)	(255,169,985)
General administrative expenses	19	(120,582,112)	(112,904,465)
Research and development expenses	19	(112,084,954)	(106,886,110)
Other operating income	21	47,403,306	49,151,689
Other operating expenses	21	(3,673,749)	(46,450,461)
Operating profit		654,540,693	729,251,838
Financial income	22	211,652,109	286,253,021
Financial expenses	23	(224,610,244)	(215,432,140)
Income before tax from continuing operations		641,582,558	800,072,719
Tax income/(expense) from continuing operations		33,440,201	(137,983,993)
- Current taxes on income	24	(89,919,272)	(168,782,079)
- Deferred tax income	24	123,359,473	30,798,086
Net income for the year		675,022,759	662,088,726
Earnings per share with a nominal value of Kr 1	25	1.92	1.89

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.**Statement of comprehensive income for the year ended 31, 2012**

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

	Notes	Current Period Audited December 31, 2012	Prior Period Audited December 31, 2011
Net income for the year		675,022,759	662,088,726
Other comprehensive income			
Change in revaluation funds of financial assets, net of deferred tax	17	2,377,532	427,422
Accumulated (loss) / profit from cash flow hedge, net of deferred tax	17	(952,439)	(345,806)
Other comprehensive income (after tax)		1,425,093	81,616
Total comprehensive income		676,447,852	662,170,342

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity for the year ended December 31, 2012

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

	Share capital	Inflation adjustment to share capital	Share premium	Valuation funds	Hedge reserves	Restricted reserves	Retained earnings	Total equity
Balance at January 1, 2011	350,910,000	27,920,283	8,252	1,907,669	-	340,819,480	1,033,478,347	1,755,044,031
Net income	-	-	-	-	-	-	662,088,726	662,088,726
Total comprehensive income / (loss)	-	-	-	427,422	(345,806)	-	-	81,616
Total comprehensive income (net of deferred tax)	-	-	-	427,422	(345,806)	-	662,088,726	662,170,342
Transfers	-	-	-	-	-	50,145,039	(50,145,039)	-
Dividends paid (Note 17)	-	-	-	-	-	-	(518,995,890)	(518,995,890)
Balance at December 31, 2011	350,910,000	27,920,283	8,252	2,335,091	(345,806)	390,964,519	1,126,426,144	1,898,218,483
Balance at January 1, 2012	350,910,000	27,920,283	8,252	2,335,091	(345,806)	390,964,519	1,126,426,144	1,898,218,483
Net income	-	-	-	-	-	-	675,022,759	675,022,759
Total comprehensive income / (loss)	-	-	-	2,377,532	(952,439)	-	-	1,425,093
Total comprehensive income (net of deferred tax)	-	-	-	2,377,532	(952,439)	-	675,022,759	676,447,852
Transfers	-	-	-	-	-	41,467,541	(41,467,541)	-
Dividends paid (Note 17)	-	-	-	-	-	-	(579,001,500)	(579,001,500)
Balance at December 31, 2012	350,910,000	27,920,283	8,252	4,712,623	(1,298,245)	432,432,060	1,180,979,862	1,995,664,835

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.

Statement of cash flow for the year ended December 31, 2012

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

	Notes	Current Period Audited December 31, 2012	Prior Period Audited December 31, 2011
Cash flows from operating activities:			
Net income before tax		641,582,558	800,072,719
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10	123,072,513	125,254,072
Amortization	11	18,005,120	20,625,057
Provision for employee benefits	15	23,521,920	15,483,426
Warranty expense provision	13	55,828,833	70,896,977
Interest income	22	(22,980,847)	(48,068,840)
Interest expense	23	12,607,844	18,799,809
Foreign exchange (income) / loss incurred from borrowings		(10,700,719)	106,350,031
Provisions no longer required		(1,140,269)	(13,288,028)
(Income) / loss on sale of fixed assets	21	(2,249,473)	482,962
Dividend income	21	(281,198)	(87,874)
Unrealized amount of derivative instruments		68,506	(7,407)
Increase in doubtful receivables	7	1,200,000	88,919
Net operating profit before changes in operating assets and liabilities		838,534,788	1,096,601,823
Decrease / (Increase) in accounts receivable		166,675,038	(214,619,706)
(Increase) in inventories		(589,793)	(259,521,882)
(Increase) in other current assets		(22,623,306)	(96,161,014)
(Decrease) / increase in accounts payable		(141,504,724)	557,072,813
(Decrease) / increase in other current liabilities		(26,206,738)	53,839,636
Income tax paid		(139,141,370)	(169,057,119)
Warranty expenses paid	13	(72,167,970)	(54,098,639)
Employee benefits paid	15	(5,726,188)	(4,464,057)
Net cash generated from operating activities		597,249,737	909,591,855
Cash flows used in investing activities:			
Purchase of property, plant and equipment	10	(757,430,279)	(180,269,122)
Purchase of intangible assets	11	(44,703,938)	(7,102,665)
Proceeds from sale of property, plant and equipment		5,352,753	4,843,347
Increase in other non-current assets		(132,772,420)	(190,119,804)
Interest received		22,937,222	46,567,423
Dividends received	21	281,198	87,874
Net cash used in investing activities		(906,335,464)	(325,992,947)
Cash flows from financing activities:			
Interest paid		(12,667,340)	(16,691,431)
Dividends paid	17	(579,001,500)	(518,995,890)
Proceeds from borrowings		696,796,581	515,501,212
Payments of borrowings		(303,372,739)	(275,507,755)
Net cash used in financing activities		(198,244,998)	(295,693,864)
Net (decrease) / increase in cash and cash equivalents		(507,330,725)	287,905,044
Beginning balance of cash and cash equivalents	4	808,849,078	520,944,034
Ending balance of cash and cash equivalents	4	301,518,353	808,849,078

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to the financial statements for the year ended December 31, 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", Transit vehicles (minibuses, pick-ups and vans) and Transit Custom which was started production in 2012 are manufactured in Kocaeli. Ford Cargo trucks and their engines are manufactured in Eskişehir.

In 2012, the Company had a total of 9,693 employees on average, composed of 2,379 white-collar and 7,314 blue-collar workers. The Company had a total of 9,527 employees composed of 2,458 white-collar and 7,069 blue-collar workers as of December 31, 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 year 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

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 Article 5 of the Financial Reporting Standards by the Capital Markets Board (CMB), entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. According to the provisional Article 2, the implementation of Article 5 is postponed until the differences between the IFRS adopted by the European Union and the IFRS put forth by the International Accounting Standards Committee (IASC) have been announced by the Turkish Accounting Standards Committee (TASC) (TASC was closed in November 2011 and its duties were transferred to the Accounting and Auditing Standards Committee). Therefore, the Company has prepared its financial statement for the year ended December 31, 2012 in accordance with the Turkish Financial Reporting Standards, which are in accordance with the IFRS adopted by IASC.

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.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to the financial statements for the year ended December 31, 2012

(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 are prepared on a cost basis.

The Company financial statements as of December 31, 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.

Going concern

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

Comparatives of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The balance sheet of the Company at December 31, 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 December 31, 2012 have been provided with the comparative financial information, for the period between January 1, 2011 and December 31, 2011.

2.2 Amendments and interpretations in the standards

a) New and amended standards and interpretations:

The accounting policies adopted in preparation of the financial statements as at December 31, 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.

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. Adoption of this amendment did not have any impact on the financial position or performance of the Company.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Financial reporting standards (continued)**• IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (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 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 (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no 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 effect of the amended standard will be the recognition of TL 12,584,337 after tax in the income statement for the year ended December 31, 2012.

• 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 amendment will not 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. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Financial reporting standards (continued)**• 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. 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 (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. 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 amendment affects disclosures only and will have no 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 these amendments will have any impact on the financial position or performance of the Company.

• IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after January 1, 2014 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. The Company does not expect that these amendments 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, 2014 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. The Company does not expect that these amendments will have any impact on the financial position or performance of the Company.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Financial reporting standards (continued)**• IFRS 12 Disclosure of Interests in Other Entities**

The standard is effective for annual periods beginning on or after January 1, 2014 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. The Company does not expect that these amendments 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. Comparative disclosures for prior periods are not required. The Company does not expect that these amendments will have any impact on the financial position or performance of the Company.

• IFRIC Interpretation 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. The interpretation is not applicable for the Company and will not 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, 2014. 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 these amendments will have any impact on the financial position or performance of the Company.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Financial reporting standards (continued)**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 new standard 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.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after January 1, 2014 with earlier application permitted. The amendment has not yet been endorsed by the EU. The Company does not expect that these amendments will have any impact on the financial position or performance of the Company.

2.3 Summary of significant accounting policies

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

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).

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Basis of presentation of financial statements (continued)**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 receivables, debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the 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 and spare parts sales through the "Direct Debit System" (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Company's bank accounts at the due dates (Note 7 and 26).

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 expense over the period of credit sales and purchases, and are 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).

Trade payables

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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Basis of presentation of financial statements (continued)**Property, plant and equipment**

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

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

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

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

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 depending on the project's lifetime. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2.3 Research and development expenses (Note 11).

The estimated useful lifetimes of such assets are as follows:

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

Impairment of long-lived assets

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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

(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 period income tax

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

Deferred tax

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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Basis of presentation of financial statements (continued)

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).

Current and deferred tax

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

Revenue recognition**Goods & services sales**

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

Dividend and interest income

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

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

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the Central Bank of Turkey (TCB) exchange rates prevailing at the 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).

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Basis of presentation of financial statements (continued)

Foreign currency exchange rates used by the Company at the time of balance sheet dates are as follows:

	TL / USD	TL / Euro	TL / GBP
December 31, 2012	1.7826	2.3517	2.8708
December 31, 2011	1.8889	2.4438	2.9170

Financial instruments and financial risk management**Credit risk**

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

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

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

Price risk

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

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 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.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Basis of presentation of financial statements (continued)**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 0.25-0.70.

	December 31, 2012	December 31, 2011
Financial debt	1,259,553,564	876,889,936
Total equity	1,995,664,835	1,898,218,483
Debt / Total equity ratio	0.63	0.46

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

(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:

Financial assets

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

Financial liabilities

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

Derivative financial instruments and cash flow hedge accounting

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. Changes in the fair value of the derivatives that are designated and qualified as cash flow hedges and that are highly effective, are recognized in equity as hedge reserves. Hedge accounting is terminated when the hedge instrument has expired, is sold, is used or when it becomes incapable of fulfilling the conditions for hedge accounting.

The fair value of interest swap contracts is determined by using valuation methods based on observable data in the market.

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.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

(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). With respect to assets which take long time to get ready for use and sale, borrowing costs related to production or construction are integrated to the cost of the asset. The borrowing costs include other costs incurred due to borrowing and interest.

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). Actuarial gains and losses, on the other hand, are recognized in the statement of income.

b) Defined contribution plan:

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

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.

Variable marketing provision

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

Warranty expenses provision

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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

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

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).

Lease**Leasing - the Company as lessor****Operational Leasing**

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

Related parties

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

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i)** has control or joint control over the reporting entity;
- (ii)** has significant influence over the reporting entity; or
- (iii)** is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i)** The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii)** One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii)** Both entities are joint ventures of the same third party.
- (iv)** One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v)** The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Basis of presentation of financial statements (continued)

- (vi)** The entity is controlled or jointly controlled by a person identified in (a).
- (vii)** A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

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).

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

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

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 of its liability.

Government grants and incentives

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

2.4 Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. As of December 31, 2012 there is no significant change in accounting estimates and error.

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

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.

2.6 Significant accounting estimates and decisions

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

a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15).

b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7).

c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9).

d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counselor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

2. Basis of presentation of financial statements (continued)

e) In calculation of the warranty provision, 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 assets are recorded when the occurrence of taxable income is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable income is probable. Deferred tax asset is recorded for the year ended December 31, 2012 since presumptions that the Company will have taxable income in the forthcoming periods are found to be sufficient (Note 24).

g) The Company recognizes depreciation and amortization for its property, plant and equipments and intangibles by taking into account their useful lives that are stated in Note 2.3 (Note 10 and 11).

3. Segment reporting

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

4. Cash and cash equivalents

	December 31, 2012	December 31, 2011
Banks - foreign currency time deposits	268,395,160	409,090,947
Banks - TL demand deposits	26,610,646	68,352,296
Banks - TL time deposits	5,601,180	330,490,311
Banks - foreign currency demand deposits	911,367	915,524
	301,518,353	808,849,078

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for USD denominated time deposits is 2.90% (December 31, 2011: 5.50%). The weighted average interest rate for Euro denominated time deposits is 2.41% (December 31, 2011: 5.17%). The weighted average interest rate for the TL time deposits is 7.69% (December 31, 2011: 11.64%).

5. Financial assets

	December 31, 2012		December 31, 2011	
	Shareholding %	Amount	Shareholding %	Amount
Available-for-sale financial assets:				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) ^(*)	0.59	5,961,405	0.59	3,458,740
		5,961,405		3,458,740

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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

6. Financial liabilities

	December 31, 2012		December 31, 2011	
	Effective interest rate %	TL Amount	Effective interest rate %	TL amount
Short term borrowings:				
- Euro	1.00	88,024,131	2.29	67,400,004
- TL(*)	-	8,302,535	-	101,297
		96,326,666		67,501,301

(*) Interest-free loans used for short term purposes.

Short-term portion of long-term borrowings:

	December 31, 2012		December 31, 2011	
	Effective interest rate %	TL Amount	Effective interest rate %	TL amount
- Euro	2.45	238,302,673	3.37	158,983,070
- USD	2.97	28,886,909	2.68	352,625
		267,189,582		159,335,695
Total short term borrowings		363,516,248		226,836,996

Long term borrowings:

	December 31, 2012		December 31, 2011	
	Effective interest rate %	TL Amount	Effective interest rate %	TL amount
- Avro	2.31	896,037,316	3.53	619,830,540
- USD	-	-	2.68	30,222,400
		896,037,316		650,052,940

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

Payment period	December 31, 2012	December 31, 2011
	Total TL	Total TL
2013	-	252,639,137
2014	211,392,012	230,192,464
2015	284,988,369	131,329,646
2016	98,460,416	16,121,932
2017	83,490,904	5,648,502
2018	78,686,683	14,121,259
2018 - 2021	139,018,932	-
	896,037,316	650,052,940

The letters of bank guarantee given to financial institutions in connection with borrowings amount to TL 685,574,000 (December 31, 2011 - TL 194,893,049) (Note 13).

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

7. Trade receivables and payables

	December 31, 2012	December 31, 2011
Short term trade receivables:		
Trade receivables	481,044,572	517,917,390
Cheques and notes receivable	-	7,392,169
Doubtful receivables	4,533,456	3,333,456
Less: Unearned credit finance income	(2,436,930)	(3,722,527)
	483,141,098	524,920,488
Less: Provision for doubtful receivables	(4,533,456)	(3,333,456)
	478,607,642	521,587,032

The average turnover of trade receivables is 30 days (December 31, 2011: 30 days) and discounted by 0.64% monthly effective interest rate (December 31, 2011: 1.05%).

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

	December 31, 2012	December 31, 2011
Long term trade receivables:		
Deposits and guarantees given	537,623	474,645
	537,623	474,645

	December 31, 2012	December 31, 2011
Trade payables:		
Trade payables	810,038,054	906,030,573
Less: Unearned credit finance expense	(2,871,714)	(5,366,102)
	807,166,340	900,664,471

The average turnover of trade payables is 60 days (December 31, 2011: 60 days) and discounted by 0.64% monthly effective interest rate (December 31, 2011: 1.05%).

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

7. Trade receivables and payables (continued)

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

December 31, 2012	Trade receivables		Other receivables		Deposits in Bank
	Related parties	Other	Related parties	Other	
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	752,478,555	478,607,642	-	4,552,464	301,518,353
- Credit risk covered by guarantees	110,000,000	432,038,087	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	719,274,870	465,229,069	-	4,552,464	301,518,353
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	9,348,000	-	-	-
Net book value of financial assets that are overdue but not impaired	33,203,685	4,030,573	-	-	-
- Amount of risk covered by guarantees	-	1,864,174	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533,456	-	-	-
- Provision for impairment (-)	-	(4,533,456)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

7. Trade receivables and payables (continued)

December 31, 2011	Trade receivables		Other receivables		Deposits in Bank
	Related parties	Other	Related parties	Other	
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	877,374,203	521,587,032	-	4,346,575	808,849,078
- Credit risk covered by guarantees	100,000,000	450,426,632	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	843,800,456	503,998,613	-	4,346,575	808,849,078
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	10,392,169	-	-	-
Net book value of financial assets that are overdue but not impaired	33,573,747	7,196,250	-	-	-
- Amount of risk covered by guarantees	-	632,956	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	3,333,456	-	-	-
- Provision for impairment (-)	-	(3,333,456)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

7. Trade receivables and payables (continued)

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

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

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

December 31, 2011	Trade receivables	
	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 in the provision for impairment on trade receivables are as follows:

	2012	2011
At January 1,	3,333,456	3,244,537
Provisions during the year	1,200,000	88,919
At December 31,	4,533,456	3,333,456

8. Other receivables and payables

	December 31, 2012	December 31, 2011
Other receivables:		
Other miscellaneous receivables	4,552,464	4,346,575
	4,552,464	4,346,575

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

8. Other receivables and payables (continued)

	December 31, 2012	December 31, 2011
Other payables:		
Taxes and funds payable	40,379,148	52,502,458
Payables to personnel and expense accruals	34,379,893	46,680,062
Variable marketing provision(*)	31,329,263	23,118,895
Expense accruals	15,223,130	10,030,288
Payables to engineering companies	12,800,732	10,237,728
Other	4,907,867	7,568,080
	139,020,033	150,137,511

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

9. Inventories

	December 31, 2012	December 31, 2011
Raw materials	280,078,252	298,160,635
Finished goods	219,100,521	75,705,380
Goods in transit	118,581,186	215,633,497
Spare parts	70,595,889	70,536,820
Import vehicles	40,831,183	68,560,906
	729,187,031	728,597,238
Less: Provision for impairment of finished goods and spare parts	(2,370,999)	(3,625,019)
	726,816,032	724,972,219

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

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

	2012	2011
At January 1,	3,625,019	5,149,850
Change within the year	(1,254,020)	(1,524,831)
At December 31,	2,370,999	3,625,019

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

Notes to the financial statements for the year ended December 31, 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
December 31, 2011									
Cost	11,874,536	100,439,184	373,182,635	1,452,681,721	629,094,207	86,071,505	8,844,880	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)
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
For the year ended December 31, 2012									
Opening net book value	11,874,536	69,937,170	239,273,794	587,984,489	32,141,823	32,795,892	7,178,696	126,902,600	1,108,089,000
Opening adjustment(**)	-	21,510,666	176,194,337	(326,865,103)	9,569,559	119,242,198	348,343	-	-
Additions(*)	-	3,452,047	3,050,864	238,921,258	210,498,795	29,044,237	3,003,927	269,459,151	757,430,279
Transfers	-	547,406	13,705,163	6,659,985	47,781,719	1,049,080	-	(69,743,353)	-
Disposals	-	-	-	(699,765)	-	(40,373)	(4,218,622)	-	(4,958,760)
Depreciation charge	-	(4,800,969)	(21,932,427)	(64,207,208)	(18,284,523)	(12,950,722)	(896,664)	-	(123,072,513)
Transfers from accumulated depreciation(*)	-	(15,577,203)	(102,014,830)	193,083,568	(4,619,430)	(69,968,966)	(903,139)	-	-
Disposals from accumulated depreciation	-	-	-	699,765	-	31,029	1,124,686	-	1,855,480
Closing net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	326,618,398	1,739,343,486
December 31, 2012									
Cost	11,874,536	125,949,303	566,132,999	1,370,698,096	896,944,280	235,366,647	7,978,528	326,618,398	3,541,562,787
Accumulated depreciation	-	(50,880,186)	(257,856,098)	(735,121,107)	(619,856,337)	(136,164,272)	(2,341,301)	-	(1,802,219,301)
Net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	326,618,398	1,739,343,486

(*) The portion of TL 148,571,945 (December 31, 2011: TL 55,139,144) in the current year construction in progress additions which amount to total of TL 269,459,151 (December 31, 2011: TL 112,901,822) is in nature of tangible assets and related to the new light commercial vehicle factory investment and new generation Transit projects. The remaining portion amounting to TL 120,887,206 (December 31, 2011: TL 57,762,678) is in the nature of intangible assets and related to engineering investments of new light commercial vehicle and various Cargo projects.

(**) As of December 31, 2011, property, plant and equipment, which are shown in machinery and equipments with a cost of TL 326,865,103 and an accumulated depreciation of TL 193,083,658 are categorized into related accounts as opening adjustments.

The Company compared the borrowing costs of investment loans in foreign currency to the TL market loan interest and foreign exchange differences and interest costs equal to an amount of TL 21,091,127 (December 31, 2011: TL 17,287,672) has been recognized under property, plant and equipment according to the cumulative approach. There is no pledge or mortgage on tangible assets as of December 31, 2012 (December 31, 2011: No pledge or mortgage).

FORD OTOMOTİV SANAYİ A.Ş.

Notes to the financial statements for the year ended December 31, 2012

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

10. Property, plant and equipment (continued)

	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
December 31, 2010									
Cost	11,874,536	90,395,899	368,744,219	1,429,434,949	618,140,429	76,052,780	10,151,498	24,863,118	2,629,657,428
Accumulated depreciation	-	(27,543,204)	(122,382,395)	(798,258,763)	(570,854,620)	(50,654,418)	(1,563,769)	-	(1,571,257,169)
Net book value	11,874,536	62,852,695	246,361,824	631,176,186	47,285,809	25,398,362	8,587,729	24,863,118	1,058,400,259
For the year ended December 31, 2011									
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	-	5,416,993	404,840	34,964,630	11,123,709	11,849,203	3,607,925	112,901,822	180,269,122
Transfers	-	4,626,292	4,033,576	1,434,531	739,482	28,459	-	(10,862,340)	-
Disposals	-	-	-	(13,152,389)	(909,413)	(1,858,937)	(4,914,543)	-	(20,835,282)
Depreciation charge	-	(2,958,810)	(11,526,446)	(78,435,264)	(27,006,552)	(4,287,086)	(1,039,914)	-	(125,254,072)
Disposals from accumulated depreciation	-	-	-	11,996,795	908,788	1,665,891	937,499	-	15,508,973
Closing 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
December 31, 2011									
Cost	11,874,536	100,439,184	373,182,635	1,452,681,721	629,094,207	86,071,505	8,844,880	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)
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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 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:

	December 31, 2012	December 31, 2011
Moulds and models	352,273,187	346,300,236
Machinery and equipment	101,236,425	104,763,970
Furniture and fixtures	53,118,988	25,062,916
Buildings	15,035,700	5,529,499
Land improvements	1,522,776	237,300
Vehicles	377,996	149,976
	523,565,072	482,043,897

The allocation of depreciation expense as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Cost of production (Note 18)	113,073,259	118,215,871
General administrative expenses (Notes 19)	4,089,233	1,847,645
Research and development expenses (Note 19)	3,206,364	2,287,156
Selling and marketing expenses (Note 19)	1,841,629	1,690,302
Associated with construction in progress	862,028	1,213,098
Current year depreciation charge	123,072,513	125,254,072

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)
Net book value	6,617,388	20,578,874	1,580,908	28,777,170

For the year ended December 31, 2012

Opening net book value	6,617,388	20,578,874	1,580,908	28,777,170
Additions	10,893,778	31,069,730	2,740,430	44,703,938
Disposals	-	(821,663)	-	(821,663)
Transfers	(11,227,284)	11,227,284	-	-
Depreciation charge	(2,050,705)	(15,394,062)	(560,353)	(18,005,120)
Disposals from accumulated depreciation	-	821,663	-	821,663
Closing net book value	4,233,177	47,481,826	3,760,985	55,475,988

December 31, 2012

Cost	24,942,594	473,722,783	6,097,543	504,762,920
Accumulated amortization	(20,709,417)	(426,240,957)	(2,336,558)	(449,286,932)
Net book value	4,233,177	47,481,826	3,760,985	55,475,988

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

11. Intangible assets (continued)

December 31, 2010	Rights	Development costs	Other	Total
Cost	21,677,670	428,871,269	3,229,041	453,777,980
Accumulated amortization	(17,929,947)	(392,276,771)	(1,271,700)	(411,478,418)
Net book value	3,747,723	36,594,498	1,957,341	42,299,562

For the year ended December 31, 2011

Opening net book value	3,747,723	36,594,498	1,957,341	42,299,562
Additions	3,598,430	3,376,163	128,072	7,102,665
Amortization charge	(728,765)	(19,391,787)	(504,505)	(20,625,057)
Closing net book value	6,617,388	20,578,874	1,580,908	28,777,170

December 31, 2011

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)
Net book value	6,617,388	20,578,874	1,580,908	28,777,170

The allocation of amortization charges relating to December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Cost of production (Note 18)	15,389,751	19,391,787
General administrative expenses (Notes 19)	1,508,053	543,004
Research and development expenses (Note 19)	1,107,316	690,266
Current year amortization charge	18,005,120	20,625,057

12. Government incentives and grants

The Company was granted research and development contribution premiums for a total of TL 14,394,321 by The Scientific and Technological Research Council of Turkey (TÜBİTAK) as of December 31, 2012 for Cargo trucks and new light commercial vehicle projects. The subject amount has been netted with the development expenses of the related project and associated with construction in progress in the balance sheet under property, plant and equipment.

The Company received two investment incentives both greater than TL 250 million in the last quarter of 2010, under the scope of the Council of Minister's decision numbered 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of the costs of fixed assets purchases related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned. As of December 31, 2012, fixed asset purchases amounting to TL 531,833,087 have been realized and tax advantages amounting to TL 158,503,824 which can be used in the forthcoming periods was gained, after the deduction of TL 1,046,102, which was used as discounted corporate tax advantage in the current year (Note 24).

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

13. Provision, contingent assets and liabilities

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

Provisions:	December 31, 2012	December 31, 2011
Short term warranty expense provision	41,014,572	38,849,095
Long term warranty expense provision	28,167,783	46,672,397
	69,182,355	85,521,492

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

	2012	2011
At January 1,	85,521,492	68,723,154
Paid during the year	(72,167,970)	(54,098,639)
Additions during the year (Note 19)	55,828,833	70,896,977
At December 31,	69,182,355	85,521,492

Letters of guarantee and letters of credit	December 31, 2012	December 31, 2011
Letters of guarantee given to banks	685,574,000	194,893,049
Letters of guarantee given to customs	28,124,155	24,545,155
Letters of guarantees given to other parties	16,677,764	13,596,691
	730,375,919	233,034,895

Letters of guarantee given	December 31, 2012		December 31, 2011	
	Original currency	TL	Original currency	TL
Euro	301,581,428	709,229,045	89,812,210	219,483,077
TL	16,501,139	16,501,139	13,527,262	13,527,262
USD	2,606,157	4,645,735	13,000	24,556
		730,375,919		233,034,895

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 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 December 31, 2012 and 2011 is as follows:

Collaterals, pledges and mortgages given by the Company	December 31, 2012	December 31, 2011
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	730,375,919	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 other collaterals/pledges/mortgages given	-	-
i. Total amount of collaterals/pledges/mortgages given for the parent company	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section	-	-
Total	730,375,919	233,034,895

As of December 31, 2012 and 2011, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows:

Letters of guarantee taken	December 31, 2012		December 31, 2011	
	Original currency	TL	Original currency	TL
TL	138,348,665	138,348,665	260,663,503	260,663,503
Euro	12,318,405	28,969,193	2,364,519	5,778,412
USD	82,140	146,423	132,140	249,599
GBP	-	-	27,000	78,759
		167,464,281		266,770,273

Tax dispute:

Fiscal Administration, imposed tax amount related to the fuel consumption for export vehicles for the years between 2005 and 2009, amounting to TL 17,837,279 which includes Special Consumption Tax, tax penalty and related interest. As a result of consultations with their advisors, the Company filed an appeal lawsuit at the court. The Company won the lawsuit relating to one of them with an amounting of TL 11,982,710. The Tax Office filed an appeal at the court and the appeal process is continuing. For the remaining amount of TL 5,854,569, the Company made the payment and the case is in the appeal stage at State Council.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 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 these commitments as of December 31, 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 December 31, 2012.

c) Based on the 4 month term credit agreement made by the Company in June 2012 amounting to Euro 37,430,000 with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank), the Company is required to ensure that its export proceeds equals to an amount of Euro 38,000,000. The Company fulfilled this commitment as of December 31, 2012. Also, based on the 4 month term credit agreement made by the Company in November 2012 amounting to Euro 37,430,000 with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank), the Company is required to ensure that its export proceeds equals to an amount of Euro 38,000,000.

Operational lease commitments

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

	December 31, 2012	December 31, 2011
Operational lease commitments		
Within 1 year	3,852,436	1,952,712
Between 1 year to 5 years	7,839,168	3,417,246
	11,691,604	5,369,958

15. Employee benefits**Long-term provisions:**

	December 31, 2012	December 31, 2011
Provision for employee benefits	72,876,906	55,081,174
	72,876,906	55,081,174

Provision for employee benefits:

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

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

The amount payable consists of one month's salary limited to a maximum of TL 3,033.98 for each year of service as of December 31, 2012 (December 31, 2011 – TL 2,731.85). As of January 1, 2013, one month's salary limit has increased to TL 3,129.25.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

15. Employee benefits (continued)

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

	December 31, 2012	December 31, 2011
Discount rate (%)	3.86	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 3,033.98 which was effective from July 1, 2012 (July 1, 2011 - TL 2,731.85) has been used in the calculations.

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

	2012	2011
At January 1,	55,081,174	44,061,805
Interest cost	2,128,739	2,054,263
Current year service cost	5,662,760	7,159,232
Paid during the year	(5,726,188)	(4,464,057)
Actuarial loss	15,730,421	6,269,931
At December 31,	72,876,906	55,081,174

16. Other assets

Other current assets:	December 31, 2012	December 31, 2011
VAT to be deductible	144,221,205	114,811,622
Amounts to be billed to vendors	6,044,648	11,575,054
Prepaid expenses	4,746,495	3,093,981
Prepaid taxes and withholding	4,109,902	7,585,414
Other	15,166,776	14,805,538
	174,289,026	151,871,609

VAT to be deductible is related to the ongoing process of refund of export VAT receivable related to October, November and December.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

16. Other assets (continued)

Other non-current assets:	December 31, 2012	December 31, 2011
Advances given for investments	324,368,840	191,659,398
	324,368,840	191,659,398

Investment advances given are related to the Company's new vehicle investments. TL 92,502,110 (December 31, 2011: TL 62,748,370) is given to domestic vendors as mould advances and TL 231,866,730 (December 31, 2011: TL 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 as of December 31, 2012 and 2011 is as follows:

Shareholders	December 31, 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
Total Koç Group	143,997,036	41.04	143,997,036	41.04
Ford Motor Company	143,997,036	41.04	143,997,036	41.04
Other (Publicly held)	62,915,928	17.92	62,915,928	17.92
Total	350,910,000	100.00	350,910,000	100.00
Inflation adjustment to share capital	27,920,283		27,920,283	
Inflation adjusted paid in capital	378,830,283		378,830,283	

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

There are 35,091,000,000 unit of shares (December 31, 2011 - 35,091,000,000 unit) with a nominal value of Kr 1 each.

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

In accordance with Corporate Tax Law No, 5520, dated June 13, 2006, Exemption for Sale of Participation Shares and Property, 75% portion of corporations' profits arising from the sale of subsidiary shares which shares that have been carried at least for two years on the 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 5,992,339 related to this exemption in its tax financial statements (December 31, 2011 - TL 20,670,400).

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

17. Equity (continued)

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 432,432,060 as of December 31, 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.

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.

In accordance with the General Assembly Meeting dated March 20, 2012, the Company decided to pay dividend from the net profit of the year 2011 at 100%, that is, gross TL 1 (net Kr 95.0976) per TL 1 share, amounting to TL 350,910,000 in total which was paid in April 2012. The Company had also decided to pay dividend at 65%, that is, gross Kr 65 (net Kr 57.2693) per TL 1 share, amounting to TL 228,091,500 in total at the Extraordinary General Assembly Meeting held on October 19, 2012 and the dividend was paid in October 2012 (2011 : TL 518,995,890).

Reserves, retained earnings and net income for the year ended December 31, 2012 according to CMB and statutory books are as follows:

	According to CMB	According to statutory books of account
Income for the year	641,582,558	502,155,243
Taxes receivable / (payable)	33,440,201	(89,919,272)
Net income for the year	675,022,759	412,235,971
Distributable net profit	675,022,759	412,235,971
Donations made during the year (Note 19)	13,214,246	
Distributable net income including donations	688,237,005	412,235,971

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

17. Equity (continued)

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

	December 31, 2012	December 31, 2011
Share capital	350,910,000	350,910,000
Inflation adjustment to share capital	27,920,283	27,920,283
Share premium	8,252	8,252
Revaluation funds	4,712,623	2,335,091
Net loss on cash flow hedge	(1,298,245)	(345,806)
Restricted reserves	432,432,060	390,964,519
- Legal reserves	426,439,719	370,294,119
- Special reserves	5,992,341	20,670,400
Retained earnings	505,957,103	464,337,418
- Inflation adjustment to equity	428,301,244	428,301,244
- Extraordinary reserves	77,655,859	36,036,174
Net income for the year	675,022,759	662,088,726
Total equity	1,995,664,835	1,898,218,483

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

December 31, 2012:	Historical values	Adjusted values	Equity inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	426,439,719	485,192,323	58,752,604
Extraordinary reserves	77,655,859	446,800,875	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	5,992,341	6,042,484	50,143
	861,006,171	1,317,227,698	456,221,527
December 31, 2011:	Historical values	Adjusted values	Equity inflation adjustment differences
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
	777,918,945	1,234,140,472	456,221,527

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

17. Equity (continued)

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

Otokar shares which are publicly traded in ISE are valued at their closing price as of December 31, 2012 and December 31, 2011. Fair value change (positive) amounting to TL 2,377,532 (December 31, 2011 – TL 427,422) is shown in statement of comprehensive income.

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

	2012	2011
At January 1,	1,989,285	1,907,669
Fair value increase of financial assets	2,377,532	427,422
Fair value (decrease) of financial derivatives	(952,439)	(345,806)
At December 31,	3,414,378	1,989,285

18. Sales and cost of sales

	December 31, 2012	December 31, 2011
Export sales	5,936,332,099	5,853,930,197
Domestic sales	4,366,124,292	5,088,764,313
Other sales	83,258,381	108,924,394
Less: Discounts	(617,777,515)	(606,595,954)
	9,767,937,257	10,445,022,950

Units of vehicle sales:

	December 31, 2012			December 31, 2011		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit	28,179	113,502	141,681	35,246	147,766	183,012
Transit Connect	29,162	75,081	104,243	37,445	64,616	102,061
Passenger vehicles	45,919	613	46,532	57,946	384	58,330
Transit Custom	1,113	14,328	15,441	-	-	-
Cargo	5,811	955	6,766	8,329	824	9,153
Ranger	827	10	837	1,714	4	1,718
Fiesta Van	-	-	-	-	55	55
	111,011	204,489	315,500	140,680	213,649	354,329

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

18. Sales and cost of sales (continued)

Summaries of cost of production as of December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Raw material cost	(6,546,593,774)	(6,692,484,964)
Production overhead costs	(637,331,701)	(644,304,470)
Depreciation and amortization expenses (Note 10 and 11)	(128,463,010)	(137,607,658)
Change in finished goods inventory	144,649,161	60,177,833
Total cost of goods sold	(7,167,739,324)	(7,414,219,259)
Cost of trade goods sold	(1,525,622,522)	(1,829,292,521)
Total cost of sales	(8,693,361,846)	(9,243,511,780)

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

	December 31, 2012	December 31, 2011
Selling and marketing expenses:		
Warranty expenses (Note 13)	(55,828,833)	(70,896,977)
Vehicle transportation expenses	(47,900,238)	(52,994,210)
Advertising expenses	(47,424,649)	(52,721,289)
Personnel expenses	(37,188,390)	(32,129,825)
Spare parts transportation and packaging expenses	(16,944,752)	(14,988,279)
Dealer and service development expenses	(9,565,370)	(9,210,817)
Depreciation expense (Note 10)	(1,841,629)	(1,690,302)
Other	(14,403,348)	(20,538,286)
	(231,097,209)	(255,169,985)

General administrative expenses:

Personnel expenses	(51,081,421)	(52,132,874)
New project administrative expenses	(13,934,069)	(7,361,693)
Grants and donations (Note 17)	(13,214,246)	(18,315,200)
Legal, consulting and auditing expenses	(12,206,087)	(11,932,460)
Depreciation and amortization expense (Notes 10 and 11)	(5,597,286)	(2,390,649)
Repair, maintenance and energy expenses	(4,014,969)	(3,522,562)
Travel expenses	(3,385,758)	(3,729,247)
Duties, taxes and levies	(2,785,861)	(1,720,001)
Warranty expenses excluding sales	(1,892,354)	(1,397,671)
Other	(12,470,061)	(10,402,108)
	(120,582,112)	(112,904,465)

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

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

	December 31, 2012	December 31, 2011
Research and development expenses:		
Personnel expenses	(60,033,883)	(64,819,409)
Project costs	(35,774,742)	(28,707,474)
Research and development administrative expenses	(7,006,757)	(7,985,354)
Depreciation and amortization expense (Notes 10 and 11)	(4,313,680)	(2,977,422)
Other	(4,955,892)	(2,396,451)
	(112,084,954)	(106,886,110)

20. Expenses by nature

The classification of expenses by nature for the years ended at December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Raw material cost	(6,546,593,774)	(6,692,484,964)
Cost of trade goods sold	(1,525,622,522)	(1,829,292,521)
Personnel expenses	(488,691,859)	(501,075,874)
Other operational expenses	(303,707,986)	(300,840,441)
Other overhead expenses	(297,065,505)	(310,222,166)
Financial expenses	(224,610,244)	(215,432,140)
Depreciation and amortization expenses	(140,215,605)	(144,666,031)
Change in finished goods inventory	144,649,161	60,177,833
Other expenses	(3,551,780)	(51,835,170)
Total expenses	(9,385,410,114)	(9,985,671,474)

21. Other operating income/expenses

	December 31, 2012	December 31, 2011
Other operating income and gains:		
Price difference and claim recovery	13,203,775	11,166,945
Commission income	7,076,706	9,975,091
Adjustments on prior period corporate tax	5,740,521	7,104,167
License fees income	4,413,044	4,705,352
Rent income	3,563,296	3,088,123
Income from the sale of property, plant and equipment	2,789,119	2,801,720
Insurance claim recoveries	1,170,077	465,457
Dividend income	281,198	87,874
Other	9,165,570	9,756,960
	47,403,306	49,151,689

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

21. Other operating income/expenses (continued)

	December 31, 2012	December 31, 2011
Other operating expenses and losses:		
Provision for doubtful receivables	(1,200,000)	(88,919)
Prior period costs	(1,138,567)	(3,792,064)
Claim charges for import materials	(795,536)	(1,870,025)
Loss from the sale of property, plant and equipment	(539,646)	(3,284,682)
Competition Board Penalty	-	(36,633,529)
Other	-	(781,242)
	(3,673,749)	(46,450,461)

22. Financial income

	December 31, 2012	December 31, 2011
Foreign exchange gains	141,942,140	191,298,369
Finance income from credit sales	46,729,122	46,885,812
Interest income	22,980,847	48,068,840
	211,652,109	286,253,021

23. Financial expenses

	December 31, 2012	December 31, 2011
Foreign exchange losses	(156,915,443)	(149,865,185)
Finance charges on credit purchases	(51,327,108)	(42,060,676)
Interest expenses	(12,607,844)	(18,799,809)
Other financial expenses	(3,759,849)	(4,706,470)
	(224,610,244)	(215,432,140)

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.

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.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

24. Tax assets and liabilities (continued)

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 capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code. As of December 31, 2012 the Company used R&D deduction of TL 55,811,632 (2011: TL 48,013,361) in return for the legal tax.

The decree on Government Subsidies for Incentives regulating investment incentives was published in the official gazette and became effective on 16 July 2009. Within the scope of this decree, the Company acquired a large-scaled investment incentive certificate on 13 December 2010 amounting to TL 1,342,219,988 for the modernization of its Transit model and a large-scaled investment incentive certificate on December 31, 2010 amounting to TL 367,892,491 for the new model investment in the light commercial vehicle segment. Subject investment is located in the 1. Region and has a 30% rate of contribution to investment. As of the balance sheet date, in the framework of the related investment incentive certificates, an investment expense of TL 531,833,087 was made. The Company used a discount on corporate tax for its Transit Custom model for TL 1,046,102 and this amount has been deducted from the total deferred tax asset.

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

	December 31, 2012	December 31, 2011
Current year corporate tax	89,919,272	168,782,079
Prepaid tax and withholding	(82,177,641)	(111,818,350)
	7,741,631	56,963,729

The taxation on income for the years ended December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Current year corporate tax	(89,919,272)	(168,782,079)
Deferred tax	123,359,473	30,798,086
	33,440,201	(137,983,993)

FORD OTOMOTİV SANAYİ A.Ş.

Notes to the financial statements for the year ended December 31, 2012

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

24. Tax assets and liabilities (continued)

Calculation of the tax expense reconciliation using the current year tax expense in the statement of income as at December 31, 2012 and 2011 and current tax ratio based on income before tax is as follows:

	December 31, 2012	December 31, 2011
Income before tax:	641,582,558	800,072,719
Current year tax expense	(128,316,512)	(160,014,544)
R&D deduction	11,162,326	9,602,672
Free zone profit exemption	951,229	1,026,053
Investment incentive exemption	147,464,410	11,919,443
Other temporary differences	2,178,748	(517,617)
	33,440,201	(137,983,993)

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 IFRS and financial statements prepared for tax purposes.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at December 31, 2012 and 2011 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31 2012	December 31 2011	December 31 2012	December 31 2011
Deferred tax assets:				
Investment incentive tax asset	531,833,087	122,767,903	158,503,824	12,085,516
Employee benefit provision	72,876,906	55,081,174	14,575,381	11,016,235
Warranty expense provision	69,182,355	85,521,492	13,836,471	17,104,299
Expense accruals	66,429,815	50,209,442	13,285,962	10,041,888
Inventories	10,269,456	3,746,431	2,053,891	749,286
Unearned credit finance income/(expense) - net	393,748	195,474	78,749	(39,095)
Difference between financial statements adjusted under IFRS and tax-based financial statements:				
- Tangible and intangible assets	83,139,964	94,512,342	16,627,993	18,902,468
			218,962,271	69,860,597
Deferred tax liabilities:				
Difference between financial statements adjusted under IFRS and tax-based financial statements:				
- Tangible and intangible assets	656,780,718	522,615,725	(131,356,144)	(104,523,145)
- Income accruals	22,191,210	28,210,078	(4,438,242)	(5,642,017)
			(135,794,386)	(110,165,162)
Net deferred tax asset/ (liability)			83,167,885	(40,304,565)

FORD OTOMOTİV SANAYİ A.Ş.

Notes to the financial statements for the year ended December 31, 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 income statement as profit / (loss)	Charged to comprehensive income statement as profit / (loss)	December 31, 2012
Deferred tax liabilities:				
Temporary difference between financial statements adjusted under IFRS and tax:				
Tangible and intangible assets	(85,620,677)	(29,107,474)	-	(114,728,151)
Income accruals	(5,619,521)	1,328,908	-	(4,290,613)
Fair value increase in financial assets	(22,496)	-	(125,133)	(147,629)
Deferred tax assets:				
Investment incentive tax asset	12,085,516	146,418,308	-	158,503,824
Provision for employee benefits	11,016,235	3,559,146	-	14,575,381
Warranty expense provision	17,104,299	(3,267,828)	-	13,836,471
Expense accruals	9,955,437	3,005,964	-	12,961,401
Inventories	749,286	1,304,605	-	2,053,891
Fair value decrease in financial derivatives	86,451	-	238,110	324,561
Unearned credit finance loss - net	(39,095)	117,844	-	78,749
Deferred tax asset - net	(40,304,565)	123,359,473	112,977	83,167,885
	January 1, 2011	Charged to income statement as profit / (loss)	Charged to comprehensive income statement as profit / (loss)	December 31, 2011
Deferred tax liabilities:				
Temporary difference between financial statements adjusted under IFRS and tax:				
Tangible and intangible assets	(104,256,782)	18,636,105	-	(85,620,677)
Income accruals	(1,644,430)	(3,975,091)	-	(5,619,521)
Unearned credit finance income - net	(19,958)	(19,137)	-	(39,095)
Fair value increase in financial assets	-	-	(22,496)	(22,496)
Deferred tax assets:				
Warranty expense provision	13,744,631	3,359,668	-	17,104,299
Investment incentive tax asset	4,526,146	7,559,370	-	12,085,516
Provision for employee benefits	8,812,361	2,203,874	-	11,016,235
Expense accruals	7,699,844	2,255,593	-	9,955,437
Inventories	(28,418)	777,704	-	749,286
Fair value decrease in financial derivatives	-	-	86,451	86,451
Deferred tax liability - net	(71,166,606)	30,798,086	63,955	(40,304,565)

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

25. Earnings per share

	December 31, 2012	December 31, 2011
Net income for the year (TL)	675,022,759	662,088,726
Weighted average number of shares with nominal value of Kr 1 each	35,091,000,000	35,091,000,000
Earnings per share with nominal value of Kr 1 each	1.92 Kr	1.89 Kr

26. Transactions and balances with related parties

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

The related party balances at December 31, 2012 and December 31, 2011 and the transactions with related parties during the year are as follows:

a) Receivables from related parties:**i) Trade receivable from related parties**

	December 31, 2012	December 31, 2011
Due from shareholders:		
Ford Motor Company and its subsidiaries	547,996,541	691,134,250
	547,996,541	691,134,250
Due from group companies(*):		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	201,024,921	186,190,661
Other	4,514,189	1,912,344
	205,539,110	188,103,005
Less: Unearned credit finance income	(1,057,096)	(1,863,052)
	752,478,555	877,374,203

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

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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 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 mentioned in Note 7, the Company's receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 30 days on average.

b) Payables to related parties:**i) Trade payables to related parties**

	December 31, 2012	December 31, 2011
Due to Shareholders:		
Ford Motor Company and its subsidiaries	233,527,483	275,655,280
	233,527,483	275,655,280

Due to group companies(*):

Zer Merkezi Hizmetler ve Ticaret A.Ş.	28,779,476	28,611,410
Ram Dış Ticaret A.Ş.	16,622,916	17,378,510
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	4,542,232	2,934,044
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	2,463,770	327,641
Setur Servis Turistik A.Ş.	1,908,907	2,854,488
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,549,714	853,906
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	1,389,750	1,795,311
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	861,421	1,248,429
Ram Sigorta Aracılık Hizmetleri A.Ş.	572,244	423,819
Callus Bilgi ve İletişim Hizmetleri A.Ş.	288,487	46,937
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	131,375	254,801
Koç Üniversitesi	114,217	51,095
Palmira Turizm Ticaret A.Ş.	84,255	86,860
Opet Petrolcülük A.Ş.	71,778	3,175,831
Promena Elektronik A.Ş.	44,722	161,542
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	24,765	11,951
Otokar Otomotiv ve Savunma Sanayi A.Ş.	24,225	197,904
Tofaş Türk Otomobil Fabrikası A.Ş.	5,496	9,680
Aygaz A.Ş.	-	16,596
Setair Hava Taşımacılığı A.Ş.	-	13,477
Arçelik A.Ş.	-	883
Özel Med Amerikan Polikliniği	-	5,200
Ark İnşaat	-	2,571,511
Aygaz Doğalgaz Toptan Satış A.Ş.	-	2,513,107

	59,479,750	65,544,933
Less: Unearned credit finance expense	(228,564)	(414,951)
	292,778,669	340,785,262

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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

26. Transactions and balances with related parties (continued)**ii) Other payables to related parties**

	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	1,221,174	13,346,087
Koç Holding A.Ş.	168,707	2,408,926
Other	59,180	713,183
	1,449,061	16,468,196

c) Sales to related parties:

	December 31, 2012	December 31, 2011
Ford Motor Company(*)	5,846,254,699	5,641,091,144
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.(**)	1,223,507,084	1,238,782,018
Zer Merkezi Hizmetler ve Ticaret A.Ş.(***)	48,692,300	57,181,225
Other	9,741,687	16,308,098
	7,128,195,770	6,953,362,485
Less: Financial income from credit sales	(13,720,173)	(16,978,165)
	7,114,475,597	6,936,384,320

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

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

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

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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

26. Transactions and balances with related parties (continued)

	January 1 - December 31, 2011			
	Material	Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	10,906,606	120,526,098	82,617	131,515,321
Ram Dış Ticaret A.Ş.	56,317,549	-	-	56,317,549
Opet Petrolcülük A.Ş.	17,618,341	-	-	17,618,341
Eltek Elektrik Enerjisi İth. İhr. ve Toptan A.Ş.	19,544,561	-	-	19,544,561
Ark İnşaat	17,620,604	-	-	17,620,604
Aygaz Doğalgaz Toptan Satış A.Ş.	15,719,823	-	-	15,719,823
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	14,915,009	-	-	14,915,009
Setur Servis Turistik A.Ş.	-	12,794,384	-	12,794,384
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	3,341,978	5,904,738	9,246,716
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	8,464,226	-	94,816	8,559,042
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,778,927	-	7,778,927
Koç Holding A.Ş.	-	7,727,302	-	7,727,302
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	2,091,864	1,782,821	3,874,685
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	1,798,121	85,000	1,883,121
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş. (*)	-	1,418,583	267,374	1,685,957
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	1,603,990	-	-	1,603,990
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,549,171	-	1,549,171
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	711,464	-	711,464
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	648,099	-	648,099
Palmira Turizm Ticaret A.Ş.	-	547,331	23,778	571,109
Promena Elektronik Ticaret A.Ş.	-	376,800	-	376,800
Koç Üniversitesi	-	240,613	-	240,613
Aygaz A.Ş.	132,169	-	-	132,169
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	-	113,388	-	113,388
Tofaş Türk Otomobil Fabrikası A.Ş.	-	22,006	-	22,006
Arçelik A.Ş.	16,280	-	-	16,280
Özel Med Amerikan Polikliniği	-	6,610	-	6,610
Bilkom Bilişim Hizmetleri A.Ş.	-	3,368	-	3,368
Türk Traktör A.Ş.	195	-	-	195
	162,859,353	161,696,107	8,241,144	332,796,604
Less: Financial expense from credit sales	(4,405,654)	-	-	(4,405,654)
	158,453,699	161,696,107	8,241,144	328,390,950

(*) Koç Holding has transferred Koç.Net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş shares as of November 30, 2011.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

26. Transactions and balances with related parties (continued)**Material, vehicle and service purchases from abroad:**

	December 31, 2012	December 31, 2011
Ford Motor Company	3,959,541,682	4,346,121,545

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

	December 31, 2012	December 31, 2011
	63,348,604	73,047,471

f) License fees received from Ford Motor Company included in other income:

	December 31, 2012	December 31, 2011
	4,413,044	4,705,352

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

	December 31, 2012	December 31, 2011
	12,691,187	16,867,915

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

Deposits in related banks:	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	81,026,491	133,962,936
- TL demand deposits	14,774,853	10,231,042
- TL time deposits	4,600,958	55,287,918
- Foreign currency demand deposits	63,678	667,664
	100,465,980	200,149,560

İlişkili banka kredileri	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	8,231,871	-

The Company obtained the loans from the consortium of Koç Holding and 14 financial institutions and as sub borrower, utilized TL 28,521,600 equivalent of USD 16 million of the loan obtained by Koç Holding (Note 6).

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

26. Transactions and balances with related parties (continued)**i) Commission income:**

	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	7,967,886	9,721,269

i) Commission expense:

	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	50,742,453	72,685,342
Koç Tüketici Finansmanı A.Ş.	2,829,930	2,267,067
	53,572,383	74,952,409

Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. is recorded as sales discounts.

j) Interest income:

	December 31, 2012	December 31, 2011
Yapı ve Kredi Bankası A.Ş.	6,153,305	9,507,070

k) Dividend income:

	December 31, 2012	December 31, 2011
Otokar Otomotiv ve Savunma Sanayi A.Ş.	281,198	87,874

l) Compensation of key management personnel:

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

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 in 2012 was TL 15,126,090 (December 31, 2011 – TL 14,199,305).

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 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 December 31, 2012 and 2011. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below.

December 31, 2012

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

(*) The Company's open short foreign exchange position mainly consists of long-term investment loans. The Company plans to pay back its long-term investment loans through its foreign exchange assets that will be earned from the export income generated from related investments.

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(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	702,936,616	1,761,115	282,869,344	3,191,736	-	-
2. Monetary financials assets (including cash and cash equivalents)	413,784,365	20,051,902	153,814,991	5,842	-	-
3. Other	167,807,854	851,158	67,789,981	(17,992)	28,536	21,890,128
4. Current assets (1 + 2 + 3)	1,284,528,835	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	22,759,750	504,474,316	3,179,586	28,536	21,890,128
8. Trade payables	330,624,277	23,038,495	116,295,760	886,928	28,536	21,890,128
9. Financial liabilities	226,735,699	186,683	92,635,680	-	-	-
10. Other monetary liabilities	1,721,063	219,936	534,261	-	-	-
11. Short term liabilities (8 + 9 + 10)	559,081,039	23,445,114	209,465,701	886,928	28,536	21,890,128
12. Financial liabilities	650,477,790	16,000,000	253,807,754	-	-	-
13. Long term liabilities (12)	650,477,790	16,000,000	253,807,754	-	-	-
14. Total liabilities (11 + 13)	1,209,558,829	39,445,114	463,273,455	886,928	28,536	21,890,128
15. Net foreign currency assets / (liabilities) position (7 - 14)	75,150,537	(16,685,364)	41,200,861	2,292,658	-	-
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(92,657,317)	(17,536,522)	(26,589,120)	2,310,650	(28,536)	(21,890,128)

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 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 primarily against to Euro and partly against to USD. The foreign exchange risk of the Company arises from long-term Euro investment loans.

December 31, 2012

		Profit / (Loss)
Appreciation in foreign currency / Depreciation in foreign currency		
Change in USD against TL by 10%		
US Dollar net (liabilities) / assets	(3,533,345)	3,533,345
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	(3,533,345)	3,533,345
Change in Euro against TL by 10%		
Euro net (liabilities) / assets	(69,732,530)	69,732,530
Euro net hedged amount	-	-
Euro net (loss) / gain	(69,732,530)	69,732,530
Change in other foreign currency against TL by 10%		
Other foreign currency denominated net assets / (liabilities)	293,987	(293,987)
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net gain / (loss)	293,987	(293,987)
December 31, 2011		
Profit / (Loss)		
Appreciation in foreign currency / Depreciation in foreign currency		
Change in USD against TL by 10%		
US Dollar net (liabilities) / assets	(3,151,698)	3,151,698
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	(3,151,698)	3,151,698
Change in Euro against TL by 10%		
Euro net asset / (liabilities)	10,086,666	(10,086,666)
Euro net hedged amount	-	-
Euro net gain / (loss)	10,086,666	(10,086,666)
Change in other foreign currency against TL by 10%		
Other foreign currency denominated net asset / (liabilities)	598,086	(598,086)
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net gain / (loss)	598,086	(598,086)

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 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 for the year ended December 31, 2012 and 2011 are as follows;

	December 31, 2012	December 31, 2011
Total export amount	5,936,332,099	5,853,930,197
Total import amount	5,079,439,096	5,428,691,359

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

Interest rate risk

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

	December 31, 2012	December 31, 2011
Fixed interest rate financial instruments		
Financial assets	273,952,715	738,079,840
Financial liabilities	511,098,797	73,314,000
Floating interest rate financial instruments		
Financial liabilities(*)	736,549,267	799,812,178

(*) As of December 31, 2012, the Company, signed an interest swap agreement in order to mitigate the cash flow interest risk related to the floating interest loan amounting to Euro 40,000,000 (TL 94,068,000) with a maturity of December 9, 2015.

If the interest rates of variable interest-bearing USD and Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 615,024 at December 31, 2012 (December 31, 2011 – TL 1,039,330), due to higher/lower interest expense.

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 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:

December 31, 2012	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	1,259,553,564	1,337,741,736	113,206,045	258,374,650	703,559,582	262,601,459
Trade payables						
- Related party	292,778,669	293,007,233	293,007,233	-	-	-
- Other	807,166,340	810,038,054	810,038,054	-	-	-
Other liabilities						
- Related party	1,449,061	1,449,061	1,449,061	-	-	-
- Other	139,020,033	139,020,033	139,020,033	-	-	-
Derivative Financial Liabilities						
Derivative Financial Instruments	1,683,905	1,683,905	-	-	1,683,905	-

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 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
Non-derivative financial instruments					
Financial liabilities	876,889,936	928,011,724	16,673,977	236,631,382	674,706,365
Trade payables					
- Related party	340,785,262	341,200,213	341,200,213	-	-
- Other	900,664,471	906,030,573	906,030,573	-	-
Other liabilities					
- Related party	16,468,196	16,468,196	16,468,196	-	-
- Other	150,137,511	150,137,511	150,137,511	-	-
Derivative Financial Liabilities					
Derivative Financial Instruments	424,850	424,850	-	-	424,850

Fair value hierarchy table

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

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

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

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

FORD OTOMOTİV SANAYİ A.Ş.**Notes to the financial statements for the year ended December 31, 2012**

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

27. Financial instruments and financial risk management (continued)

As of December 31, 2012 and 2011, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

December 31, 2012	Level 1(*)	Level 2(**)	Level 3
Assets at fair value			
Financial investments - Otokar shares	5,961,405	-	-
Total assets	5,961,405	-	-
Liabilities at fair value			
Cash flow hedge swap transaction	-	1,683,905	-
Total Liabilities	-	1,683,905	-

(*) Fair value is calculated at market prices per the Stock Exchange market at 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
Assets at fair value			
Financial investments - Otokar shares	3,458,740	-	-
Total assets	3,458,740	-	-
Liabilities at fair value			
Cash flow hedge swap transaction	-	424,850	-
Total Liabilities	-	424,850	-

(*) Fair value is calculated at market prices per the 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).

FORD OTOMOTİV SANAYİ A.Ş.

Notes to the financial statements for the year ended December 31, 2012

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

28. Derivative financial instruments

	December 31, 2012	December 31, 2011
Derivative financial instruments:		
Long term financial derivatives	1,683,905	424,850
	1,683,905	424,850

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

As of December 31, 2012, the Company has entered into swap transaction for Euro 40,000,000 (equivalent of TL 92,340,000) with a maturity of December 9, 2015 to hedge itself from the risk caused by fluctuations in interest rates. The critical terms of the swap contract such as due date, repayment, and changes in interests are in line with the foreign currency loan agreement subject to the swap transaction as of December 31, 2012. The fair value of the related swap transaction as of December 31, 2012 is amounting to TL 1,683,905 and presented in "Non-current liabilities".

29. Subsequent events

There is no significant subsequent event to be disclosed.

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.

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