

**(Convenience translation of financial statements and review report  
originally issued in Turkish – See Note 2.5)**

## **Ford Otomotiv Sanayi Anonim Őirketi**

**Financial statements for the interim period January 1 –  
June 30, 2014 and independent auditor’s review report**

## Ford Otomotiv Sanayi A.Ş.

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(Convenience Translation into English of Independent Auditor's Review Report  
Originally Issued in Turkish)

**Review Report on the Interim Financial Information**

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

*Introduction*

We have reviewed the accompanying financial statements of Ford Otomotiv Sanayi A.Ş. ("the Company") as of June 30, 2014, which comprise the statement of financial position and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the six-month-period then ended and a summary of significant accounting policies and explanatory notes. The management of the Company is responsible for the preparation and fair presentation of the interim financial information in accordance with the Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

*Scope of review*

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention which may cause us to conclude that the accompanying interim financial information of Ford Otomotiv Sanayi A.Ş. does not give a true and fair view of financial position and financial performance of the Company as of June 30, 2014, and its cash flows for the six-month period then ended in accordance with the Turkish Accounting Standards.

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



Erdem Tecer, SMMM  
Engagement Partner

August 5, 2014  
İstanbul, Türkiye

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

	Notes	Current period (Reviewed) June 30, 2014	Prior period (Audited) December 31, 2013
<b>Assets</b>			
<b>Current assets</b>		<b>2,593,073,469</b>	<b>2,443,438,405</b>
Cash and cash equivalents	4	144,375,372	238,128,147
Trade receivables			
- Due from related parties	26	889,900,208	976,334,894
- Trade receivables, third parties	7	487,274,334	474,919,300
Other receivables			
- Other receivables, third parties	8	2,976,508	330,799
Inventories	9	729,087,424	563,888,556
Prepaid expenses	12	82,713,700	22,250,708
Other current assets	16	256,745,923	167,586,001
<b>Non-current assets</b>		<b>4,084,929,075</b>	<b>3,547,751,814</b>
Financial investments	5	8,182,872	7,732,955
Trade receivables			
- Trade receivables, third parties	7	435,657	458,542
Property, plant and equipment	10	2,606,176,141	2,231,069,051
Intangible assets	11	497,800,178	415,312,279
Prepaid expenses	12	466,053,524	591,264,603
Deferred tax asset	24	506,280,703	301,914,384
<b>Total assets</b>		<b>6,678,002,544</b>	<b>5,991,190,219</b>

The financial statements were approved for issue by the Board of Directors on August 05, 2014 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager – Chief Financial Officer ("CFO") and Devrim Kılıçoğlu, Finance and Accounting Director.

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

	Notes	Current period (Reviewed) June 30, 2014	Prior period (Audited) December 31, 2013
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>2,832,883,388</b>	<b>2,396,989,476</b>
Short term financial liabilities			
- Bank loans	6	632,650,073	629,929,557
Short term portion of long-term financial liabilities			
- Bank loans	6	364,066,173	441,633,045
Trade payables			
- Due to related parties	26	422,568,828	262,289,287
- Trade payables, third parties	7	1,159,359,526	919,806,623
Other payables			
- Due to related parties	26	3,062,343	5,618,330
- Other payables, third parties	8	129,434,284	21,602,967
Deferred revenue	30	1,070,000	2,869,027
Provision for taxation on income	24	2,433,706	-
Short term provisions			
- Other short term provisions	13	61,367,547	58,009,620
Liabilities for employee benefit obligations	15	56,870,908	55,231,020
<b>Non-current liabilities</b>		<b>1,209,190,228</b>	<b>1,357,596,409</b>
Long term financial liabilities			
- Bank loans	6	1,074,618,346	1,219,653,201
Derivative financial instruments	28	628,751	713,095
Long term provisions			
- Provision for employee benefits	15	100,365,527	94,304,955
- Other long term provisions	13	33,577,604	42,925,158
<b>Equity</b>		<b>2,635,928,928</b>	<b>2,236,604,334</b>
Share capital			
Adjustment to share capital		27,920,283	27,920,283
Share premium		8,252	8,252
Other comprehensive income / expenses not to be reclassified to profit or loss			
- Actuarial (loss) arising from employee benefits		(13,250,515)	(11,053,834)
Other comprehensive income / expense to be reclassified to profit or loss			
- Revaluation fund of available for sale financial assets		6,845,512	6,418,090
- Cash flow hedge reserve		(54,676,086)	(102,334,951)
Restricted reserves		460,680,315	460,680,315
Retained earnings		1,504,056,179	862,584,393
Net income for the period		353,434,988	641,471,786
<b>Total equity and liabilities</b>		<b>6,678,002,544</b>	<b>5,991,190,219</b>

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of income for the period ended June 30, 2014**

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

	Notes	(Reviewed) January 1, 2014 - June 30, 2014	(Not reviewed) April 1, 2014 - June 30, 2014	(Reviewed) January 1, 2013 - June 30, 2013	(Not reviewed) April 1, 2013 - June 30, 2013
<b>Continuing operations</b>					
Revenue	18	5,213,991,688	3,168,364,004	5,482,434,619	2,911,907,513
Cost of sales	18	(4,738,845,828)	(2,899,400,339)	(4,936,298,861)	(2,621,059,155)
<b>Gross profit</b>		<b>475,145,860</b>	<b>268,963,665</b>	<b>546,135,758</b>	<b>290,848,358</b>
Selling, marketing and distribution expenses	19	(108,101,213)	(64,092,262)	(119,613,136)	(61,631,380)
General administrative expenses	19	(71,126,993)	(34,129,038)	(67,488,375)	(33,984,428)
Research and development expenses	19	(76,753,146)	(48,543,029)	(63,823,373)	(33,001,363)
Other operating income	21	61,034,053	16,841,536	75,682,913	59,890,913
Other operating expenses	21	(70,535,666)	(47,663,093)	(30,689,072)	(11,109,814)
<b>Operating profit</b>		<b>209,662,895</b>	<b>91,377,779</b>	<b>340,204,715</b>	<b>211,012,286</b>
Income from investing activities	29	585,830	585,830	818,601	818,601
Expenses from investing activities	29	(1,499,944)	(94,399)	(114,673)	(45,203)
<b>Operating income before financial income / (expense)</b>		<b>208,748,781</b>	<b>91,869,210</b>	<b>340,908,643</b>	<b>211,785,684</b>
Financial income	22	167,195,751	121,160,446	47,806,055	16,736,671
Financial expense	23	(233,468,850)	(130,863,498)	(81,023,769)	(55,799,266)
<b>Income before tax from continuing operations</b>		<b>142,475,682</b>	<b>82,166,158</b>	<b>307,690,929</b>	<b>172,723,089</b>
Tax income / (expense) from continuing operations	24	210,959,306	68,745,166	127,878,451	86,776,175
- Taxes on income	24	7,228,397	13,538,282	(6,208,518)	(1,779,502)
- Deferred tax income	24	203,730,909	55,206,884	134,086,969	88,555,677
<b>Net income for the period</b>		<b>353,434,988</b>	<b>150,911,324</b>	<b>435,569,380</b>	<b>259,499,264</b>
<b>Earnings per share with a nominal value of Kr 1</b>	25	<b>1.01</b>	<b>0.43</b>	<b>1.24</b>	<b>0.74</b>

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

(4)

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of other comprehensive income for the period ended June 30, 2014**

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

	Notes	(Reviewed) January 1, 2014 - June 30, 2014	(Not reviewed) April 1, 2014 - June 30, 2014	(Reviewed) January 1, 2013 - June 30, 2013	(Not reviewed) April 1, 2013 - June 30, 2013
<b>Net income for the period</b>		<b>353,434,988</b>	<b>150,911,324</b>	<b>435,569,380</b>	<b>259,499,264</b>
<b>Other comprehensive income/(loss)</b>					
<b>Not to be reclassified to profit or loss</b>					
Actuarial (loss) arising from employee benefits	17	(2,745,851)	(311,949)	(4,605,439)	(3,869,451)
Actuarial (loss) arising from employee benefits, tax effect	17	549,170	62,390	921,088	773,890
<b>To be reclassified to profit or loss</b>					
Change in revaluation fund of available for sale financial assets	17	449,917	449,917	3,493,889	1,405,991
Change in revaluation fund of available for sale financial assets, tax effect	17	(22,495)	(22,495)	(152,199)	(70,300)
Gain / (loss) from cash flow hedge reserve	17	59,573,581	80,528,594	(47,635,489)	(47,999,004)
Gain / (loss) from cash flow hedge reserve, tax effect	17	(11,914,716)	(16,105,719)	9,527,098	9,599,801
<b>Other comprehensive income/(loss), (after tax)</b>		<b>45,889,606</b>	<b>64,600,738</b>	<b>(38,451,052)</b>	<b>(40,159,073)</b>
<b>Total comprehensive income</b>		<b>399,324,594</b>	<b>215,512,062</b>	<b>397,118,328</b>	<b>219,340,191</b>

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

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

**IFRS 11 - Acquisition of an Interest in a Joint Operation (Amendment)**

In May 2014 the IASB amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company

**IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)**

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**IFRS 15 – Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment)– Bearer Plants)**

In June 2014, the IASB issued amendments that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company / the and will not have an impact on the financial position or performance of the Company.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

**2.3 Summary of significant accounting policies**

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

**Cash and cash equivalents**

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

**Trade receivables and allowance for trade receivables**

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

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

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

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

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

**Inventories**

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

### **Trade payables**

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

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

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

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

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

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

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

### **Intangible assets**

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

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

The estimated useful lifetimes of such assets are as follows:

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

### **Impairment of long-lived assets**

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

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

### **Financial assets**

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

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

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

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

### **Share premium**

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

### **Share capital and dividends**

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

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

**Taxes on income**

Taxes include current period income taxes and deferred taxes.

Current period income tax

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

Deferred tax

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

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

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

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).

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

### *Dividend and interest income*

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

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

### **Foreign currency transactions and balances**

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

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

	TL/USD	TL/Euro	TL/GBP
June 30, 2014	<b>2.1234</b>	<b>2.8919</b>	<b>3.6094</b>
December 31, 2013	2.1343	2.9365	3.5114
June 30, 2013	1.9248	2.5137	2.9292

### **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

Short term bank letters of collaterals received from dealers for the exceeding part of DDS limit, regarding vehicle sales and 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.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

***Price risk***

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

***Liquidity risk***

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 80 million and factoring agreement amounting to Euro 130 million in case a requirement for use arises.

***Interest rate risk***

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

***Funding risk***

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

***Foreign exchange risk***

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

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

***Capital risk management***

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

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

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statements for the period ended June 30, 2014

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

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

	June 30, 2014	December 31, 2013
Net financial debt	1,926,959,220	2,053,087,656
Tangible equity	2,138,128,750	1,821,292,055
<b>Net financial debt / tangible equity ratio</b>	<b>0.90</b>	<b>1.13</b>

### Fair value of financial instruments

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

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

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

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

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

### Financial assets

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

### Financial liabilities

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

### Derivative financial instruments and cash flow hedge accounting

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

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

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

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

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

**Borrowings and borrowing costs**

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

**Provision for employee benefits**

**a) Defined benefit plan:**

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

**b) Defined contribution plan:**

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

**c) Other employee benefits**

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

### **Provisions**

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

#### *Provisions for sales premium*

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

#### *Warranty expenses provision*

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

### **Research and development expenses**

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

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

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the project lifetime. Impairment test for the assets is performed annually within the recognition period of the development expenditures in progress (Note 11).

### **Leasing – the Company as the lessee**

#### **Operating leases**

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

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

**Leasing – the Company as lessor**

***Operational Leasing***

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

**Related parties**

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

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

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

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

### **Earnings per share**

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

### **Reporting of cash flows**

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

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

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

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

### **Contingent assets and liabilities**

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

### **Subsequent events**

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the statement of financial position date and the date when the statement of financial position is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the statement of financial position date, the Company makes the necessary corrections on the financial statements (Note 32).

### **Offsetting**

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

### **Government grants and incentives**

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

**(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)**

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

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

### **2.4 Accounting policies, changes in accounting estimates and errors**

Material changes in accounting policies and estimates or material errors are corrected retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current period and prospectively.

Pursuant to the decree taken in the CMB’s meeting dated June 7, 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the year end periods ended after March 31, 2013. Various classifications were made in the Company’s statement of financial position pursuant to these formats which have taken effect. The classifications made in the statement of financial position of the Company as of June 30, 2013 and the statement of other comprehensive income for the period ended June 30, 2013 are as follows:

- (i) Loss from sale of property, plant and equipment amounting to TL 114,673 in the account of “other operating income” in the statement of profit or loss of the Company as of June 30, 2013 were classified under “expenses from investing activities”.
- (ii) Gain from sale of property, plant and equipment amounting to TL 443,670 and dividend income amounting to TL 374.931 in the account of “other operating income” in the statement of profit or loss of the Company as of June 30, 2013 were classified under “income from investing activities”.
- (iii) Taken advance amounting to TL 2,869,027 in the account of “other payables” in the statement of financial position of the Company as of December 31, 2013 were classified under “deferred revenue”.

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

As at June 30, 2014, the accounting principles described in Note 2 above (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

**2.6 Significant accounting estimates and decisions**

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

- (a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15).
- (b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7).
- (c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9).
- (d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counselor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.
- (e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).
- (f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of 30 June, 2014 and December 31, 2013 since presumptions that the Company will have taxable profit 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).
- (h) Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of June 30, 2014 and December 31, 2013, there is no impairment determined related to development costs in progress.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

**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**

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for Euro denominated time deposits is %2.20 (December 31, 2013 - %2.70) and the weighted average interest rate for the TL time deposits is %10.06, (December 31, 2013 - %9.00).

	June 30, 2014	December 31, 2013
Banks- foreign currency time deposits	104,693,089	207,185,399
Banks - TL demand deposits	22,723,564	24,104,281
Banks- TL time deposits	16,058,015	6,132,512
Banks - foreign currency demand deposits	900,704	705,955
	<b>144,375,372</b>	<b>238,128,147</b>

**5. Financial assets**

	June 30, 2014		December 31, 2013	
	Shareholding %	Amount	Shareholding %	Amount
<b>Available-for-sale financial assets:</b>				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	8,182,872	0.59	7,732,955
		<b>8,182,872</b>		<b>7,732,955</b>

(\*) The Company's shareholding in Otokar was stated at market value at June 30, 2014 and December 31, 2013 which is assumed to approximate its fair value.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statements for the period ended June 30, 2014

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

## 6. Financial liabilities

	June 30, 2014		December 31, 2013	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
<b>Short term borrowings</b>				
- Euro	1.69	562,903,015	1.56	619,497,400
- TL (*)	7.83	69,747,058	-	10,432,157
		<b>632,650,073</b>		<b>629,929,557</b>

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

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

	June 30, 2014		December 31, 2013	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
- Euro	2.45	364,066,173	2.97	441,633,045
		<b>364,066,173</b>		<b>441,633,045</b>
<b>Total short term borrowings</b>		<b>996,716,246</b>		<b>1,071,562,602</b>

### Long term borrowings:

- Euro	1.97	1,074,618,346	2.04	1,219,653,201
		<b>1,074,618,346</b>		<b>1,219,653,201</b>

The payment schedules of long-term bank borrowings as of June 30, 2014 and December 31, 2013 are as follows:

Payment period	June 30, 2014	December 31, 2013
	Total TL	Total TL
2015	209,103,482	364,540,148
2016	305,833,122	307,556,508
2017	142,457,597	141,789,233
2018	136,183,904	135,544,438
2019	131,088,261	130,472,203
2020-2021	149,951,980	139,750,671
	<b>1,074,618,346</b>	<b>1,219,653,201</b>

The letters of bank guarantee given to financial institutions in connection with borrowings amount to TL 1,037,883,513. (December 31, 2013 – TL 1,076,694,420) (Not 13).

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statements for the period ended June 30, 2014

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

## 7. Trade receivables and payables

	June 30, 2014	December 31, 2013
<b>Short term trade receivables:</b>		
Trade receivables	490,457,679	479,252,823
Doubtful receivables	4,533,456	4,533,456
Less: Unearned credit finance income	(3,183,345)	(4,333,523)
	<b>491,807,790</b>	<b>479,452,756</b>
Less: Provision for doubtful receivables	(4,533,456)	(4,533,456)
	<b>487,274,334</b>	<b>474,919,300</b>

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days. (December 31 2013: 25 days), domestic sales of spare parts turnover is 70 days (December 31 2013: 70 days) and discounted by 1.03% monthly effective interest rate (December 31 2013: %0.64).

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

	June 30, 2014	December 31, 2013
<b>Long term trade receivables:</b>		
Deposits and guarantees given	435,657	458,542
	<b>435,657</b>	<b>458,542</b>

	June 30, 2014	December 31, 2013
<b>Trade payables:</b>		
Trade payables	1,166,324,627	923,138,810
Less: Unearned credit finance expense	(6,965,101)	(3,332,187)
	<b>1,159,359,526</b>	<b>919,806,623</b>

The average turnover of trade payables is 60 days. (December 31, 2013: 60 days) and discounted by 1.03% monthly effective interest rate. (December 31, 2013: %0.64).

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.  
Notes to financial statements for the period ended June 30, 2014  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of June 30, 2014 and December 31, 2013 is as follows:

	Trade receivables			Deposits in bank
	Related party	Other	Other receivables Related party	
<b>June 30, 2014</b>				
<b>The maximum of credit risk exposed at the reporting date</b> (Notes 26, 7, 8, 4)	<b>889,900,208</b>	<b>487,274,334</b>	<b>-</b>	<b>144,375,372</b>
- The maximum of credit risk covered by guarantees	110,000,000	451,988,967	-	-
Net book value of the financial assets that are neither overdue nor impaired	804,153,398	483,567,443	-	144,375,372
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	-	-	-
Net book value of financial assets that are overdue but not impaired	85,746,810	3,706,891	-	-
- Amount of risk covered by guarantees	-	220,724	-	-
Net book value of impaired assets	-	-	-	-
- Overdue (gross book value)	-	4,533,456	-	-
- Impairment (-)	-	(4,533,456)	-	-
- Amount of risk covered by guarantees	-	-	-	-

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statements for the period ended June 30, 2014  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Trade receivables and payables (continued)

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statements for the period ended June 30, 2014

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

**7. Trade receivables and payables (continued)**

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

June 30, 2014	Trade receivables	
	Related party	Other
1-30 days overdue	32,579,834	291,327
1-3 months overdue	17,670,389	920,417
3-12 months overdue	17,798,146	1,521,963
1-5 years overdue	17,698,441	973,184
	<b>85,746,810</b>	<b>3,706,891</b>
Risk covered by guarantees	-	220,724

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

**8. Other receivables and payables**

	June 30, 2014	December 31, 2013
<b>Other receivables:</b>		
Other miscellaneous receivables	2,976,508	330,799
	<b>2,976,508</b>	<b>330,799</b>
	<b>June 30, 2014</b>	<b>December 31 2013</b>

**Other payables:**

Sales premium accruals	95,752,925	-
Taxes and funds payable	18,524,016	18,341,531
Marketing and expense accruals	8,032,806	-
Grants and donations payable	2,837,707	-
Other	4,286,830	3,261,436
	<b>129,434,284</b>	<b>21,602,967</b>

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statements for the period ended June 30, 2014**

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

**9. Inventories**

	June 30, 2014	December 31, 2013
Finished goods	209,427,368	191,087,991
Raw materials	206,768,043	170,737,641
Vehicle spare parts	112,143,711	108,033,942
Import vehicles	56,004,116	38,105,200
Goods in transit	121,272,637	30,309,372
Spare parts	31,940,436	28,832,723
	<b>737,556,311</b>	<b>567,106,869</b>
Less: Provision for impairment of finished goods and vehicle spare parts	<b>(8,468,887)</b>	<b>(3,218,313)</b>
	<b>729,087,424</b>	<b>563,888,556</b>

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:

	2014	2013
At January 1,	3,218,313	2,370,999
Change within the period	5,250,574	1,131,245
At June 30,	8,468,887	3,502,244

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**  
**Statement of financial position as at June 30, 2014**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**10. Property, plant and equipment**

	Land	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
<b>December 31, 2013</b>										
Cost	11,874,536	133,726,199	598,698,603	1,246,999,402	1,625,015,040	1,246,999,402	262,563,957	7,758,660	313,146,729	4,199,783,126
Accumulated depreciation	-	(55,890,046)	(280,669,273)	(668,384,053)	(808,726,624)	(668,384,053)	(152,428,549)	(2,615,530)	-	(1,968,714,075)
<b>Net book value</b>	<b>11,874,536</b>	<b>77,836,153</b>	<b>318,029,330</b>	<b>578,615,349</b>	<b>816,288,416</b>	<b>578,615,349</b>	<b>110,135,408</b>	<b>5,143,130</b>	<b>313,146,729</b>	<b>2,231,069,051</b>
<b>For the period ended June 30, 2014</b>										
Opening net book value	11,874,536	77,836,153	318,029,330	578,615,349	816,288,416	578,615,349	110,135,408	5,143,130	313,146,729	2,231,069,051
Additions	-	1,372,941	1,256,305	195,770,987	246,214,324	195,770,987	16,305,103	3,370,352	35,559,099	499,849,111
Transfers	-	-	74,588,803	-	62,906,241	-	-	-	(137,495,044)	-
Disposals	-	-	-	-	(4,680,024)	-	(5,561,389)	(3,560,739)	-	(13,802,152)
Depreciation charge	-	(2,592,644)	(12,969,186)	(36,678,374)	(57,079,779)	(36,678,374)	(10,136,515)	(557,180)	-	(120,013,678)
Disposals from accumulated depreciation	-	-	-	-	4,023,602	-	4,758,189	292,018	-	9,073,809
<b>Closing net book value</b>	<b>11,874,536</b>	<b>76,616,450</b>	<b>380,905,252</b>	<b>737,707,962</b>	<b>1,067,672,780</b>	<b>737,707,962</b>	<b>115,500,796</b>	<b>4,687,581</b>	<b>211,210,784</b>	<b>2,606,176,141</b>
<b>June 30, 2014</b>										
Cost	11,874,536	135,099,141	674,543,712	1,442,770,389	1,929,455,579	1,442,770,389	273,307,671	7,568,274	211,210,784	4,685,830,086
Accumulated depreciation	-	(58,482,691)	(293,638,460)	(705,062,427)	(861,782,799)	(705,062,427)	(157,806,875)	(2,880,693)	-	(2,079,653,946)
<b>Net book value</b>	<b>11,874,536</b>	<b>76,616,450</b>	<b>380,905,252</b>	<b>737,707,962</b>	<b>1,067,672,780</b>	<b>737,707,962</b>	<b>115,500,796</b>	<b>4,687,581</b>	<b>211,210,784</b>	<b>2,606,176,141</b>

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 3,215,770 (June 30, 2013: TL 19,192,831) has been recognized under property, plant and equipment according to the cumulative approach within the context of TMS 23 as of June 30, 2014.

There is no collateral, pledge or mortgage on tangible assets as of June 30, 2014 and 2013.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**  
**Statement of financial position as at June 30, 2014**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

	Land	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
December 31, 2012										
Cost	11,874,536	125,949,303	566,132,999	896,944,280	235,366,647	7,978,528	143,733,711	3,358,678,100		
Accumulated depreciation	-	(50,880,186)	(257,856,098)	(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	277,087,943	99,202,375	5,637,227	143,733,711	1,556,458,799		
For the period ended										
June 30, 2013										
Opening net book value	11,874,536	75,069,117	308,276,901	277,087,943	99,202,375	5,637,227	143,733,711	1,556,458,799		
Additions	-	1,563,974	1,029,137	160,759,795	7,965,567	1,467,165	102,128,467	347,612,872		
Transfers	-	2,862,940	25,976,071	425,833	353,085	-	(29,617,929)	-		
Disposals	-	-	-	(443,104)	(880,564)	(3,397,165)	-	(4,720,833)		
Depreciation charge	-	(2,479,803)	(11,267,285)	(22,605,367)	(8,147,179)	(459,815)	-	(83,396,696)		
Disposals from accumulated depreciation	-	-	-	-	343,705	878,469	-	3,039,201		
Closing net book value	11,874,536	77,016,228	324,014,824	415,668,204	99,371,753	5,064,439	216,244,249	1,818,993,343		
June 30, 2013										
Cost	11,874,536	130,376,217	593,138,207	1,058,129,908	242,804,735	6,048,528	216,244,249	3,701,570,139		
Accumulated depreciation	-	(53,359,989)	(269,123,383)	(642,461,704)	(143,432,982)	(984,089)	-	(1,882,576,796)		
Net book value	11,874,536	77,016,228	324,014,824	415,668,204	99,371,753	5,064,439	216,244,249	1,818,993,343		

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

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

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

	June 30, 2014	December 31, 2013
Moulds and models	366,855,459	366,313,427
Machinery and equipment	138,552,927	132,081,632
Furniture and fixtures	64,017,811	63,244,168
Buildings	20,519,548	18,709,946
Land improvements	2,142,887	1,999,158
Vehicles	799,535	847,711
	<b>592,888,167</b>	<b>583,196,042</b>

The allocation of depreciation expense as of June 30, 2014 and June 30, 2013 is as follows:

	June 30, 2014	December 31, 2013
Cost of production (Note 18)	109,601,250	76,939,866
General administrative expenses (Note 19)	5,624,890	2,582,155
Research and development expenses (Note 19)	2,586,470	2,080,813
Selling and marketing expenses (Note 19)	1,038,132	968,075
Associated with construction in progress	1,162,936	825,787
	<b>120,013,678</b>	<b>83,396,696</b>

**11. Intangible assets**

December 31, 2013	Rights	Development cost	Development costs in progress	Other	Total
Cost	31,670,385	479,714,678	359,259,892	6,460,411	877,105,366
Accumulated amortization	(26,112,104)	(432,417,596)		(3,263,387)	(461,793,087)
<b>Net book value</b>	<b>5,558,281</b>	<b>47,297,082</b>	<b>359,259,892</b>	<b>3,197,024</b>	<b>415,312,279</b>
<b>For the period ended June 30, 2014</b>					
Opening net book value	5,558,281	47,297,082	359,259,892	3,197,024	415,312,279
Additions	3,184,870	-	91,998,403	-	95,183,273
Transfers	-	251,490,565	(251,490,565)	-	-
Depreciation charge	(3,534,507)	(8,673,167)	-	(487,700)	(12,695,374)
<b>Closing net book value</b>	<b>5,208,644</b>	<b>290,114,480</b>	<b>199,767,730</b>	<b>2,709,324</b>	<b>497,800,178</b>
<b>June 30, 2014</b>					
Cost	34,855,255	731,205,243	199,767,730	6,460,411	972,288,639
Accumulated amortization	(29,646,611)	(441,090,763)	-	(3,751,087)	(474,488,461)
<b>Net book value</b>	<b>5,208,644</b>	<b>290,114,480</b>	<b>199,767,730</b>	<b>2,709,324</b>	<b>497,800,178</b>

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

**11. Intangible assets (continued)**

December 31, 2012	Rights	Development cost	Development costs in progress	Other	Total
Cost	24,942,594	473,722,783	182,884,687	6,097,543	687,647,607
Accumulated amortization	(20,709,417)	(426,240,957)	-	(2,336,558)	(449,286,932)
<b>Net book value</b>	<b>4,233,177</b>	<b>47,481,826</b>	<b>182,884,687</b>	<b>3,760,985</b>	<b>238,360,675</b>
<b>For the period ended June 30, 2013</b>					
Opening net book value	4,233,177	47,481,826	182,884,687	3,760,985	238,360,675
Additions	4,340,682	-	83,717,765	-	88,058,447
Transfers	-	1,862,246	(1,862,246)	-	-
Depreciation charge	(2,545,181)	(3,003,289)	-	(461,144)	(6,009,614)
<b>Closing net book value</b>	<b>6,028,678</b>	<b>46,340,783</b>	<b>264,740,206</b>	<b>3,299,841</b>	<b>320,409,508</b>
<b>June 30, 2013</b>					
Cost	29,283,276	475,585,029	264,740,206	6,097,543	775,706,054
Accumulated amortization	(23,254,598)	(429,244,246)	-	(2,797,702)	(455,296,546)
<b>Net book value</b>	<b>6,028,678</b>	<b>46,340,783</b>	<b>264,740,206</b>	<b>3,299,841</b>	<b>320,409,508</b>

The allocation of amortization charges relating to June 30, 2014 and June 30, 2013 is as follows:

	June 30, 2014	December 31, 2013
Cost of production (Note 18)	2,902,451	2,682,477
General administrative expenses (Note 19)	2,367,687	1,783,980
Research and development expenses (Note 19)	7,324,140	1,455,664
Selling and marketing expenses (Note 19)	71,914	70,281
Associated with construction in progress	29,182	17,212
	<b>12,695,374</b>	<b>6,009,614</b>

**12. Prepaid expenses**

Short term prepaid expenses:	June 30, 2014	December 31, 2013
Advances given for inventories	76,475,331	17,272,254
Other prepaid expenses	6,238,369	4,978,454
	<b>82,713,700</b>	<b>22,250,708</b>

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Statement of financial position as at June 30, 2014

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

**12. Prepaid expenses (continued)**

Non-current prepaid expenses:	June 30, 2014	December 31, 2013
Advances given for investments (*)	466,053,524	591,264,603
	<b>466,053,524</b>	<b>591,264,603</b>

(\*) Investment advances given are related to the Company's new vehicle investments. TL 154,947,631 (December 31, 2013: TL 172.,436,235) is given to domestic vendors as mould advances and TL 311,105,893 (December 31, 2013: TL 418,828,368) is given for the new light commercial vehicle factory investment in Kocaeli plant and assembly line investment for the new age Transit projects procured from vendors abroad.

**13. Provision, contingent assets and liabilities**

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

**Short term provisions:**

	June 30, 2014	December 31, 2013
Provisions for sales premium (*)	35,686,066	26,296,182
Warranty provision	25,681,481	31,713,438
	<b>61,367,547</b>	<b>58,009,620</b>

(\*) Provisions for sales premium is composed of expense accruals related with dealer vehicle stock at the reporting date (Note 2.3).

**Long term provisions:**

	June 30, 2014	December 31,2013
Warranty provision	17,120,987	25,972,211
Provisions for lawsuits	16,456,617	16,952,947
	<b>33,577,604</b>	<b>42,925,158</b>

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

	2014	2013
<b>At January 1</b>	<b>16,952,947</b>	6,966,762
Paid during the period	(1,817,597)	(621,264)
Additions during the period	1,321,267	1,456,341
<b>At June 30</b>	<b>16,456,617</b>	7,801,839

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Statement of financial position as at June 30, 2014

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

13. Provision, contingent assets and liabilities (continued)

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

	2014	2013		
<b>At January 1,</b>	<b>57,685,649</b>	69,182,355		
Paid during the period	(41,035,071)	(39,310,617)		
Additions during the period (Note 19)	26,151,889	27,775,384		
<b>At June 30,</b>	<b>42,802,467</b>	57,647,122		
<b>Letters of guarantee and letters of credit</b>	<b>June 30, 2014</b>	<b>December 31, 2013</b>		
Letters of guarantee given to financial institutions due to bank loans	1,037,883,513	1,076,694,420		
Letters of guarantee given to customs	33,526,155	29,446,155		
Letters of guarantees given to other parties	8,818,871	16,119,980		
	<b>1,080,228,539</b>	<b>1,122,260,555</b>		
<b>Letters of guarantee given</b>	<b>June 30, 2014</b>	<b>December 31, 2013</b>		
	<b>Original currency</b>	<b>TL</b>	<b>Original currency</b>	<b>TL</b>
Euro	350,922,336	1,014,832,304	376,717,791	1,106,231,793
USD	24,567,942	52,167,568	13,000	27,746
TL	13,228,667	13,228,667	15,908,315	15,908,315
GBP	-	-	26,400	92,701
		<b>1,080,228,539</b>		<b>1,122,260,555</b>

The allocation of collaterals, pledges and mortgages as of June 30,2014 and December 31, 2013 as follows:

<b>Collaterals, pledges and mortgages given by the Company</b>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	1,080,228,539	1,122,260,555
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation olduğu TR'lilerin	-	-
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	-	-
<b>Total</b>	<b>1,080,228,539</b>	<b>1,122,260,555</b>

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

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

As of June 30, 2014, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows :

**Letters of guarantee taken**

	June 30, 2014		December 31, 2013	
	Original currency	TL	Original currency	TL
TL	174,487,211	174,487,211	265,500,997	265,500,997
Euro	10,202,396	29,504,309	12,269,304	36,028,811
USD	380,000	806,892	463,000	988,181
		<b>204,798,412</b>		<b>302,517,989</b>

**Tax dispute:**

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

**14. Commitments**

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

- a) Based on the credit agreements made by the Company in 2013, amounting to Euro 80,000,000 with Citibank A.Ş., Euro 20,000,000 with T.C. Ziraat Bankası A.Ş., Euro 20,000,000 with Akbank TA.Ş and based on the credit agreements made by the Company in 2011, Euro 60,000,000 with Vakıflar Bankası T.A.O., the Company is required to ensure that its export proceeds up to an amount equal to Euro 180,000,000 is transacted through the accounts of these banks. The Company fulfilled these commitments as of June 30, 2014.
- b) Based on the 1 year credit agreements made by the Company in 2014, amounting to Euro 40,000,000 with Yapı Kredi and amounting to Euro 40,000,000 with İş Bankası A.Ş. totally Euro 80,000,000, the Company is required to ensure that its export proceeds up to an amount equal to Euro 80,000,000 is transacted through Yapı Kredi accounts and Euro 80,000,000 is transacted through İş Bankası totally TL 160,000,000 for the year 2014. The Company fulfilled these commitments as of June 30, 2014.
- c) Based on the credit agreements made by the Company with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank);
  - With 8 months term credit amounting to Euro 65,325,000 used in September 2013 an amount of Euro 67,000,000,
  - With 4 months term credit amounting to Euro 27,580,000 used in October 2013 an amount of Euro 28,000,000,
  - With 4 months term credit amounting to Euro 37,430,000 used in December 2013 an amount of Euro 38,000,000 and
  - With 4 months term credit amounting to TL 86,680,000 used in February 2013 an amount of USD 40,000,000export is required to be ensured by the Company.

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

**14. Commitments (continued)**

The Company fulfilled these commitments as of June 30, 2014.

Additionally, based on the credit agreements made by the Company with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank);

- With 4 months term credit amounting to Euro 19,000,000 used in April 2014 an amount of Euro 19,000,000,
- With 4 months term credit amounting to TL 52,000,000 used in April 2014 an amount of USD 25,000,000,
- With 8 months term credit amounting to Euro 66,000,000 used in May 2014 an amount of Euro 66,000,000 and
- With 4 months term credit amounting to Euro 29,000,000 used in June 2014 an amount of Euro 29,000,000

export is required to be ensured by the Company.

**Operational lease commitments**

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

Operational lease commitments	June 30, 2014	December 31, 2013
Within 1 year	2,652,958	3,469,320
Between 1 year to 5 years	4,657,764	6,449,565
	<b>7,310,722</b>	<b>9,918,885</b>

**15. Employee benefits**

**Liabilities for employee benefit obligations:**

	June 30, 2014	December 31, 2013
Salaries and social charges payable	35,125,481	27,072,077
Withholding income tax payable	13,637,397	13,199,786
Social security premiums payable	6,864,670	13,664,724
Other	1,243,360	1,294,433
	<b>56,870,908</b>	<b>55,231,020</b>

**Provision for employee benefits:**

	June 30, 2014	December 31, 2013
Provision for employee benefits	83,555,562	79,586,962
Provision for unused vacation pay liability	16,809,965	14,717,993
	<b>100,365,527</b>	<b>94,304,955</b>

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

**15. Employee benefits (continued)**

**Provision for employee termination 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 3,438,22 for each year of service as of June 30, 2014 (December 31, 2013 – TL 3,254,44).

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

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

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Discount rate (%)	<b>9.5</b>	9.5
Expected salary increase rate(%)	<b>4.5</b>	4.5
Net discount rate	<b>4.78</b>	4.78
Turnover rate to estimate the probability of retirement (%)	<b>4.3</b>	4.3

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 3,438 which was effective as of January 1, 2014 (July 1, 2013 TL 3,254) has been used in the calculations.

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

	<b>2014</b>	<b>2013</b>
<b>At January 1</b>	<b>79,586,962</b>	72,876,906
Interest cost	<b>3,780,381</b>	6,201,329
Current year service cost	<b>5,458,485</b>	3,541,542
Paid during the period	<b>(8,016,117)</b>	(3,686,469)
Actuarial loss	<b>2,745,851</b>	4,605,439
<b>At June 30</b>	<b>83,555,562</b>	83,538,747

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

**16. Other assets**

	June 30, 2014	December 31, 2013
VAT to be deductible (*)	158,996,592	146,841,719
Deferred VAT	77,221,110	-
Prepaid taxes and withholding	1,218,352	8,586,800
Other	19,309,869	12,157,482
	<b>256,745,923</b>	<b>167,586,001</b>

(\*) VAT to be deductible is related to the ongoing process of refund of export VAT receivable related to May, and June.

**17. Equity**

The composition of the Company's paid-in capital as of June 30, 2014 and December 31, 2013 is as follows:

Shareholders	Shareholders		Shareholders	
	June 30, 2014	percentage (%)	December 31 2013	percentage (%)
Koç Holding A.Ş.	134,953,357	38.46	134,953,357	38.46
Vehbi Koç Vakfı	3,428,592	0.98	3,428,592	0.98
Koç Holding Emekli Yardım Sandığı Vakfı	3,259,202	0.93	3,259,202	0.93
Temel Ticaret A.Ş.	2,355,885	0.67	2,355,885	0.67
<b>Total Koç Group</b>	<b>143,997,036</b>	<b>41.04</b>	<b>143,997,036</b>	<b>41.04</b>
Ford Motor Company	143,997,036	41.04	143,997,036	41.04
Other (Publicly held))	62,915,928	17.92	62,915,928	17.92
<b>Total</b>	<b>350,910,000</b>	<b>100.00</b>	<b>350,910,000</b>	<b>100.00</b>
Inflation adjustment to share capital	27,920,283		27,920,283	
<b>Inflation adjusted paid in capital</b>	<b>378,830,283</b>		<b>378,830,283</b>	

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

There are 35,091,000,000 unit of shares (December 31, 2013 - 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.

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

**17. Equity (continued)**

In accordance with Corporate Tax Law No, 5520, dated June 13, 2006, Exemption for Sale of Participation Shares and Property, 75% portion of corporations' profits arising from the sale of subsidiary shares which shares that have been carried at least for two years on the statement of financial position and the profits from the sale of which are not withdrawn within five years are followed in special reserves. The Company has reserves amounting to TL 5,992,339 related to this exemption in its tax financial statements ( December 31, 2013: TL 5,992,339).

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 460,680,315 as of June 30, 2014 (December 31, 2013 – TL 460,680,315).

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

- "the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital",
- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings",

Other equity items shall be carried at the amounts calculated based on TAS

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on year end financial statements of the Company.

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

In accordance with the General Assembly Meeting dated as of March 25, 2014, the Company has decided not to distribute dividends from the net profit of the year 2013 due to the funding required during the new investments period, market expectations and finance policies (2013: The Company has paid dividend at the rate of 85.50%, that is gross TL 85.50 (net Kr 72.6750) per TL 1 share, amounting to TL 300,028,050 in total.).

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

**17. Equity (continued)**

In accordance with Communiqué No: II-14,1, "Communiqué on the Principles of Financial Reporting In Capital Markets", equity schedule at June 30, 2013 and December 31, 2013 are as follows:

	June 30, 2014	December 31, 2013
Share capital	350,910,000	350,910,000
Inflation adjustment to share capital	27,920,283	27,920,283
Share premium	8,252	8,252
Revaluation funds	6,845,512	6,418,090
Net loss on cash flow hedge	(54,676,086)	(102,334,951)
Actuarial (loss) arising from employee benefits	(13,250,515)	(11,053,834)
<b>Restricted reserves</b>	<b>460,680,315</b>	<b>460,680,315</b>
- Legal reserves	454,687,974	454,687,974
- Special reserves	5,992,341	5,992,341
<b>Retained earnings</b>	<b>1,504,056,179</b>	<b>862,584,393</b>
- Inflation adjustment to equity	428,301,244	428,301,244
- Extraordinary reserves	1,065,874,099	424,402,313
- Other retained earnings	9,880,836	9,880,836
<b>Net income for the period</b>	<b>353,434,988</b>	<b>641,471,786</b>
<b>Share capital</b>	<b>2,635,928,928</b>	<b>2,236,604,334</b>

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended June 30, 2014 and December 31, 2013 are as follows:

June 30, 2014:	Historical values	Adjusted values	Equity inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	454,687,974	513,440,578	58,752,604
Extraordinary reserves	1,065,874,099	1,435,019,115	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	5,992,341	6,042,484	50,143
	<b>1,877,472,666</b>	<b>2,333,694,193</b>	<b>456,221,527</b>
December 31, 2013:	Historical values	Adjusted values	Equity inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	454,687,974	513,440,578	58,752,604
Extraordinary reserves	424,402,313	793,547,329	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	5,992,341	6,042,484	50,143
	<b>1,236,000,880</b>	<b>1,692,222,407</b>	<b>456,221,527</b>

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

**17. Equity (continued)**

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

Otokar shares which are publicly traded in BIST are valued at their closing price as of June 30, 2014 and June 30, 2013. As of June 30, 2014 fair value change amounting to TL 427,422, net of deferred tax, (June 30, 2013 – TL 3,341,690) is shown in statement of other comprehensive income.

The net of tax effects of the changes in the statement of other comprehensive income and the effects of the changes in accumulated income and expense under equity are as follows:

	2014	2013
<b>January 1</b>	<b>(106,970,695)</b>	<b>3,414,378</b>
Increase in revaluation fund of available for sale financial assets	427,422	3,341,690
Actuarial (loss) arising from employee benefits	(2,196,681)	(3,684,351)
Accumulated gain/(loss) from cash flow hedge	47,658,865	(38,108,391)
<b>June 30</b>	<b>(61,081,089)</b>	<b>(35,036,674)</b>

**18. Revenue and cost of sales**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Export sales	3,781,975,263	2,226,891,213	3,675,606,684	1,878,301,315
Domestic sales	1,619,277,195	1,066,104,275	2,008,698,629	1,138,873,674
Other sales	31,097,303	16,089,943	34,138,297	17,539,738
Less: Discounts	(218,358,073)	(140,721,427)	(236,008,991)	(122,807,214)
	<b>5,213,991,688</b>	<b>3,168,364,004</b>	<b>5,482,434,619</b>	<b>2,911,907,513</b>

**Units of vehicle sales:**

	January 1 - June 30, 2014			April 1 - June 30, 2014		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit	6,809	31,131	37,940	3,967	19,183	23,150
Transit Connect	2,689	-	2,689	735	-	735
Passenger vehicles	12,204	139	12,343	9,179	104	9,283
Transit Custom	1,479	52,754	54,233	975	28,550	29,525
Cargo	2,704	436	3,140	1,763	244	2,007
Ranger	130	-	130	59	-	59
Transit Courier	3,610	9,329	12,939	3,610	9,277	12,887
	<b>29,625</b>	<b>93,789</b>	<b>123,414</b>	<b>20,288</b>	<b>57,358</b>	<b>77,646</b>

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Statement of financial position as at June 30, 2014

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

18. Revenue and cost of sales (continued)

			January 1 - June 30, 2013		April 1 - June 30, 2013	
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit	10,809	63,421	74,230	5,913	31,797	37,710
Transit Connect	10,566	42,731	53,297	5,752	23,768	29,520
Passenger vehicles	23,956	184	24,140	15,717	127	15,844
Transit Custom	1,575	19,386	20,961	776	8,179	8,955
Cargo	2,832	206	3,038	1,513	124	1,637
Ranger	464	10	474	182	10	192
	50,202	125,938	176,140	29,853	64,005	93,858

Summaries of cost of production as of June 30, 2014 and June 30, 2013 are as follows:

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Raw material cost	(3,742,185,312)	(2,278,294,394)	(3,777,311,692)	(1,848,157,736)
Production overhead costs	(327,545,289)	(177,205,609)	(344,423,820)	(174,578,345)
Depreciation and amortization expenses (Notes 10 and 11)	(112,503,701)	(65,118,796)	(79,622,343)	(40,780,558)
Change in finished goods inventory	13,995,235	10,375,776	72,684,356	(57,118,120)
<b>Total production cost</b>	<b>(4,168,239,067)</b>	<b>(2,510,243,023)</b>	<b>(4,128,673,499)</b>	<b>(2,120,634,759)</b>
Cost of trade goods sold	(570,606,761)	(389,157,316)	(807,625,362)	(500,424,396)
<b>Total cost of sales</b>	<b>(4,738,845,828)</b>	<b>(2,899,400,339)</b>	<b>(4,936,298,861)</b>	<b>(2,621,059,155)</b>

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

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
<b>Selling and marketing expenses:</b>				
Warranty expenses (Note 13)	(26,151,889)	(16,089,119)	(27,775,384)	(16,567,854)
Advertising expenses	(25,512,045)	(16,565,713)	(27,816,269)	(12,546,786)
Personnel expenses	(22,298,946)	(10,608,685)	(21,058,541)	(10,442,323)
Vehicle transportation expenses	(17,371,476)	(11,680,809)	(22,483,489)	(12,605,815)
Spare parts transportation and packaging expenses	(5,619,674)	(2,850,516)	(7,183,258)	(3,648,513)
Dealer and service development expenses	(3,084,798)	(1,618,240)	(4,162,205)	(1,753,896)
Depreciation and amortization expense (Note 10 ve 11)	(1,110,046)	(561,508)	(1,038,356)	(540,899)
Other	(6,952,339)	(4,117,672)	(8,095,634)	(3,525,294)
	<b>(108,101,213)</b>	<b>(64,092,262)</b>	<b>(119,613,136)</b>	<b>(61,631,380)</b>

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

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

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

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
<b>General administrative expenses:</b>				
Personnel expenses	(31,357,768)	(13,443,154)	(29,060,280)	(14,971,184)
New project administrative expenses	(9,901,422)	(4,092,190)	(5,179,602)	(3,296,286)
Depreciation and amortization expense (Notes 10 and 11)	(7,992,577)	(4,385,293)	(4,366,135)	(2,239,116)
Legal, consulting and auditing expenses	(4,191,553)	(970,357)	(6,956,583)	(3,028,524)
Grants and donations	(3,084,397)	(2,074,535)	(7,303,911)	(4,283,008)
Duties, taxes and levies	(3,023,397)	(2,207,702)	(3,051,688)	(2,102,323)
Repair, maintenance and energy expenses	(2,278,215)	(758,634)	(2,555,650)	(1,165,063)
Travel expenses	(1,719,604)	(593,967)	(1,564,850)	(1,160,109)
Warranty expenses excluding sales	(1,102,233)	(842)	(1,839,475)	(335,701)
Other	(6,475,827)	(5,602,364)	(5,610,201)	(1,403,114)
	<b>(71,126,993)</b>	<b>(34,129,038)</b>	<b>(67,488,375)</b>	<b>(33,984,428)</b>
<b>Research and development expenses:</b>				
Personnel expenses	(40,828,404)	(25,325,906)	(32,578,857)	(16,776,894)
Project costs	(13,852,518)	(8,959,880)	(16,567,928)	(11,080,659)
Depreciation and amortization expense (Notes 10 and 11)	(9,910,610)	(7,722,043)	(3,536,477)	(1,806,614)
Research and development administrative expenses	(6,567,676)	(5,405,094)	(6,823,344)	(2,839,971)
Other	(5,593,938)	(1,130,106)	(4,316,767)	(497,225)
	<b>(76,753,146)</b>	<b>(48,543,029)</b>	<b>(63,823,373)</b>	<b>(33,001,363)</b>

**20. Expenses by nature**

The classification of expenses by nature for the year ended at June 30, 2014 and 2013 is as follows:

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Raw material cost	(3,742,185,312)	(2,278,294,394)	(3,777,311,692)	(1,848,157,736)
Cost of trade goods sold	(570,606,761)	(389,157,316)	(807,625,362)	(500,424,396)
Personnel expenses	(285,919,390)	(144,364,768)	(257,900,963)	(127,726,254)
Other overhead expenses	(136,076,882)	(82,139,271)	(169,220,535)	(89,042,493)
Other operational expenses	(142,476,889)	(84,743,881)	(159,286,238)	(81,840,141)
Depreciation and amortization expenses	(131,516,934)	(77,787,640)	(88,563,311)	(45,367,187)
Financial expenses	(233,468,848)	(130,863,496)	(81,023,769)	(55,799,267)
Change in finished goods inventory	13,995,235	10,375,776	72,684,356	(57,118,120)
Expenses from investing activities	(1,499,944)	(94,399)	(114,673)	(45,203)
Other	(70,535,666)	(47,663,093)	(30,689,071)	(11,109,812)
<b>Total Expenses</b>	<b>(5,300,291,391)</b>	<b>(3,224,732,482)</b>	<b>(5,299,051,258)</b>	<b>(2,816,630,609)</b>

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

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**21. Other operating income/expenses**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
<b>Other operating income and gains:</b>				
Foreign exchange gains	14,701,214	541,441	25,840,475	23,988,434
Finance gains related to on credit sales	21,409,899	9,493,942	15,721,812	8,130,251
Price difference and claim recovery	6,101,226	1,112,721	6,334,420	5,007,350
Income related to tax exceptions	1,605,984	1,605,984	5,653,945	5,653,945
License fees income	2,653,078	1,063,298	4,529,606	3,465,115
Commission income	1,353,416	798,824	3,029,983	1,883,573
Rent income	3,014,503	1,216,532	2,169,252	930,264
Other	10,194,733	1,008,794	12,403,420	10,831,981
	<b>61,034,053</b>	<b>16,841,536</b>	<b>75,682,913</b>	<b>59,890,913</b>
	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
<b>Other operating expenses and losses:</b>				
Finance expenses related to on credit purchases	(32,417,014)	(21,025,303)	(19,463,025)	(9,713,003)
Foreign exchange losses	(34,875,205)	(25,857,455)	(9,610,951)	(140,864)
Other	(3,243,447)	(780,335)	(1,615,095)	(1,255,945)
	<b>(70,535,666)</b>	<b>(47,663,093)</b>	<b>(30,689,071)</b>	<b>(11,109,812)</b>

**22. Financial income**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Foreign exchange gains	162,618,150	118,441,481	43,109,751	14,235,822
Interest income	4,577,601	2,718,965	4,696,304	2,500,849
	<b>167,195,751</b>	<b>121,160,446</b>	<b>47,806,055</b>	<b>16,736,671</b>

**23. Financial expenses**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Foreign exchange losses	(191,874,512)	(108,117,190)	(67,252,147)	(49,132,656)
Interest expenses	(28,695,078)	(15,295,828)	(11,186,671)	(6,666,610)
Other financial expenses	(12,899,260)	(7,450,480)	(2,584,951)	-
	<b>(233,468,850)</b>	<b>(130,863,498)</b>	<b>(81,023,769)</b>	<b>(55,799,266)</b>

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

**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 2014 is 20% (December 31, 2013 - 20%). Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

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

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

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

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

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

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

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

The Company capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code. As of June 30, 2014 the Company used R&D deduction of TL 58,358,639 (June 30, 2013: TL 43,327,801) in return for the legal tax.

The decree on Government Subsidies for Incentives regulating investment incentives was published in the official gazette and became effective on 16 July 2009. Within the scope of this decree, the Company acquired a large-scaled investment incentive certificate in December 2010 amounting to TL 1,342,219,988. Subject investment is located in the 1. Region and has a 30% rate of contribution to investment. As of the statement of the financial position date, in the framework of the related investment incentive certificates, an investment expense of TL 559,294,788 (June 30,2013: TL 564,970,000) was made. The Company used a discount on corporate tax for its Transit Custom model for TL 918,439 (June 30, 2013 TL 1,134,301) and this amount has been deducted from the total deferred tax asset.

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

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

The decree on Government Subsidies for Incentives re-regulating investment incentives was published in the official gazette and became effective on 19 June 2012. The Company reevaluated its existing investments and within the scope of above mentioned new decree acquired a privileged investment incentive certificate amounting to TL 954,816,039 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. The investments will benefit from the 5. Region contributions according to the new incentive regulation and has a 40% rate of contribution to investment. As of the date of statement of financial position, the investment expenditures amounting to TL 1,199,144,107 (June 30, 2013 TL 398,765,098) was made in the framework of the related new investment incentive certificates and the Company utilized discounted corporate taxation amounting to TL 15,159,204 (June 30, 2013 TL 19,576,870) in the current year and this amount has been deducted from the total deferred tax asset.

The Company's net tax position as of June 30, 2014 and December 31, 2013 are as follows:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Current year corporate tax expense	<b>4,669,922</b>	3,893,175
Prepaid tax and withholding	<b>(2,236,216)</b>	(3,893,175)
	<b>2,433,706</b>	-

The taxation on income for the periods ended June 30, 2014 and 2013 are as follows:

	<b>January 1 - June 30, 2014</b>	<b>April 1 - June 30, 2014</b>	<b>January 1 - June 30, 2013</b>	<b>April 1 - June 30, 2013</b>
Current year corporate tax expense	<b>(4,669,922)</b>	<b>(2,564,746)</b>	(6,208,518)	(1,779,502)
Current year tax effect of cash flow hedge	<b>11,898,319</b>	<b>16,103,028</b>	-	-
Deferred tax income	<b>203,730,909</b>	<b>55,206,884</b>	134,086,969	88,555,677
	<b>210,959,306</b>	<b>68,745,166</b>	127,878,451	86,776,175

Calculation of the tax expense reconciliation using the current period tax expense in the statement of income as at June 30, 2014 and 2013 and current tax ratio based on income before tax is as follows:

	<b>June 30, 2014</b>	<b>Juen 30, 2013</b>
<b>Income before tax:</b>	<b>142,475,682</b>	307,690,929
Effective tax rate	<b>20%</b>	20%
Current year tax expense	<b>(28,495,136)</b>	(61,538,186)
Research & development deduction	<b>11,671,728</b>	8,665,560
Investment incentive exemption	<b>227,618,563</b>	169,447,113
Other	<b>164,151</b>	11,303,964
	<b>210,959,306</b>	127,878,451

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Statement of financial position as at June 30, 2014

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

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

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

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at June 30, 2014 and December 31, 2013 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
<b>Deferred tax assets:</b>				
Investment incentive tax asset	1,680,807,820	1,152,846,619	617,316,694	405,775,774
Expense accruals and other	207,048,316	74,089,837	42,252,083	15,111,217
Employee benefits provision	83,555,562	79,586,962	17,553,531	16,210,642
Warranty provision	42,802,467	57,685,649	8,560,493	11,537,130
Inventories	46,067,063	47,030,202	9,213,413	9,406,040
			<b>694,896,214</b>	<b>458,040,803</b>
<b>Deferred tax liabilities:</b>				
Tangibles and intangibles assets	902,781,350	758,636,788	(180,556,270)	(151,727,358)
Income accruals and other	40,296,205	21,995,304	(8,059,241)	(4,399,061)
			<b>(188,615,511)</b>	<b>(156,126,419)</b>
<b>Net deferred tax asset</b>			<b>506,280,703</b>	<b>301,914,384</b>

Deferred tax movements are as follows:

	January 1, 2014	Charged to statement of profit or loss income/(expense)	Charged to statement of other comprehensive income/(expense)	June 30,
				2014
<b>Deferred tax liabilities:</b>				
Tangibles and intangibles assets	(151,727,358)	(28,828,912)	-	(180,556,270)
Income accruals and other	(4,399,061)	(3,762,818)	102,638	(8,059,241)
<b>Deferred tax assets:</b>				
Investment incentive tax asset	405,775,774	211,540,920	-	617,316,694
Expense accruals and other	15,111,217	27,157,263	(16,397)	42,252,083
Provision for employee benefits	15,917,392	793,720	-	16,711,112
Warranty expense provision	11,537,130	(2,976,637)	-	8,560,493
Inventories	9,406,040	(192,627)	-	9,213,413
Employee benefit actuarial found	293,250	-	549,169	842,419
<b>Deferred tax asset, net</b>	<b>301,914,384</b>	<b>203,730,909</b>	<b>635,410</b>	<b>506,280,703</b>

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

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

	January 1, 2013	Charged to statement of profit or loss income/(expense)	Charged to statement of other comprehensive income income/(expense)	June 30, 2013
<b>Deferred tax liabilities:</b>				
Tangible and intangible assets	(114,728,151)	(19,048,222)	-	(133,776,373)
Income accruals and other	(4,359,493)	(5,101,420)	(152,199)	(9,613,112)
<b>Deferred tax assets:</b>				
Investment incentive tax asset	158,503,824	148,555,942	-	307,059,766
Expense accruals and other	13,285,962	10,042,897	9,527,098	32,855,957
Provision for employee benefits	14,575,381	2,132,368	921,088	17,628,837
Warranty expense provision	13,836,471	(2,307,047)	-	11,529,424
Inventories	2,053,891	(187,549)	-	1,866,342
<b>Deferred tax asset, net</b>	<b>83,167,885</b>	<b>134,086,969</b>	<b>10,295,987</b>	<b>227,550,841</b>

**25. Earnings per share**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Net profit for the period (TL)	353,434,988	150,911,324	435,569,380	259,499,264
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000	35,091,000,000	35,091,000,000
<b>Earnings per share with nominal value of Kr 1 each</b>	<b>1.01 Kr</b>	<b>0.43 Kr</b>	<b>1.24 Kr</b>	<b>0.74 Kr</b>

**26. Transactions and balances with related parties**

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Company, is controlled by Koç Holding 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.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

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

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

The related party balances at June 30, 2014 and December 31, 2013 and the transactions with related parties during the year are as follows:

**a) Receivables from related parties:**

**i) Trade receivable from related parties**

	June 30, 2014	December 31, 2013
<b>Due from shareholders:</b>		
Ford Motor Company and its subsidiaries	698,866,548	654,172,884
	<b>698,866,548</b>	<b>654,172,884</b>
<b>Due from group companies (*):</b>		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	189,468,090	321,909,112
Other	2,808,425	3,239,372
	<b>192,276,515</b>	<b>325,148,484</b>
Less: Unearned credit finance income	(1,242,855)	(2,986,474)
	<b>889,900,208</b>	<b>976,334,894</b>

(\*) 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.

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.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

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

**b) Payables to related parties:**

**i) Trade payables to related parties**

	June 30, 2014	December 31, 2013
<b>Due to shareholders:</b>		
Ford Motor Company and its subsidiaries	347,462,140	205,020,830
	<b>347,462,140</b>	<b>205,020,830</b>
<b>Due to group companies (*):</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	22,580,829	28,945,112
Ram Dış Ticaret A.Ş.	18,184,000	13,612,335
Ark İnşaat A.Ş.	9,552,009	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	5,521,674	1,904,462
Ram Sigorta Aracılık Hizmetleri A.Ş.	5,395,555	855,710
Eltek Elektrik Enerjisi İth.İhr.ve Top.Tic. A.Ş.	3,378,698	-
Setur Servis Turistik A.Ş.	2,425,000	3,009,643
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	2,122,092	880,764
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,722,895	5,042,210
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	1,403,359	1,451,733
Other	3,427,733	1,791,238
	<b>75,713,844</b>	<b>57,493,207</b>
Less: Unearned credit finance expense	(607,156)	(224,750)
	<b>422,568,828</b>	<b>262,289,287</b>

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

**ii) Other payables to related parties**

	June 30, 2014	December 31, 2013
Koç Holding A.Ş.	2,884,499	204,856
Yapı ve Kredi Bankası A.Ş.	-	5,263,690
Other	177,844	149,784
	<b>3,062,343</b>	<b>5,618,330</b>

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**Ford Otomotiv Sanayi A.Ş.**

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

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

**c) Sales to related parties:**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Ford Motor Company (*)	3,705,754,038	2,186,795,066	3,640,551,028	1,858,456,197
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	419,657,959	288,523,651	567,854,038	344,425,618
Other	4,577,765	1,398,124	1,612,283	927,286
	<b>4,129,989,762</b>	<b>2,476,716,841</b>	<b>4,210,017,349</b>	<b>2,203,809,101</b>
Less: Financial income from credit sales	(5,609,197)	(4,493,268)	(4,457,136)	(2,501,144)
	<b>4,124,380,565</b>	<b>2,472,223,573</b>	<b>4,205,560,213</b>	<b>2,201,307,957</b>

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

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

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

	January 1 – June 30, 2014			
	Material	Service	Fixed assets	Total
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3,263,421	82,041,965	13,848	85,319,233
Ram Dış Ticaret A.Ş.	41,016,000	-	-	41,016,000
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	37,757,109	37,757,109
Eltek Elektrik Enerjisi İth.İhr.ve Top.Tic. A.Ş.	-	14,729,436	-	14,729,436
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	9,102,824	-	-	9,102,824
Ram Sigorta Aracılık Hizmetleri A.Ş.(*)	-	6,345,178	-	6,345,178
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	5,448,592	51,451	5,500,043
Koç Holding A.Ş.	-	4,819,248	-	4,819,248
Setur Servis Turistik A.Ş.	-	4,176,000	-	4,176,000
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	3,695,663	435,337	4,131,000
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	3,964,278	-	1,746	3,966,024
Opet Petrolcülük A.Ş.	2,562,598	-	-	2,562,598
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	1,663,513	-	-	1,663,513
Other	858,936	2,383,732	-	3,242,670
	<b>62,431,570</b>	<b>123,639,814</b>	<b>38,259,491</b>	<b>224,330,876</b>
Less: Financial expense from credit sales	(1,056,646)	-	-	(1,056,646)
	<b>61,374,924</b>	<b>123,639,814</b>	<b>38,259,491</b>	<b>223,274,230</b>

(\*) Contains paid and accrued premium amounts for the interim periods ended June 30, 2014 and 2013 within the context of insurance policies signed with insurance Companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş..

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at June 30, 2014**

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

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

	April 1 – June 30, 2014			Total
	Material	Service	Fixed assets	
<b>Domestic purchases</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	2,305,323	53,045,688	13,848	55,364,859
Ram Dış ticaret A.Ş.	19,778,222	-	-	19,778,222
Ark İnşaat	-	-	12,122,263	12,122,263
Eltek Elektrik Enerjisi İth.İhr.ve Top.Tic. A.Ş.	-	8,099,752	-	8,099,752
Ram Sigorta Aracılık Hizmetleri A.Ş.(*)	-	5,173,474	-	5,173,474
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	5,067,512	-	-	5,067,512
Setur Servis Turistik A.Ş.	-	3,205,000	-	3,205,000
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	2,771,367	-	-	2,771,367
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	2,606,475	14,367	2,620,842
Koç Holding A.Ş.	-	2,443,998	-	2,443,998
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	1,833,122	51,894	1,885,016
Opet Petrolcülük A.Ş.	1,388,987	-	-	1,388,987
Other	1,817,278	1,071,026	-	2,888,304
	<b>33,128,689</b>	<b>77,478,535</b>	<b>12,202,372</b>	<b>122,809,596</b>
Less: Financial expense from credit sales	(752,634)	-	-	(752,634)
	<b>32,376,055</b>	<b>77,478,535</b>	<b>12,202,372</b>	<b>122,056,962</b>
<b>January 1 – June 30, 2013</b>				
	Material	Service	Fixed assets	Total
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	5,387,181	70,167,924	28,599	75,583,704
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	45,335,525	45,335,525
Ram Dış ticaret A.Ş.	32,529,451	-	-	32,529,451
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	8,069,691	-	-	8,069,691
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	5,037,052	1,491,418	6,528,470
Setur Servis Turistik A.Ş.	-	6,494,888	-	6,494,888
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	5,961,285	-	5,961,285
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	4,874,463	-	-	4,874,463
Koç Holding A.Ş.	-	4,574,055	-	4,574,055
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	3,919,908	-	138,895	4,058,803
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	1,470,935	911,275	2,382,210
Opet Petrolcülük A.Ş.	1,378,331	-	-	1,378,331
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	1,020,146	-	1,020,146
Other	175,793	1,974,630	508	2,150,931
	<b>56,334,818</b>	<b>96,700,915</b>	<b>47,906,220</b>	<b>200,941,953</b>
Less: Financial expense from credit sales	(613,275)	-	-	(613,275)
	<b>55,721,543</b>	<b>96,700,915</b>	<b>47,906,220</b>	<b>200,328,678</b>

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

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

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

	April 1 – June 30, 2013			Total
	Material	Service	Fixed assets	
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3,562,629	41,026,133	12,335	44,601,097
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	18,506,921	18,506,921
Ram Dış ticaret A.Ş.	16,978,377	-	-	16,978,377
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	4,732,315	-	4,732,315
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	3,213,586	1,230,983	4,444,569
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	4,273,301	-	-	4,273,301
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	2,433,862	-	123,373	2,557,235
Setur Servis Turistik A.Ş.	-	2,402,332	-	2,402,332
Koç Holding A.Ş.	-	2,224,426	-	2,224,426
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	2,002,996	-	-	2,002,996
Other	478,525	2,635,415	28,450	3,142,390
	29,729,690	56,234,207	19,902,062	105,865,959
Less: Financial expense from credit sales	(326,069)	-	-	(326,069)
	29,403,621	56,234,207	19,902,062	105,539,890

**Material, vehicle and service purchases from abroad:**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Ford Motor Company and its subsidiaries	2,268,555,334	1,339,158,831	2,223,335,956	1,083,584,454

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

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
	23,140,314	15,093,674	27,008,118	14,785,897

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

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
	2,653,079	1,063,299	4,529,606	3,465,115

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

Ford Otomotiv Sanayi A.Ş.

Statement of financial position as at June 30, 2014

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

26. Transactions and balances with related parties (continued)

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

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
	2,943,203	1,941,381	5,793,038	3,361,406

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

Deposits in related banks:	June 30, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş.		
- Banks - foreign currency time deposits	27,619,310	54,622,940
- Banks - TL demand deposits	16,635,359	15,631,713
- Banks - TL time deposits	5,054,398	-
- Banks - foreign currency demand deposits	352,219	153,211
	49,661,286	70,407,864
Loans obtained from related banks	June 30, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş.	7,151,398	10,432,157

ı) Commission income:

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Yapı ve Kredi Bankası A.Ş.	1,353,416	798,824	2,980,378	1,839,677

i) Commission expense:

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Yapı ve Kredi Bankası A.Ş.	6,887,872	4,315,898	10,053,781	4,285,627
Koç Tüketici Finansmanı A.Ş.	3,832,530	3,800,781	425,787	402,431
	10,720,402	8,116,679	10,479,568	4,688,058

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

**Ford Otomotiv Sanayi A.Ş.**

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

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

**j) Interest income:**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Yapı ve Kredi Bankası A.Ş.	1,061,415	659,592	1,158,038	496,658

**k) Dividend income:**

	January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Otokar Otobüs Karoseri San. A.Ş.	585,830	585,830	374,931	374,931

**l) Compensation of key management personnel:**

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

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

The total amount of compensation given to key management personnel of the Company as of June 30, 2014 was 5,528,101 TL'dir (June 30, 2013: TL 3,444,705).

(Convenience translation of financial statements originally issued in Turkish – See Note 2.5)

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27. Financial instruments and financial risk management

The table below summarizes the Company's exposure to foreign currency exchange rate risk at June 30, 2014 and December 31, 2013. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below.

June 30, 2014

	TL (Functional currency)	USD	Euro	GBP
1. Trade receivables	725,808,792	10,165,723	243,404,256	89,246
2. Monetary financial assets (including cash and cash equivalents)	105,593,794	112,509	36,380,742	40,291
3. Other	106,297,798	1,959,475	35,241,311	61,701
4. Current assets (1 + 2 + 3)	937,700,384	12,237,707	315,026,309	191,238
5. Monetary financial assets	205,709	96,877	-	-
6. Non-current assets (5)	205,709	96,877	-	-
7. Total assets (4+6)	937,906,093	12,334,584	315,026,309	191,238
8. Trade payables	463,731,897	20,797,915	144,696,913	310,467
9. Financial liabilities (*)	926,969,188	-	320,539,848	-
10. Other monetary liabilities	5,153,814	910,847	822,363	233,150
11. Short term liabilities (8 + 9 + 10)	1,395,854,899	21,708,762	466,059,124	543,617
12. Financial liabilities (*)	1,075,247,097	-	371,813,374	-
13. Long term liabilities (12)	1,075,247,097	-	371,813,374	-
14. Total liabilities (11 + 13)	2,471,101,996	21,708,762	837,872,498	543,617
15. Net foreign currency assets / (liabilities) position (7 - 14)	(1,533,195,903)	(9,374,178)	(522,846,189)	(352,379)
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(1,639,493,701)	(11,333,653)	(558,087,500)	(414,080)

(\*) The Company's net foreign exchange position is mainly due to long term Euro denominated loans obtained to fund its investments. The Company is hedged for the foreign currency exchange risk of a portion of those Euro denominated loans amounting to TL 1,385,795,203 by export agreements signed with Ford Motor Company. (December 31, 2013 TL 691,450,364).

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27. Financial instruments and financial risk management (continued)

December 31, 2013

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

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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.

June 30, 2014

	Profit/(loss) before taxation	
Appreciation in foreign currency / Depreciation in foreign currency		
	Increase by 10%	Decrease by 10%
<b>Change in USD against TL</b>		
US Dollar net (liabilities) / assets	(1,990,513)	1,990,513
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	(1,990,513)	1,990,513
<b>Change in Euro against TL</b>		
Euro net (liabilities) / assets	(151,201,890)	151,201,890
Euro net hedged amount	149,276,326	(149,276,326)
Euro net (loss) / gain	(1,925,564)	1,925,564
<b>Change in other foreign currency against TL</b>		
Other foreign currency denominated net assets/(liabilities)	(127,188)	127,188
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net gain/(loss)	(127,188)	127,188

December 31, 2013

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

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

The comparative amounts for total export and import amounts for the year ended June 30, 2014 and 2013 are as follows;

	June 30, 2014	June 30, 2013
Total export amount	3,781,975,263	3,675,606,684
Total import amount	2,634,735,777	2,861,603,825

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:

	June 30, 2014	December 31, 2013
<b>Fixed interest rate financial instruments</b>		
Financial assets	120,740,372	213,301,075
Financial liabilities	1,186,185,990	904,174,322
<b>Floating interest rate financial instruments</b>		
Financial liabilities(*)	860,734,207	1,369,230,992

(\*) As of June 30, 2014, 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 17,142,857 (TL 49,575,428) with a maturity of December 9, 2015.

If the interest rates of floating interest-bearing USD and Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 1,096,163,252 at June 30, 2014 ( December 31 2013: TL 1,386,363).

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27. Financial instruments and financial risk management (continued)

*Liquidity risk*

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

June 30, 2014	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
<b>Non-derivative financial instruments</b>						
<b>Financial liabilities</b>	2,071,334,592	2,143,135,353	237,773,452	762,475,951	901,291,494	241,594,456
Trade payables						
- Related party	422,568,828	423,175,984	423,175,984	-	-	-
- Other	1,159,359,526	1,166,324,627	1,166,324,627	-	-	-
Other liabilities						
- Related party	3,062,343	3,062,343	3,062,343	-	-	-
- Other	129,434,284	129,434,284	129,434,284	-	-	-
<b>Derivative financial liabilities</b>						
Derivative financial instruments	628,751	628,751	-	-	628,751	-

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27. Financial instruments and financial risk management (continued)

December 31, 2013	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	2,291,215,803	2,388,821,952	113,600,631	972,175,285	995,929,686	307,116,351
Trade payables						
- Related party	262,289,287	262,514,037	262,514,037	-	-	-
- Other	919,806,623	923,138,810	923,138,810	-	-	-
Other liabilities						
- Related party	5,618,330	5,618,330	5,618,330	-	-	-
- Other	24,471,994	24,471,994	24,471,994	-	-	-
Derivative financial liabilities						
Derivative financial instruments	713,095	713,095	-	-	713,095	-

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27. Financial instruments and financial risk management (continued)

Fair value hierarchy table

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

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

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

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

As of June 30,2014 and December 31, 2013, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

June 30, 2014

	Level1 (*)	Level 2 (**)	Level 3
<b>Assets at fair value</b>			
Financial asset available-for-sale -Otokar	8,182,872	-	-
<b>Total assets</b>	<b>8,182,872</b>	<b>-</b>	<b>-</b>
<b>Liabilities at fair value</b>			
Cash flow hedge swap transaction	-	628,751	-
<b>Total Liabilities</b>	<b>-</b>	<b>628,751</b>	<b>-</b>

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

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

December 31, 2013

	Level1 (*)	Level 2 (**)	Level 3
<b>Assets at fair value</b>			
Financial asset available-for-sale -Otokar	7,732,955	-	-
<b>Total Assets</b>	<b>7,732,955</b>	<b>-</b>	<b>-</b>
<b>Liabilities at fair value</b>			
Cash flow hedge swap transaction	-	713,095	-
<b>Total Liabilities</b>	<b>-</b>	<b>713,095</b>	<b>-</b>

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

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

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**28. Derivative financial instruments**

	June 30, 2014	December 31, 2013
<b>Derivative financial instruments:</b>		
Long term financial derivatives	628,751	713,095
	<b>628,751</b>	<b>713,095</b>

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 June 30, 2014, the Company has entered into swap transaction for Euro 17,142,857 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 June 30, 2014. The fair value of the related swap transaction as of June 30, 2014 is amounting to TL 628.,751 and presented in "Non-current liabilities".

	June 30, 2014	December 31, 2013
<b>Cash flow hedge reserve:</b>		
Amount recognized in other comprehensive income	(23,986,041)	150,814,957
Amount recycled from other comprehensive income to statement of profit or loss	(35,505,555)	(23,570,560)
	<b>(59,491,596)</b>	<b>127,244,397</b>

There is an effective foreign currency cash flow hedge relationship between foreign currency long term financial borrowings related with investment expenditures (non derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Company will associate a portion of export revenue from April 1, 2013 to December 2021 with long term financial borrowings.

**29. Income and expenses from investing activities**

	January 1 - June 30 2014	April 1 - June 30 2014	January 1 - June 30 2013	April 1 - June 30 2013
<b>Income from investing activities:</b>				
Gain on sales of property, plant and equipment	-	-	443,670	443,670
Dividend income	585,830	585,830	374,931	374,931
	<b>585,830</b>	<b>585,830</b>	<b>818,601</b>	<b>818,601</b>

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**29. Income and expenses from investing activities (continued)**

	January 1 - June 30 2014	April 1 - June 30 2014	January 1 - June 30 2013	April 1 - June 30 2013
<b>Expenses from investing activities:</b>				
Loss on sales of property, plant and equipment	(1,499,944)	(94,399)	(114,673)	(45,203)
	<b>(1,499,944)</b>	<b>(94,399)</b>	<b>(114,673)</b>	<b>(45,203)</b>

**30. Deferred revenue**

	June 30, 2014	December 31, 2013
Advances taken	1,070,000	2,869,027
	<b>1,070,000</b>	<b>2,869,027</b>

**31. Government incentives and grants**

The Company received two investment incentives both greater than TL 250 million in the last quarter of 2010, under the scope of the Council of Minister's decision numbered 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of the costs of fixed assets purchases related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned. From these investments, The New Transit Custom factory investment amounting TL 559,294,788 is completed and investment contribution rate is used in the tax calculations. The investment incentive received under the scope of the Council of Minister's decision numbered 2009/15199 for the new light commercial vehicle Transit Courier investment has been canceled upon the application of the Company and will continue with the below mentioned incentive with 40% rate of contribution to investment.

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

**32. Subsequent events**

There is no significant subsequent event to be disclosed.

**33. 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.