

Ford Otomotiv Sanayi A.Ş.



2007 Annual Report

# Export Countries

## WESTERN EUROPE

ANDORRA  
AUSTRIA  
BELGIUM  
DENMARK  
FINLAND  
FRANCE  
GERMANY  
GIBRALTAR  
IRELAND  
ITALY  
NETHERLANDS  
NORWAY  
PORTUGAL  
SPAIN  
SWEDEN  
SWITZERLAND  
UK

## ASIA PACIFIC

AUSTRALIA  
BRUNEI  
CAMBODIA  
CHINA  
HONG KONG  
MONGOLIA  
NEW ZEALAND  
SINGAPORE  
VIETNAM

## EASTERN EUROPE

ALBANIA  
BOSNIA  
BULGARIA  
CROATIA  
CZECH REPUBLIC  
ESTONIA  
GREECE  
HUNGARY  
MACEDONIA  
MALTA  
POLAND  
ROMANIA  
RUSSIA  
SERBIA  
SLOVAKIA  
SLOVENIA  
SOUTH CYPRUS  
T.R.N. CYPRUS  
UKRAINE

## CENTRAL ASIA

AFGHANISTAN  
AZERBAIJAN  
GEORGIA  
KAZAKHSTAN  
KRYGYZSTAN

## MIDDLE EAST

IRAQ  
ISRAEL  
SYRIA  
U.A.E.

## NORTH AFRICA

ALGERIA  
EGYPT  
LIBYA  
MOROCCO  
TUNISIA

## SUB-SAHARAN AFRICA

ANGOLA  
CAPE VERDE  
GHANA  
MADAGASCAR  
NIGERIA  
SENEGAL

- 
- **Export Leader of Turkey** with 222,395 units and an export revenue of US\$ 3.4 billion
  - No.1 in the local market for the **sixth consecutive year**
  - 286,356 units **record production**, up 11% compared to last year
  - 325,095 units **record wholesales**, up 9% compared to last year
  - Transit Connect **North America Program**
  - Opening of **Gebze Engineering Centre**
  - **Cargo exports** reaching to 2,000 units, 31% of the production
  - **EFl engine** in all Transits
  - 5 cylinder, 3.2 lt. **200 PS engine** and vehicle launch
  - **New Cargo truck (H476)** and **350 PS engine** launch
  - Şehabettin Bilgisu **Environment Award**
  - Regional Winner for Ford of Europe **President's Health & Safety Awards**



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

Henry Ford

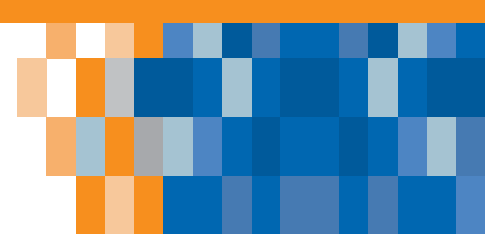
“I exist as long as my nation and country exist.”

Vehbi Koç

Registered Capital : YTL 500,000,000

Paid-in Capital : YTL 350,910,000

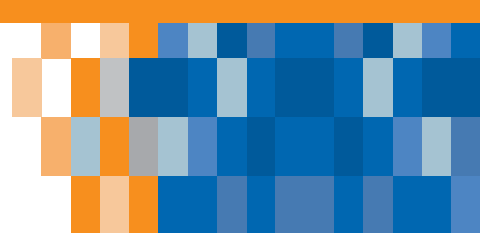
Prepared in accordance with the Capital Markets Board regulations for submitting in the Ordinary Shareholders' Meeting which is held on April 2<sup>nd</sup>, 2008, Wednesday at 11:00 am, at Divan City Hotel (Büyükdere Caddesi, No:84, 34398 Gayrettepe / İstanbul)



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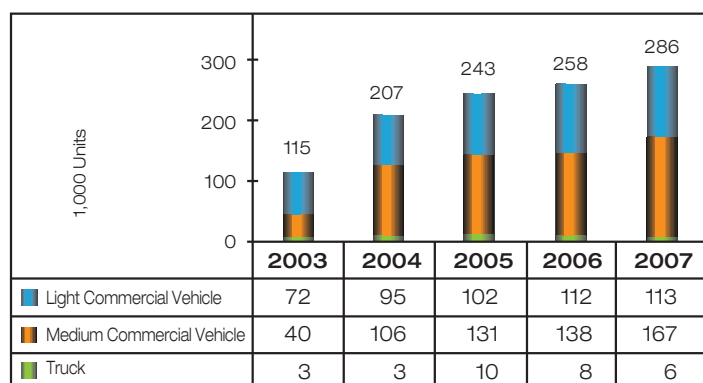
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# Highlights

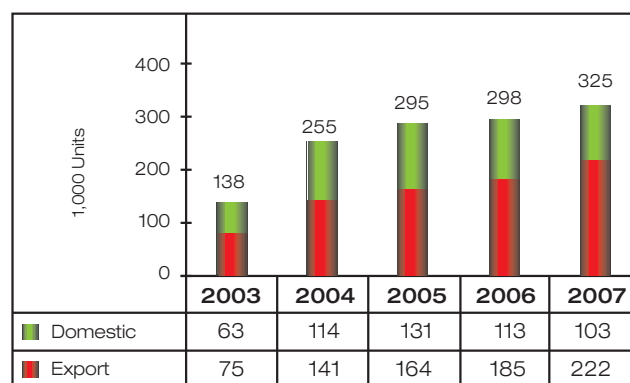


	2007	2006	2005	2004	2003
Net Sales (Mn. YTL)	7,231	6,521	6,059	5,559	2,944
Export Revenues (Mn. Euro)	2,497	1,971	1,677	1,438	776
Operating Profit (Mn. YTL)	648	569	538	487	270
Operating Margin	9.0%	8.7%	8.9%	8.8%	9.2%
Profit Before Tax (Mn. YTL)	657	621	526	587	367
Net Income (Mn. YTL)	484	501	398	453	282
Financial Debt (Mn. YTL)	416	452	321	439	581
Capex (Mn. Euro)	78	109	109	85	130
Return on Equity	29%	31%	25%	32%	30%
Debt / Equity	0.24	0.28	0.20	0.27	0.53
Dividend Paid (Mn. YTL)	402	451	446	119	0
Year End Market Cap. (Bn. Dollars)	3.7	2.9	2.8	1.8	1.5
Total Automotive Ind. (Units)	632,561	667,753	766,421	741,083	393,100
Ford Otosan Market Shares					
Total Market	16.8%	17.1%	17.0%	15.5%	15.3%
Passenger Car	9.2%	10.2%	10.5%	10.0%	8.0%
LCV	26.2%	25.1%	24.7%	23.1%	22.4%
MCV	31.9%	29.7%	28.7%	28.1%	32.8%
Truck	16.3%	21.4%	26.4%	19.9%	16.4%
Number of Employees	9,521	7,991	7,964	7,722	5,948
Hourly	8,074	6,737	6,687	6,460	4,772
Salaried	1,447	1,254	1,277	1,262	1,176

### Production




### Domestic - Export Wholesale Volume



# Agenda of the Shareholders' Meeting



- 
1. Opening and election of Chairmanship Panel,
  2. Reading and discussion of the Board of Directors' Report, Statutory Auditor's Report and summary report of the independent audit firm Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PriceWaterhouseCoopers) about 2007 activities and accounts, and approval or approval with amendments or refusal of the Board of Directors' proposal of 2007 Balance Sheet and Income Statement,
  3. Approval of the change made in the membership of the Board of Directors in accordance with the article 315 of the Turkish Commercial Code,
  4. Release of the members of the Board of Directors and the Statutory Auditors for year 2007 activities,
  5. Approval or approval with amendments or refusal of the Board of Directors' proposal of the profit distribution for the year 2007 and distribution date,
  6. Re-election or replacement of the members of the Board of Directors whose term of office has expired and determination of the number of the members and their term of office,
  7. Re-election or replacement of Statutory Auditors whose term of office has expired,
  8. Determinations of the monthly gross remunerations and fees to be paid to the Chairman and members of the Board of Directors and Statutory Auditors,
  9. Report out of the donations and contributions made by the Company for social charity purposes in 2007, to the foundations and societies having tax exemption,
  10. Authorising the Board of Directors for deciding on the distribution of advance dividend from 2008 profits during the year 2008,
  11. In accordance with the Corporate Governance Principles giving information on the Company's profit distribution policy for 2008 and the following years,
  12. Approval of the decision of the Board of Directors as to the assignment of the independent audit firm, as per the Regulation on Capital Market Independent External Audit, issued by the Capital Market Board,
  13. Granting permission to the members of the Board of Directors to conduct the activities within the fields of business of the Company in their own name or in the name of other persons, and to participate in other companies engaged in the same fields of business, and for other deals, pursuant to Sections 334 and 335 of the Turkish Commercial Code,
  14. Authorisation of the Chairmanship Panel to sign the meeting minutes of the General Assembly of Shareholders,
  15. Wishes.

# Board of Directors



**1. Rahmi M. Koç**

Chairman

**2. Lewis W.K. Booth**

Vice Chairman

**3. Bülent Bulgurlu**

Member

**4. Y. Ali Koç**

Member-Audit Committee Member

All members of the Board of Directors have been elected for the period of 27.03.2007 - 02.04.2008.

Mr. David L. Schoch resigned from his membership of Board of Directors in March 11<sup>th</sup>, 2008 due to his new position within Ford Motor Company. Board of Directors has assigned Mr. Frank Lazzaro, CFO and Vice President - Strategic Planning of Ford of Europe, for the remaining term.

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

## AUDIT COMMITTEE

Audit Committee consists of the Board of Directors members; Y. Ali Koç and David L. Schoch.

## STATUTORY AUDITORS

Dr. Füsün Akkal  
Adnan Nas

Statutory Auditors have been elected for the period of 27.03.2007 – 02.04.2008. The Board of Auditors audits the Company with the authorities vested by the pertinent provisions of the Turkish Commercial Code and article 13 of the Company's Articles of Incorporation.

## INDEPENDENT AUDIT FIRM

2007 calendar year accounts of the Company have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers).



**5. A. İhsan İlkbahar**

Member

**6. John Fleming**

Member

**7. David L. Schoch**

Member-Audit Committee Member

**8. Philip A. Collareno**

Member

**9. O. Turgay Durak**

Member

**10. Michael R. Flewitt**

Member-General Manager

# Curricula Vitae of Board of Directors



## **Rahmi M. KOÇ (78): Koç Holding A.Ş. Honorary Chairman**

Receiving a degree in Business Administration from John Hopkins University, Mr. Rahmi Koç started his career in 1958 at Otokoç. In 1964; he was appointed as Koç Holding General Coordinator. Subsequently, he became the Chairman of the Executive Committee in 1970. He served as Vice-Chairman of the Management Board in 1975 and as Chairman of the Management Committee in 1980. Between 1984-2003, he was the Chairman of the Board of Koç Holding. During 1995-1996, he served as Chairman of the International Chamber of Commerce. Currently, Rahmi M. Koç is the Honorary Chairman of Koç Holding A.Ş. and for 49 years, he is serving as a member of Ford Otosan Board of Directors.



**Lewis W.K. BOOTH (59): Executive Vice President, Ford of Europe and Premier Automotive Group**

Graduating from Liverpool University Mechanical Engineering, Lewis Booth joined Ford Motor Company in 1978 as a Financial Analyst in Product Development, Ford of Europe. During the 1980s and early 1990s, Booth served in series of management positions in Ford of Europe in Britain and in Germany in Finance, Truck Operations, Product Development, Manufacturing and Sales. In 1992, he worked in Finance department in Dearborn. From 1993 to 1996, Booth held a variety of positions in Car Product Development, Body & Assembly, Vehicle Operations and the Manufacturing Business Office for Ford Automotive Operations before accepting the position of Group Managing Director at South Africa Motor Corporation in South Africa. He became the president of Asia Pacific and Africa Operations of Ford Motor Company in 2000. In 2002, he was named President and CEO of Mazda Motor Corporation, and then became Chairman and CEO, Ford of Europe. Currently, he is the Executive Vice President of Ford Motor Company overseeing Ford of Europe and Premier Automotive Group, effective 1 October 2005. He joined the Ford Otosan Board of Directors in 2003.



**Bülent BULGURLU (61): Koç Holding A.Ş. CEO**

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



**Y. Ali KOÇ (41): Koç Holding A.Ş. Corporate Communications and Information Group President**

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



**A. İhsan İLKBAHAR (69)**

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



**John FLEMING (57): Group Vice President, Ford Motor Company; President and CEO, Ford of Europe**

Mr. Fleming holds an Honorary Degree from the John Moores University in Liverpool and production engineering qualifications from North East London Polytechnic. He joined Ford Motor Company in 1967 at the company's Halewood facility on Merseyside, where he was involved in manufacturing processes for Ford Escort. John Fleming was appointed as Production Manager of the plant's Paint facility in 1984 and became General Manufacturing Manager of Halewood Operations in 1991. After several assignments, he served as Director of Global Manufacturing Engineering and New Model Programs and as Executive Director of the Ford Stamping Business Unit in the United States. Prior to his current position Mr. Fleming was President, Ford of Europe and prior to that he was Vice President Manufacturing, Ford of Europe with responsibility for all manufacturing facilities and operations. He joined Ford Otosan Board of Directors in 2002.



**David L. SCHOCH (57): Chief Financial Officer and Vice President of Strategic Planning, Ford of Europe**

Mr. Schoch holds a bachelor's degree in Business from Lycoming College and a MBA in Finance from Temple University. Since joining Ford Motor Company in 1977 as a Financial Analyst at Cleveland Engine Plant, David Schoch has held a variety of leadership positions. Prior to joining Ford of Europe, Schoch was Chief Financial Officer of Ford's Asia-Pacific Operations. In addition, he has had various finance leadership positions in South America, South Africa and North America. Mr. Schoch has overall responsibility for Ford of Europe's financial operations and business planning. David L. Schoch became Chief Financial Officer and Vice President of Strategic Planning for Ford of Europe in July 2004. He has been a member of Ford Otosan Board for 4 years.





**Philip A. COLLARENO (50): Commercial Vehicle Line Director, Ford of Europe**

Mr. Collareno was graduated from Mechanical Engineering in University of Michigan and also had a master degree from the same university. Serving in UK, USA and Brazil facilities of Ford, Philip Collareno started working in Ford Motor Company as Chief Engineer responsible for Transit / Transit Connect Van in UK. Following his mission as Chief Program Engineer in North American Econoline Van, he became Program Manager, South American Ranger Pick Up & Explorer Sport Utility in Brazil. Returning to USA, Mr. Collareno served as Special Vehicle Operations Manager and Chassis Manager in North American Commercial Vehicles Department. He joined Ford Otosan Board in 2005.



**O. Turgay DURAK (56): Koç Holding A.Ş. Automotive Group President**

Graduated and also had a master degree from Mechanical Engineering of Northwestern University, O. Turgay Durak started his career at Otosan as Application Engineer in 1976. Same year, he continued working as Product Development and Design Engineer. In 1979, he became İnönü Project Leader. He was appointed to the Management of Project Coordination in 1982 and the Site Management of Project Coordination in 1984. He was assigned as AGM - Marketing in 1986 and AGM - Purchasing in 1987. Being the Asst. General Manager in 2000, O. Turgay Durak became the General Manager in 2002 and has been a member of company Board of Directors. Being assigned as Koç Holding Automotive Group President in May 2007 Mr. Durak, is also the Chairman of Automotive Manufacturers Association's Board of Directors since 2004.



**Michael R. FLEWITT (46): General Manager**

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

# Board of Directors' Report



## Dear shareholders,

While presenting the Board of Directors' Report about the operations of Ford Otomotiv Sanayi A.Ş. in 2007, we welcome all of our esteemed shareholders to the 49<sup>th</sup> Ordinary General Meeting.

After having spent the first seven months of the previous year in Turkey with election discussions; the economic growth slowed down, the inflation began to increase, current account deficit widened and the reform process lost momentum. The expectation of the economic recovery in Turkey after July 22<sup>nd</sup> elections was affected adversely by the financial crisis in US mortgage market which spread quickly and began to threaten all the world.

In 2007, total production in the Turkish Automotive Industry and total export volume reached to 1.1 million units (up 11%) and 820,000 units (up 18%) respectively. On the other hand, the recession in the domestic market that began in the second half of 2006 continued in the first half of 2007 and total sales decreased by 29% in this period. Although the relative pick-up observed after July and high sales performance in December enabled a 21% growth in the second half of 2007, total sales in the automotive sector declined to 632,561 units representing 5% decrease compared to the previous year.

## Operational Results

2007 was a new growth and records year for the Company. We became the export champion of Turkey, adding a new one to our titles of Turkish Automotive Market's leading company in production, wholesales and export (in terms of volume) that we have been holding for a long time.

The export volume increased to 222,395 units, up 20% compared to the previous year and we posted a revenue of US\$ 3.4 billion from our export operations. As a result, we ranked first leaving Tüpraş and Toyota behind whose export revenues were higher than us last year. 27% of

total automotive export and more than 70% of commercial vehicle export of Turkish Automotive Industry were realized by Ford Otosan. Another achievement regarding export business is to increase our truck export volume to over 2,000 units which was just about 500 units so far annually. Especially, truck distribution and after sales network established in Russia increased our export to this country very rapidly and gave hope for reaching higher volumes in the future.

## We became the export champion of Turkey in 2007 with a revenue of US\$ 3.4 billion

Ford Otosan is the sole automotive company selling over one hundred thousand units in the domestic market. We are achieving this for the last 4 years. In 2007, 16.8% market share gained thanks to the retail sales of 105,989 units enabled Ford brand to complete the year as the automotive market leader for the 6<sup>th</sup> consecutive year. As far as product lines are concerned, in the medium commercial vehicle segment where we exist with Transit, we managed to maintain our superior market leadership and got the second rank in the light commercial vehicle segment by increasing our market shares. We ranked third both in passenger car and truck segments. You may find detailed information about domestic market shares in the related sections of the Annual Report.

Although the Company's domestic retail sales fell by 8.5% compared to last year, thanks to high



growth in export, we reached record volumes both in production and total sales. Compared to 2006, total wholesales volume increased by 9% to 325,095 units and the production volume rose 11 % up to 286,356 units. In Kocaeli Plant; 167,348 units Transit and 112,574 units Connect; in İnönü Plant 6,434 units Cargo truck were manufactured. In line with the previous years, more than one-fourth of the total number of vehicles manufactured in Turkey was produced by Ford Otosan this year.

Kocaeli Plant runs with 100% capacity utilisation since its inception, therefore reaching new record volumes in production and sales is possible only with the capacity expansion. Annual production capacity of the Kocaeli Plant which was 250,000 units/year in 2006 year end, increased firstly to 280,000 and as of the beginning of October, 2007 to 300,000 units. We are also proud of saying that this capacity expansion had important contributions both to our company and to the national economy by creating significant amount of new jobs.

Always aiming to launch the newest products with latest technology for its customers, our company carried on its intensive product development efforts in 2007 as well. In this framework, EFI engines were launched in Transits as of beginning of the year and in September, the most powerful engine in its segment, 200PS engines with five cylinders which are produced in İnönü Plant began to be used in Transit Extra Long Wheel Based Transits. In addition to the improvements in Transit, the launch of new Ranger strengthened our leadership in the medium commercial vehicle segment. New Cargo that began to be manufactured towards the year end will increase our market share by filling up the gap in tractor segment with its 350PS engine. Being completely renewed in June, new Mondeo contributed both to the increase of our market share in passenger car segment and to the reinforcement of our brand image in general.

### **Branch Office Establishment**

Besides production, Ford Otosan, in its approximately 50 year history, achieved great success in the research and development areas. Many vehicles, engines and components currently in the mass production and appreciated by the market have originally been designed and developed by our engineers.



Where we stand today, it became inevitable to take the product development to the next stage turning Ford Otosan into a “design center.” In line with this, with the no. 2007/7 resolution dated April 10<sup>th</sup>, 2007, our Board of Directors approved the establishment of a branch office at the TÜBİTAK-MAM Technology Free Zone. On April 19<sup>th</sup>, 2007, a capital of YTL 1 million was allocated to this Center which is registered with the name of Ford Otomotiv Sanayi A.Ş. TÜBİTAK-MAM Technology Free Zone Branch Office. A part of the Kocaeli Plant Product Development Department was moved to this Center and many new R&D engineers were hired.

You may find summary information regarding the foundation and studies of Gebze Engineering Center as a separate section in the Annual Report.

## **Ford Otosan Gebze Technology Free Zone Branch Office was opened**

## Awards

In 2004, it was our company which won the “Şehabettin Bilgisu Environment Award” given by Kocaeli Chamber of Industry. According to the contest rules, the institution that won the signal award can not apply again during the following 3 years. In 2007 when this period expired, Ford Otosan again won the Signal Award which emphasized the importance we attribute to the environment and the success of our practices in this field once more.

## Ford Otosan won the Şehabettin Bilgisu Environment Award again in 2007

We participated in the “President Health and Safety Award” program last year, for the first time. This program which is arranged every year is recognized as the most prestigious health and safety award in Global Ford Organization. Three out of the four projects we submitted were accepted as finalists in the Ford of Europe region. “Bodyshop Spot Weld Spark Reduction Project” was honoured as the Regional Winner for Ford of Europe.

The results of motor sports organizations have had substantial contribution both to the corporate identity and the enhancement of products’ brand value. At the 2007 Turkey Rally Championship, Ford Rally Sport Turkey team became the “Manufacturer’s Champion”. Team members have ranked first in Young and Woman Driver’s category and ranked second in the category of Driver’s. At the World Rally Championship, Ford team won the Manufacturer’s Championship again this year.

## Investments

In addition to the investments of Kocaeli Plant capacity expansion from 250,000 vehicles/year to 300,000, the total amount of the new product investments was YTL 139 million in 2007. YTL 603 million from the investment incentive allowance

earned in the past years was utilized in 2007 tax calculation. Therefore, YTL 947 million of investment incentive allowance was rolled over to 2008 to be utilized.

## Social Responsibility and Donations

As a sign of our traditional social responsibility consciousness, Ford Otosan and its employees support numerous projects in education, health and culture, in awareness of the country’s needs. High budget projects are mainly initiated through the intermediary Vehbi Koç Foundation. Our Company donated YTL 12.2 million to this foundation last year. A portion of these donations was transferred to the Koç University funds and another important portion was allocated to investment in the Ford Otosan Primary School. You may find summary information regarding this school that began education in October and the other social responsibility projects that we support in the related sections of the Annual Report.

We would also like to bring to your attention that including the donation made to Vehbi Koç Foundation, our Company has donated a total of YTL 12,498,301 to the tax-exempt foundations and associations in the calendar year 2007.



Ford Otosan Primary School

## Changes in Board of Directors

Mr. David L. Schoch resigned from Board of Directors membership on March 11<sup>th</sup>, 2008 due to his new position within Ford Motor Company. Board of Directors has assigned Mr. Frank Lazzaro,

Chief Financial Officer and Vice President - Strategic Planning of Ford of Europe, for the remaining term.

We submit this election to your approval in accordance with the article 315 of the Turkish Commercial Code.

### **Changes in Company Management**

Mr. Michael R. Flewitt is assigned as General Manager to replace Mr. Turgay Durak who is assigned as the Koç Holding Automotive Group President effective from May 1<sup>st</sup>, 2007 and Mr. Ufuk Güçlü is appointed as Deputy General Manager.

Effective from March 1<sup>st</sup>, 2007, Mr. Haydar Yenigün is assigned as Assistant General Manager - Kocaeli Plant Manager to replace Mr. Nuri Otay who is appointed as Cologne Site Director in Ford of Europe. Mr. Ernur Mutlu is assigned as Assistant General Manager - Product Development to replace Mr. Ufuk Güçlü effective from January 1<sup>st</sup>, 2008.

### **Financial Results**

In accordance with the Capital Markets Board (CMB) regulations, the Company prepares its financial statements according to International Financial Reporting Standards (IFRS). Our 2007 Financial Statements audited by the independent auditing firm are available for your review in the related sections of the Annual Report.

As far as the main items of the Income Statement were concerned, Ford Otosan's 2007 net sales exceeded YTL 7.2 million. This amount, which is 11% higher than last year's, is our highest turnover reached, up to now. The approximately 14% year on year increase in the gross and operating profits is above the turnover increase. In conclusion, the operating margin improved to 9.0% last year from 8.7% in 2006. Despite the aggressive price competition from import brands due to YTL appreciation, we managed to improve our operating profit as a result of our cost reduction and productivity increase efforts.

Profit Before Tax is recorded as YTL 656,891,710, up 6%. After the deduction of YTL 172,649,589

as tax provisions, net profit for the period stands at YTL 484,242,121.

### **Dividend Policy and Dividend Proposal**

The Company distributes dividends in compliance with the Turkish Commercial Code provisions, Capital Market Regulations, Tax Regulations, the other related legislation and with the articles regarding dividend distribution of our Articles of Incorporation.

In 2007, the Company distributed a total of YTL 401.8 million to its shareholders through payments made in April and in October. Overall, Ford Otosan distributed a total dividend of US\$ 1 billion (YTL 1.3 billion) in the last three years and continues to be at the top of the ISE listed companies offering the highest dividend yield.

## **We distributed a total dividend of over US\$ 1 billion in the last three years**

Long term strategies, capital requirements, investment and financial policies, profitability and cash position are taken into consideration in the determination of dividend payment. We are determined to carry on our dividend distribution policy, in 2008 and onwards, summarized as "Except periods of huge investment projects or any severe economic downturns, to distribute predictable and stable dividends, in the highest amount that our cash position allows".

In addition to being a high dividend paying company, Ford Otosan also comes first among the companies offering the highest investment yield to its shareholders in the long term. According to an official research conducted in the midyear, the value of a US\$ 1 investment to our share in the first trading year of ISE, January 1986 has been calculated as US\$ 364 in June 2007. In other words, in this period, the average yearly return of Ford Otosan shares has been 31.58% in dollar terms.



We propose to distribute a dividend of YTL 245,637,000 from 2007 net profit of YTL 484,242,121 at the ratio of 70% per share; 0.7 YKr gross (=net) dividend for each share with the nominal value of 1 YKr, and to begin distribution transactions on April 9<sup>th</sup>, 2008.

You may find detailed information regarding our proposal in the Dividend Distribution Proposal table attached to the Report.

### **The Election of Statutory Auditors**

The term of Independent Audit Agreement with Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi - a member of PricewaterhouseCoopers has expired. Our company has elected again the same company upon proposal of the Audit Committee as an independent auditor for auditing the activities and accounts of 2008 and 2009. We submit this election to your approval in accordance with the Capital Markets Board legislations.

### **Overview of 2008**

Uncertainty and lack of confidence induced by the crisis in the developed countries' financial markets has turned into a recession worry in the USA. The effects of a slowing and shrinking USA economy, over other countries, as well as Turkey are unpredictable. Still, we foresee that the Turkish economy will, maybe in a slower trend, keep growing in 2008. As a result, we expect the automotive market to grow about 10% and the total sales to exceed 680,000 units.

In accordance with the domestic market growth, we aim to increase our domestic sales and to become the bestseller brand for the 7<sup>th</sup> time. Similarly, the main objectives of this year are set to exceed 255,000 units in export sales, to produce over 330,000 units in total and, for achieving this, to expand Kocaeli Plant's manufacturing capacity from 300,000 to 320,000 vehicles. Ford Otosan has been working to beat records in all areas of its business including production, sales and exports.

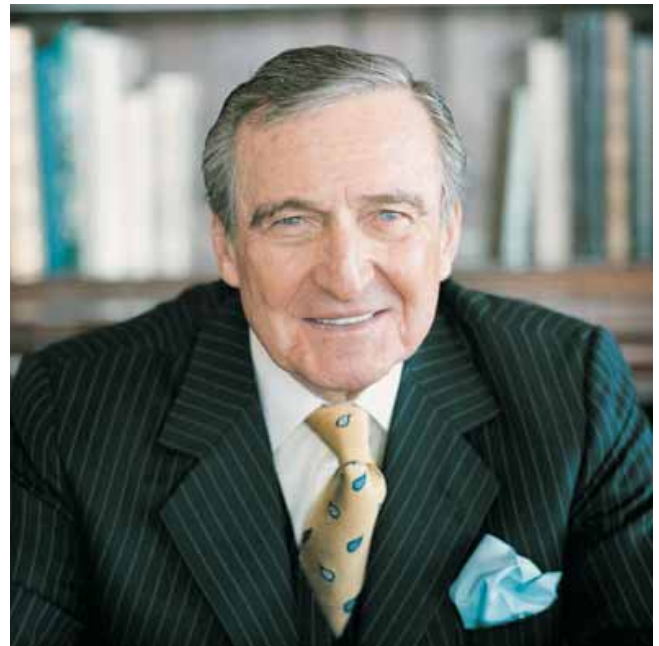
We are excited by a recently initiated project. By the year of 2009, we are going to export Transit Connect to North America. We currently export Transit Connect to 64 different countries. Consequently, Ford Otosan is going to become the first Turkish company to export vehicles to the homeland of automotive industry, USA. Research and development investments will be conducted throughout the year at Ford Otosan to perfectly meet American market's needs, which differ from the European market.

While concluding our report, we would like to thank all of our business partners, our employees, the Turkish Metals Union, our suppliers and our dealers for contributing to activities which lead our Company to new records each year, and our customers who have shown loyal interest to our products.

With best regards,

### **Rahmi M. Koç**

Chairman of the Board



# Ford Otomotiv Sanayi A.Ş. Dividend Distribution Proposal For The Year 2007

According to our financial statements for the accounting period of 01.01.2007-31.12.2007 prepared in accordance with the International Financial Accounting Standards within the framework of the Capital Markets Board's Communiqué Serial: XI, No: 25 and audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers), a net income of YTL 484,242,121 has been generated. Our dividend proposal per Company's dividend policy could be found below. Subject dividend distribution transactions mentioned above will begin on April 9<sup>th</sup>, 2008 according to the General Assembly Resolution.

Ford Otomotiv Sanayi A.Ş. 2007 Dividend Distribution Proposal Table (YTL)			
1. Paid-in/Issued Capital			350,910,000
2. Total Legal Reserves (According to Tax Book)			201,892,410
If there is dividend privilege in the Articles of Association, information regarding this privilege			
		According to CMB	According to Tax Book
3.	Income for the Period	656,891,710	600,037,391
4.	Taxes Payable ( - )	(172,649,589)	(119,500,848)
5.	Net Income for the Period ( = )	484,242,121	480,536,543
6.	Retained Losses ( - )	-	-
7.	First Series of Legal Reserves ( - )	0	0
8.	Distributable Net Income of the Consolidated Affiliate that has not been decided to be distributed ( - ) [1]		
9.	DISTRIBUTABLE NET INCOME FOR THE PERIOD (=)	484,242,121	480,536,543
10.	Donations within the year ( + )	12,498,301	
11.	Distributable Net Income for the Period including Donations to Calculate First Dividend	496,740,422	
12.	First Dividend to the Shareholders	99,348,084	
	- Cash	99,348,084	
	- Bonus		
	- Total	99,348,084	
16.	Second Dividend to the Shareholders	146,288,916	
17.	Second Series of Legal Reserves	22,809,150	
20.	EXTRAORDINARY RESERVES	215,795,971	212,090,393

Information About the Ratio of Distributed Dividend (in terms of privileged-nonprivileged share)				
DIVIDEND INFORMATION PER SHARE				
	Group	TOTAL DIVIDEND (YTL)	DIVIDEND FOR EACH SHARE WITH THE NOMINAL VALUE OF YTL 1	
			AMOUNT (YTL)	RATIO (%)
GROSS	A-B-C	245,637,000	0.70	70
	Total	245,637,000		
NET	A-B-C	245,637,000	0.70	70
	Total	245,637,000		
THE RATIO OF THE DISTRIBUTED DIVIDEND TO DISTRIBUTABLE NET INCOME FOR THE PERIOD INCLUDING DONATIONS				
DIVIDEND DISTRIBUTED TO SHAREHOLDERS (YTL)		THE RATIO OF THE DISTRIBUTED DIVIDEND TO DISTRIBUTABLE NET INCOME FOR THE PERIOD INCLUDING DONATIONS (%)		
245,637,000		49.45		

# Convenience Translation Into English of Independent Auditor's Report Originally Issued in Turkish

## Auditor's Report

1. We have audited the accompanying financial statements of Ford Otomotiv Sanayi A.Ş. which comprise the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Ford Otomotiv Sanayi A.Ş. as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the Capital Markets Board (See Note 2).
5. Additional paragraph for convenience translation into English:

The effects of differences between financial reporting standards issued by the Capital Markets Board, the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

6. Without qualifying our opinion, we also draw your attention to the following matter:

As explained in Note 3 to the financial statements, Euro amounts shown in the accompanying financial statements have been included solely for the convenience of the reader of the financial statements and are translated from New Turkish lira, as a matter of arithmetic computation only, at the official Euro bid rates announced by the Central Bank of Turkey at 31 December 2007. Euro amounts do not form a part of the financial statements prepared in accordance with the financial reporting standards issued by the Capital Markets Board and such translations should not be construed as a representation that the New Turkish lira amounts have been or could be converted into Euro at this or any other rate.

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers



Mert Tüten, SMMM  
Partner  
İstanbul, 10 March 2008



# Ford Otomotiv Sanayi A.Ş. Statutory Auditor's Report



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

The audit results regarding the Company's 2007 calendar year activities are as follows:

1. The Company successfully carried out its operations in line with Capital Market Law and related regulations.
2. Books and records which are mandatory according to the Turkish Commercial Code and the related regulations have been duly kept and documented properly.
3. In our opinion, the 2007 financial statements, prepared according to the Communiqué No: XI-25 "The Accounting Standards in the Capital Markets" issued by the Capital Markets Board (CMB) (and not inflation adjusted in accordance with the CMB' Resolution 11/367 dated 17 March 2005) reflect the true view of the financial position of the Company and of its financial performance for the period.
4. The Board of Directors resolutions were recorded and kept properly according to the related procedures.

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

Best regards,

İstanbul, 11.03.2008

Dr. Füsün AKKAL

Adnan NAS

# Executive Management



**Michael  
R. FLEWITT**  
General Manager



**Ufuk  
GÜÇLÜ**  
Deputy General Manager



**Oğuz  
TOPRAKOĞLU**  
Asst. General Manager  
(Finance-CFO)



**Aykut  
ÖZÜNER**  
Asst. General Manager  
(Sales and Marketing)



**Haydar  
YENİGÜN**  
Asst. General Manager  
(Kocaeli Plant)



**Burak  
GÖKÇELİK**  
Asst. General Manager  
(İnönü Plant)



**Ahmet  
ŞATIROĞLU**  
Asst. General Manager  
(Service and Spare Parts)



**Ernur  
MUTLU**  
Asst. General Manager  
(Product Development)



**Cengiz  
KABATEPE**  
Asst. General Manager  
(Material Planning & Logistics)



**Ahmet  
KINAY**  
Asst. General Manager  
(Purchasing)



**Taylan  
AVCI**  
Asst. General Manager  
(New Projects)



**Ali İhsan  
KAMANLI**  
Asst. General Manager  
(Tool & Die - Prototypes)

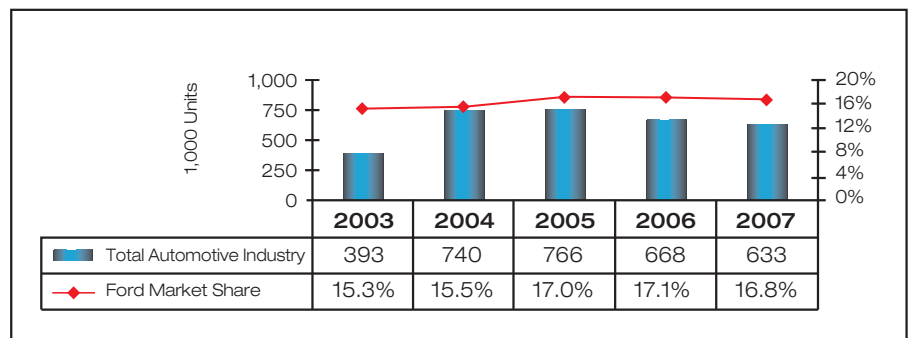


**Tuncay  
SELÇUK**  
Asst. General Manager  
(Treasury)

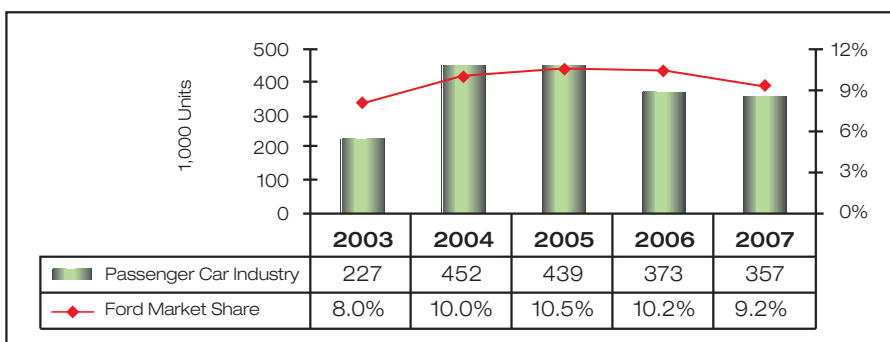
# Turkish Automotive Industry

## Total Automotive Industry

After contracting by 29% yoy in the first half of the year, total automotive sales grew by 21% in the second half compared to the same period of 2006 and completed the year 2007 with 632,561 units, down 5%.



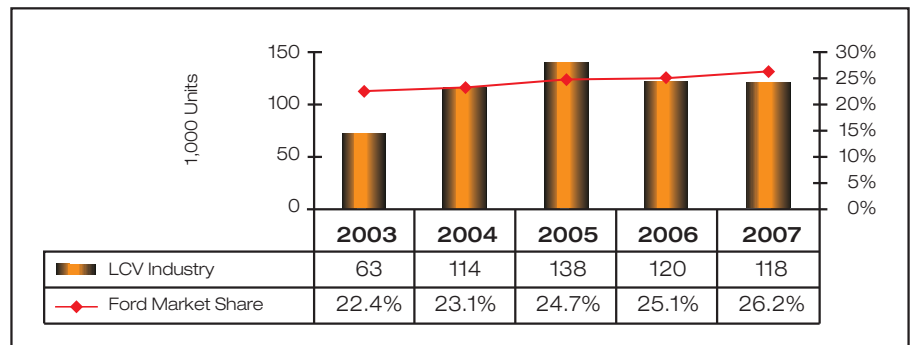
## Passenger Car



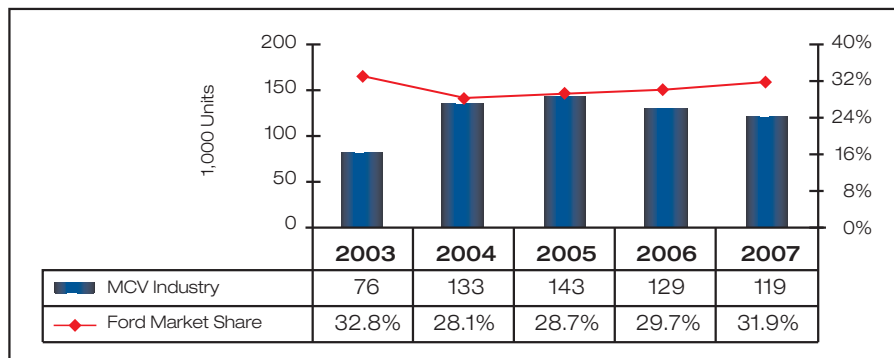
Passenger Car segment was down 4% compared to last year to 357,463 units.

## Light Commercial Vehicle

In 2007; 118,076 units were sold in the Light Commercial Vehicle segment which includes Transit Connect and Fiesta Van.



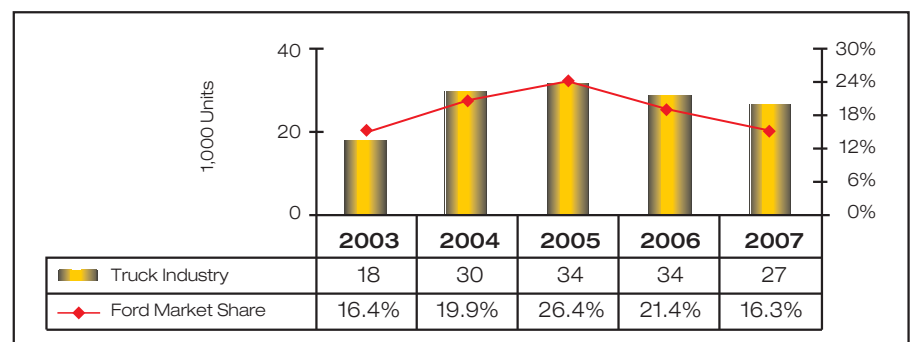
## MCV Industry



Medium Commercial Vehicle segment which includes Transit and Ranger, shrank by 8% to 119,108 units.

## Truck

The highest contraction in the market was in the Truck segment, down 21% to 26,518 units.



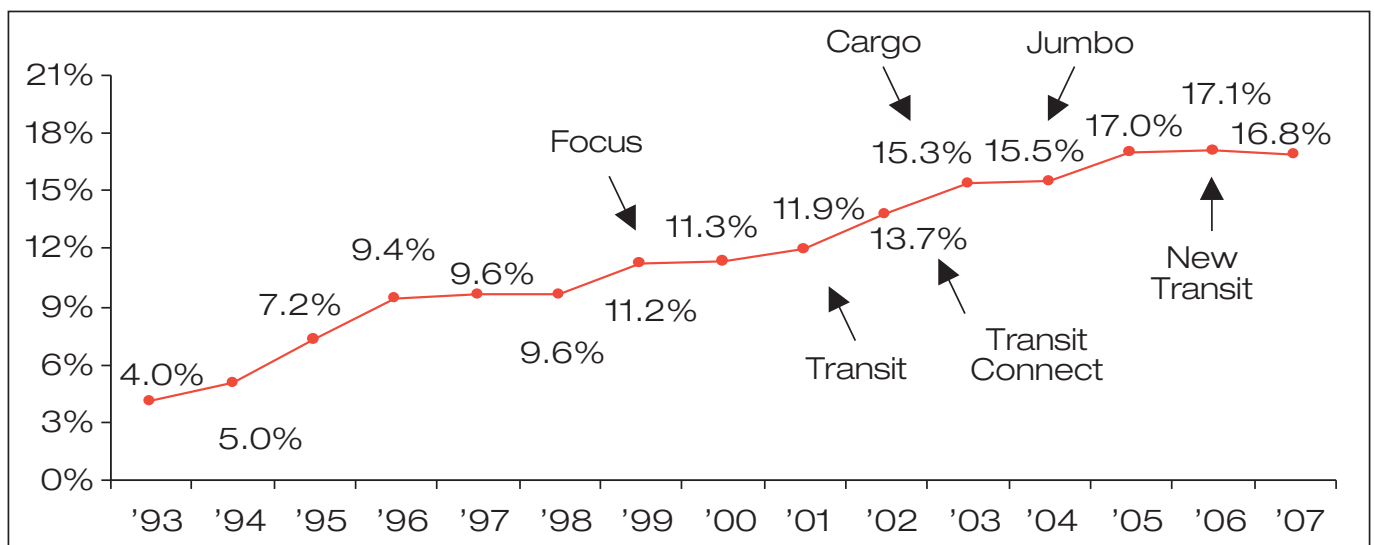
# Ford Otosan Market Performance

## Market Performance

	2007 FY		2006 FY	
	Market Share	Rank	Market Share	Rank
<b>Total Automotive Industry</b>	<b>16.8%</b>	<b>1</b>	<b>17.1%</b>	<b>1</b>
Passenger Car	9.2%	3	10.2%	2
LCV	26.2%	2	25.1%	2
<b>MCV</b>	<b>31.9%</b>	<b>1</b>	<b>29.7%</b>	<b>1</b>
Truck	16.3%	3	21.4%	2

## Main Brands in Total Automotive Industry

2007 FY		
Rank	Brand	Market Share
<b>1</b>	<b>Ford</b>	<b>16.8%</b>
2	Renault	13.3%
3	Tofaş	12.2%
4	Volkswagen	8.7%
5	Hyundai	6.1%



Market Leader for the 6<sup>th</sup> consecutive year in Turkish Automotive Industry.

# Production

## **“Best Ford Brand Vehicle Operating Plant in Europe”**

At Kocaeli Plant, Transit and Transit Connect are manufactured. In 2007, annual production capacity of the Plant is increased from 250,000 units/year to 300,000 units/year.





### **“Best Ford Powertrain Plant in the World”**

Cargo Truck, powertrain and engines are produced at İnönü Plant, in Eskişehir. Plant has an annual production capacity of 55,000 units for powertrain and 15,000 units for truck.



### **“3. Biggest Parts Distribution Center in Europe”**

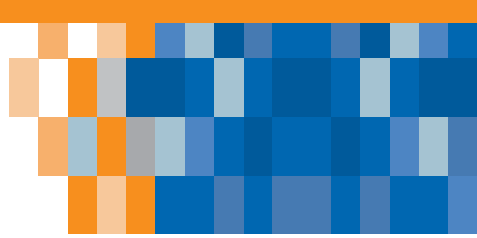
With 25,000 m<sup>2</sup> warehouse, Kartal Parts Distribution Center is the central area where the spare part and after-sale business is managed.

### **Turkey’s leading company in production**

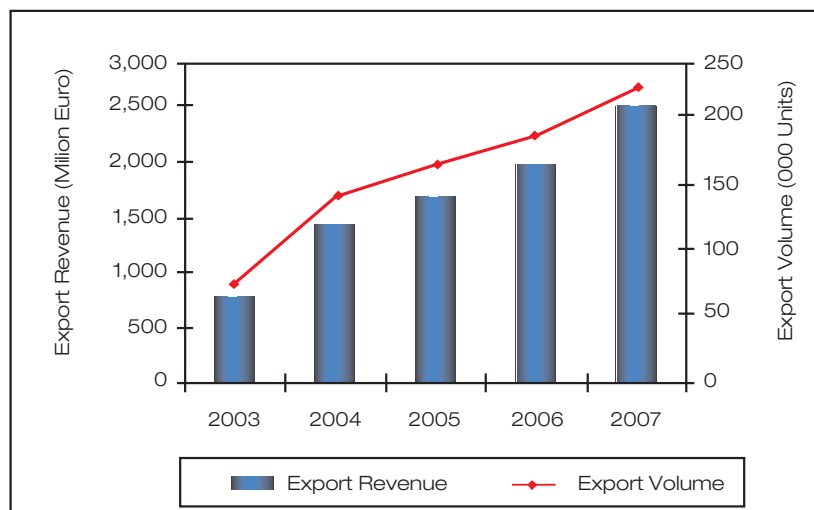
In 2007; Ford Otosan produced 167,348 units Transit, 112,574 units Transit Connect and 6,434 units Cargo, with a total 286,356 vehicles. 62 units out of every 100 commercial vehicles manufactured in Turkey were produced by Ford Otosan.



# Wholesales and Export



Total wholesale volume in 2007 broke a new record and reached to **325,095 units**, up 9% compared to last year. 102,700 units of the vehicles were sold domestically and 222,395 units were exported.



**Export leader of Turkey in 2007.** Last year, 27% of total automotive export and 74% of commercial vehicle export of Turkish Automotive Industry were realized by Ford Otosan. Exporting to 65 countries, Ford Otosan sent 97% of its export vehicles to Ford of Europe. Main export markets are UK, Spain, Germany, Italy and France. In 2007, Ford Otosan became the export leader of Turkey with the export volume of 222,395 units and the export revenue of US\$ 3.4 billion.

# Commercial Vehicles



## Ford Transit 200PS

Leader brand of the years, Ford Transit is the first and sole diesel engine commercial vehicle reaching the peak in its segment with 3.2 lt, 5 cylinder 200PS engine. It is too mean on fuel consumption. It offers an excellent driving comfort thanks to the flexible drive innovation. Ford Transit is your commercial partner where security, comfort and power combine.





## Ford Transit Connect

Ford Transit Connect, where you can find security and durability together, offers the comfort of your private life in business with its stylish interior and exterior design. It serves to your busy business life in working days and to your family at weekends with its unique commercial vehicle platform.



## Ford Fiesta Van

Carry either your goods or personal stuff. Ford Fiesta Van is designed to be a good friend on the roads rather than to be a commercial vehicle with sharp gear shift and enjoyable ride.



## Ford Ranger

New Ford Ranger is both your reliable business partner and compatible holiday companion. Ford Ranger, where power and modern design unify with interior comfort, overcomes all the obstacles in severe land conditions. You can not tire or bother him. You can live the real freedom you look for with new Ford Ranger.



## New Ford Cargo 350PS

Ford Cargo 350PS remedies all your troubles on the roads with its new style interior and exterior design, compatible fifth wheel design for different trailer options, its chassis convenient to various upfit applications, new cabin suspension and silent engine.

# Passenger Cars

## Ford Fiesta

With its modern design, brilliant colors, spacious interior ambiance to comply with your life style, Ford Fiesta makes you “feel the difference” at the first look. The passenger safety cage, bending points to absorb the impact energy and Intelligent Protection System (IPS) provide superior passenger protection in case of an accident. Ford Fiesta creates big differences with little details in its features.



## Ford Fusion

You should consider all points of view in order to discover Ford Fusion. There are many features differentiating this big “small car” from the others. It is presented for your appreciation with its courageous exterior styling, strong aspect, high positioned driver seat, panoramic viewpoint, cleverly used technological solutions and indispensable equipments of big cars.



## New Ford Focus

Ford kinetic design, the expression of the moving energy, gives new Focus a dynamic, attractive and powerful appearance. It makes you feel its beauty at the first glance with its new interior styling completing the exterior outlook and with its superior driving functions. In addition, with its 5 star rating in the EuroNCAP tests, Ford Focus is one of the leaders in its segment for passenger safety.





## New Ford Focus C-MAX

With its brand new style, functional interior features and superior driving experience, Ford C-MAX has everything for the whole family. Its solidified body and reinforced passenger safety cage provide superior protection against external impacts. Thanks to electro-hydraulic power-assisted steering (EHPAS), new Ford C-MAX responds to each of your command immediately.



## New Ford Mondeo

You will instantly feel the difference of new Ford Mondeo with its kinetic design, dynamic lines and high-tech features. With Ford's Intelligent Protection System (IPS), keyless system and Ford's EasyFuel capless refuelling, it offers a driving comfort that you will never want to end. This is why everybody says "I want one".



## New Ford S-MAX

New Ford S-MAX has been designed to activate you with its dynamic styling. With its impressive outlook, size and flexibility, there is enough room for your whole family in Ford S-MAX. In order to feel the adventure with your family, Ford S-MAX is exactly what you need.



## New Ford Galaxy

The families want to travel in spacious and comfortable conditions. New Ford Galaxy is designed to meet all the needs of seven member family in terms of comfort, capacity and flexibility. New Ford Galaxy is the favourite of all families with its innovative technology, maximum safety and elegance.

# Gebze Engineering Center





Ford Otomotiv Sanayi A.Ş. TÜBİTAK-MAM Technology Free Zone Branch Office was established at the TÜBİTAK Gebze Techno Park, 40 kilometres away from İstanbul, in April 2007 and the official opening ceremony was held on September 26<sup>th</sup>, 2007.

Gebze Engineering Center is founded for ensuring Ford Otosan's consistent and gradually increasing success in local and export markets by developing the newest products and technologies for gaining mastery in the competition imposed by globalization process. An other purpose of this Center is to sell a part of its engineering services to overseas countries. 80% of the 2008 business plans consist of the projects supporting the studies of product development centers in Dunton (UK) and Merkenich (Germany).

Initially, the team designing engines and transmissions started to work in the Center. The number of Research & Development engineers is currently close to 200. 60% of these engineers have master's degree and %10 attended a Ph.D program. 130 new engineers who

graduated with a degree from the best universities are offered the opportunity for work in this staff where one fifth of the engineers consist of females.

With this young and dynamic structure, Ford Otosan Engineering Center is serving in the following fields:

- Engine Design & Mechanical Development
- Powertrain (Transmission, axle etc.) Engineering
- CAE / CAD (Computer Aided Engineering - Design)
- Testing and Experimental Development
- Engine Management Systems and Calibration Techniques

To standardize the common business practices with local and overseas engineering (technology) centers, to speed up the development process of engine and transmission systems for the whole Ford family, to reduce costs and to improve the engineering quality is only some of the main objectives of Ford Otosan Engineering Center.

# Corporate Citizenship

Ford Otosan, taking place in many social responsibility projects of education, health, culture etc. that are playing important role in social development, since years, became a leader or a partner in many projects also in 2007. Most of these corporate citizenship projects are carried out through **Vehbi Koç Foundation**.



Making a speech at the opening ceremony, Mr. Rahmi Koç, the Honorary Chairman of Koç Holding, stated that both Koç Group and Vehbi Koç Foundation carried out many education projects for years and invested US\$ 48 million in 2006 and US\$ 35 million in 2007 in the fields of health, culture and mainly education.

Built as closed area of 2,500 m<sup>2</sup> on the open area of total 8,246 m<sup>2</sup>, Ford Otosan Primary School is going to serve to 990 students with 4 floors and 33 classrooms. The construction of the school was completed in 6 months and YTL 7 million is invested for this school.

## Ford Otosan Primary School

In 2007, Ford Otosan continued its projects in the field of education within the framework of "100% Support to Education" campaign. In this context, Ford Otosan Primary School, which is built with the leadership of Vehbi Koç Foundation and financed by Ford Otosan, was officially opened on Tuesday, October 2<sup>nd</sup>, 2007 with the participation of the Minister of Education, Mr. Hüseyin Çelik; Kocaeli Governor, Mr. Gökhan Sözer and our Honorary Chairman, Mr. Rahmi M. Koç and other guests.







### Yeniköy Sepetlipınar Primary School

In the context of social responsibility projects, the computer class of the Yeniköy Sepetlipınar Primary School was renovated with the collective work of our all departments and delivered to the students in May, 2007. 12 computers are provided to the school where all furniture, desks, blackboard and curtains are renewed in a very short time.

### Meşelik Sport Facility

In the context of Ford Otosan İnönü Plant social responsibility projects, Meşelik Sport Facility serving amateur sportsmen of Eskişehir Physical Education Association is modernized with the support of employees.

Within the project, exterior of the building is plastered, painted and windows are insulated. An air-conditioner is procured for dressing room and the cabinets in the room were renewed.

Each shower cabined is tiled and electrical heater is provided for hot water. Toilets are renovated. Besides, arbitrator and health room are restored. As a result of this social responsibility project, Meşelik Sports Facility is modernized to serve in good quality and health standards to sportsmen and arbitrators.

### Gölcük Vocational College Social Club

After the first social responsibility project (Fidanlık Primary School) within the frame of "For My Country" projects in 2006, Ford Otosan secondly put into service Gölcük Vocational College Social Club last year. In this context, a "Social Club" with internet, swing and dining saloon in it, was built in order to carry on Vocational College students' educations in modern circumstances.



### Diyarbakır Artuk Köyü Primary School

One of the schools that is renewed by Ford Otosan for 2007-2008 is Artuk Köyü Primary School in Çermik, Diyarbakır. Within this project, inside and outside of the school was painted, it was given a schoolbag full of the equipments meeting all school needs for each student, all the desks and tables in the school were renewed and an Atatürk bust is built.

This renovation project which was completed in September, 2007 is financially supported by Ford Otosan employees. In addition, our line constructor company KUKA and our Ford Diyarbakır dealer have donated for the amendments.



### Planting Trees with Koç Primary School Students

Planting activities continuing since 2004 in Ford Otosan İnönü Plant were realized in May 2007 with the participation of plant's executives and employees together with the teachers and students of Koç Primary School in İnönü. The main purpose of this organization, where 1,500 trees were planted until now, is to set a good example to students and to fill them with environment consciousness.

# Ford Otosan Environment Policy





We recognize the environment as a valuable treasure to be cherished and looked after for the welfare of future generations.

Therefore it is our policy to:

- Protect environment and increase the environmental awareness in general
- Promote the environmental awareness of the staff and contractors through training
- Comply with the Health & Safety rules to obstruct adverse impacts on the environment
- Minimize waste, prevent pollution at its source and reduce its adverse impacts on the environment

Within the framework of this policy, as Ford Otosan, we try to reduce and, where possible, cease air pollution, water pollution, spills and noise altogether. We improve the efficiency of energy, water and material usage by finding ways to preserve the natural resources. We reduce the amount of waste and recycle wastes and packaging materials.

## ENVIRONMENT SENSITIVITY ON OPERATIONS

### Products and Materials

The main target in Ford Otosan products is to reduce environmental effects during and after their useful lives as it was in production stages. The studies for this subject are:

- The recycling ratio of Transits produced at Kocaeli Plant is over 85%.
- The recycling ratio of new Cargo produced at İnönü Plant is over 90%.
- Halon gas is not used in our fire and cooling systems which is harmful for the ozone layer.
- All the Ford services and dealers are informed about the environment in order to reduce environmental effects during the usage of the product.



### Wastewater Treatment and Waste Management

All the wastewater in the Plant is treated in wastewater treatment facilities and is discharged with very low parameter values under legal limits.

### Protection of the Nature

Our philosophy in the landscape studies for protecting the natural life at the plant is to protect and develop the natural beauty of the zone and also to set up an ambience having ecological diversity, for the employees and visitors.



### Awards

As a result of our sensitivity to the environment, last year, Kocaeli Plant was awarded once again, after the year 2004, with “**Şehabettin Bilgisu Environment Award**” which is given by Kocaeli Chamber of Industry for granting industrial establishments contributing to sustainable development and environment protection.

In addition to this prestigious award, Ford Otosan is qualified for an award in the framework of **European Union Environmental Awards (Turkey Program)** which is given to the companies getting ahead in the environment sensitivity in 28 countries that are EU member or in the way of EU membership.

Ford Otosan applied this award, which has been opened to Turkey's accession as of 2006, for the first time and participated to the award program in 2 categories. Within this program, each year, the environment projects compete firstly in a national platform and the winners represent Turkey in European contest. Within the framework of **European Union Environmental Awards, Turkey Program**, our Hybrid Vehicle Project has ranked “**First in the Category of Product**” and our Environment Management System Project has become “**Second in the Category of Management**”.

# Financial Statements and Notes

# Ford Otomotiv Sanayi A.Ş.

## Balance Sheets at 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	2007 EURO*	31 December 2007	31 December 2006
<b>ASSETS</b>				
<b>Current assets</b>		<b>955,078,083</b>	<b>1,633,374,539</b>	<b>1,303,797,646</b>
Cash and cash equivalents	4	210,572,884	360,121,747	211,706,027
Marketable securities (net)	5	-	-	-
Trade receivables (net)	7	238,891,740	408,552,654	272,571,587
Leasing receivables (net)	8	-	-	-
Due from related parties (net)	9	237,950,927	406,943,675	353,329,775
Other receivables (net)	10	979,154	1,674,550	1,708,258
Biological assets (net)	11	-	-	-
Inventories (net)	12	218,350,105	373,422,349	373,040,738
Construction contract receivables (net)	13	-	-	-
Deferred tax assets	14	-	-	-
Other current assets	15	48,333,273	82,659,564	91,441,261
<b>Non-current assets</b>		<b>821,250,258</b>	<b>1,404,502,192</b>	<b>1,520,499,654</b>
Trade receivables (net)	7	23,795	40,694	11,791
Leasing receivables (net)	8	-	-	-
Due from related parties (net)	9	-	-	88,807,786
Other receivables (net)	10	-	-	-
Financial assets (net)	16	1,652,463	2,826,043	16,535,832
Goodwill/negative goodwill (net)	17	-	-	-
Investment properties (net)	18	-	-	-
Property, plant and equipment (net)	19	764,678,591	1,307,753,327	1,293,639,349
Intangible assets (net)	20	54,895,409	93,882,128	108,620,248
Deferred tax assets	14	-	-	12,884,648
Other non-current assets	15	-	-	-
<b>Total assets</b>		<b>1,776,328,341</b>	<b>3,037,876,731</b>	<b>2,824,297,300</b>

\* Euro amounts presented above are translated from New Turkish lira for convenience purposes only, at the official New Turkish lira ("YTL") exchange rate announced by the Central Bank of Turkey at 31 December 2007 and therefore do not form a part of these financial statements prepared in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB").

The financial statements were approved for issue by the Board of Directors on 10 March 2008 and signed on behalf of the Board by Oğuz Toprakoğlu, Assistant General Manager - Financial Affairs (CFO) and Tuncay Selçuk, Assistant General Manager - Finance.

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



# Ford Otomotiv Sanayi A.Ş.

## Balance Sheets at 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	2007 EURO*	31 December 2007	31 December 2006
<b>LIABILITIES</b>				
<b>Current liabilities</b>		<b>560,525,116</b>	<b>958,610,052</b>	<b>1,083,577,065</b>
Short-term borrowings (net)	6	-	-	133,954,960
Current portion of long-term borrowings (net)	6	68,193,713	116,624,888	232,117,255
Leasing payables (net)	8	-	-	-
Other financial liabilities (net)	10	-	-	-
Trade payables (net)	7	269,869,804	461,531,338	403,107,240
Due to related parties (net)	9	52,907,040	90,481,619	85,410,373
Advances received	21	5,174,875	8,850,071	248,255
Construction progress billings (net)	13	-	-	-
Provisions	23	69,875,364	119,500,848	100,661,663
Deferred tax liabilities	14	-	-	-
Other liabilities (net)	10	94,504,320	161,621,288	128,077,319
<b>Non-current liabilities</b>		<b>212,518,461</b>	<b>363,449,075</b>	<b>109,307,379</b>
Long-term borrowings (net)	6	175,059,714	299,387,123	85,522,935
Leasing payables (net)	8	-	-	-
Other financial liabilities (net)	10	-	-	-
Trade payables (net)	7	-	-	-
Due to related parties (net)	9	-	-	-
Advances received	21	-	-	-
Provisions	23	13,915,249	23,797,859	23,784,444
Deferred tax liabilities	14	23,543,500	40,264,093	-
Other liabilities (net)	10	-	-	-
<b>Minority interest</b>		<b>-</b>	<b>-</b>	
<b>Shareholders' equity</b>		<b>1,003,284,765</b>	<b>1,715,817,604</b>	<b>1,631,412,856</b>
<b>Share capital</b>	<b>25</b>	<b>205,186,528</b>	<b>350,910,000</b>	<b>350,910,000</b>
<b>Treasury shares</b>	<b>25</b>	<b>-</b>	<b>-</b>	
<b>Capital reserves</b>	<b>26</b>	<b>267,778,429</b>	<b>457,954,669</b>	<b>465,630,714</b>
Share premium		4,825	8,252	8,252
Share cancellation gains		-	-	-
Revaluation fund		-	-	-
Financial assets fair value reserve		1,008,590	1,724,890	9,400,935
Inflation adjustment to shareholders' equity		266,765,014	456,221,527	456,221,527
<b>Profit reserves</b>	<b>27</b>	<b>147,831,687</b>	<b>252,821,751</b>	<b>144,132,729</b>
Legal reserves		118,051,930	201,892,410	153,763,349
Statutory reserves		-	-	-
Extraordinary reserves		29,779,756	50,929,339	-
Special reserves		1	2	2
Investment and property sales income to be added to the capital		-	-	-
Cash flow hedge reserve		-	-	(9,630,622)
Translation reserve		-	-	-
<b>Net income for the period</b>		<b>283,149,410</b>	<b>484,242,121</b>	<b>500,850,350</b>
<b>Retained earnings</b>	<b>28</b>	<b>99,338,711</b>	<b>169,889,063</b>	<b>169,889,063</b>
<b>Total shareholders' equity and liabilities</b>		<b>1,776,328,341</b>	<b>3,037,876,731</b>	<b>2,824,297,300</b>

\* Euro amounts presented above are translated from New Turkish lira for convenience purposes only, at the official New Turkish lira exchange rate announced by the Central Bank of Turkey at 31 December 2007 and therefore do not form a part of these financial statements prepared in accordance with the financial reporting standards issued by the CMB.

# Ford Otomotiv Sanayi A.Ş.

## Statements of Income

### For The Years Ended 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	2007 EURO*	31 December 2007	31 December 2006
<b>Operating revenue</b>				
Sales (net)	36	4,227,944,152	7,230,630,088	6,521,299,345
Cost of sales		(3,622,877,220)	(6,195,844,622)	(5,622,549,491)
Service income (net)	36	-	-	-
Other operating income (net)	36	-	-	-
<b>Gross operating profit</b>		<b>605,066,932</b>	<b>1,034,785,466</b>	<b>898,749,854</b>
Operating expenses	37	(226,237,200)	(386,910,859)	(329,532,399)
<b>Net operating profit</b>		<b>378,829,732</b>	<b>647,874,607</b>	<b>569,217,455</b>
Other income and gains	38	26,322,818	45,017,284	90,953,498
Other expenses and losses	38	(1,661,614)	(2,841,692)	(2,549,068)
Financial expenses (net)	39	(19,388,662)	(33,158,489)	(36,415,086)
<b>Operating profit</b>		<b>384,102,274</b>	<b>656,891,710</b>	<b>621,206,799</b>
Monetary gain	40	-	-	-
<b>Minority interests</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income before tax</b>		<b>384,102,274</b>	<b>656,891,710</b>	<b>621,206,799</b>
Taxes on income	41	(100,952,864)	(172,649,589)	(120,356,449)
<b>Net income for the period</b>		<b>283,149,410</b>	<b>484,242,121</b>	<b>500,850,350</b>
<b>Earnings per share with a nominal value of YKr 1</b>	<b>42</b>		<b>1.38</b>	<b>1.43</b>

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

## Ford Otomotiv Sanayi A.Ş. Statements of Changes in Shareholder's Equity For The Years Ended 31 December 2007 and 2006

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated)

	Share capital	Share premium	Inflation adjustment to shareholders' equity	Financial assets fair value reserve	Cash flow hedge reserve	Legal and special reserves	Extraordinary reserves	Retained earnings	Current year profit	Total shareholders' equity
<b>Balance at 1 January 2006</b>	<b>350,910,000</b>	<b>8,252</b>	<b>456,221,527</b>	<b>56,372,747</b>	<b>(33,559,662)</b>	<b>87,699,569</b>	<b>118,556,085</b>	<b>169,889,063</b>	<b>398,410,813</b>	<b>1,604,508,394</b>
Transfers	-	-	-	-	-	66,063,782	191,983,031	140,364,000	(398,410,813)	-
Dividend paid	-	-	-	-	-	-	(310,539,116)	(140,364,000)	-	(450,903,116)
Disposals and fair value increase / (decrease) of financial assets	-	-	-	(46,971,812)	-	-	-	-	-	(46,971,812)
Net income for the period	-	-	-	-	-	-	-	-	500,850,350	500,850,350
Cash flow hedge reserve	-	-	-	-	23,929,040	-	-	-	-	23,929,040
Addition to reserve	-	-	-	-	(1,383,196)	-	-	-	-	(1,383,196)
Charged to income statement	-	-	-	-	25,312,236	-	-	-	-	25,312,236
<b>Balance at 31 December 2006</b>	<b>350,910,000</b>	<b>8,252</b>	<b>456,221,527</b>	<b>9,400,935</b>	<b>(9,630,622)</b>	<b>153,763,351</b>	<b>-</b>	<b>169,889,063</b>	<b>500,850,350</b>	<b>1,631,412,856</b>
<b>Balance at 1 January 2007</b>	<b>350,910,000</b>	<b>8,252</b>	<b>456,221,527</b>	<b>9,400,935</b>	<b>(9,630,622)</b>	<b>153,763,351</b>	<b>-</b>	<b>169,889,063</b>	<b>500,850,350</b>	<b>1,631,412,856</b>
Transfers	-	-	-	-	-	48,129,061	259,720,789	193,000,500	(500,850,350)	-
Dividend paid	-	-	-	-	-	-	(208,791,450)	(193,000,500)	-	(401,791,950)
Disposals and fair value increase / (decrease) of financial assets	-	-	-	(7,676,045)	-	-	-	-	-	(7,676,045)
Net income for the period	-	-	-	-	-	-	-	-	484,242,121	484,242,121
Cash flow hedge reserve	-	-	-	-	9,630,622	-	-	-	-	9,630,622
Addition to reserve	-	-	-	-	20,761	-	-	-	-	20,761
Charged to income statement	-	-	-	-	9,609,861	-	-	-	-	9,609,861
<b>Balance at 31 December 2007</b>	<b>350,910,000</b>	<b>8,252</b>	<b>456,221,527</b>	<b>1,724,890</b>	<b>-</b>	<b>201,892,412</b>	<b>50,929,339</b>	<b>169,889,063</b>	<b>484,242,121</b>	<b>1,715,817,604</b>

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

# Ford Otomotiv Sanayi A.Ş.

## Statements of Cash Flows

### For The Years Ended 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	2007 EURO*	31 December 2007	31 December 2006
<b>Cash flows from operating activities:</b>				
<b>Net income</b>		<b>283,149,410</b>	<b>484,242,121</b>	<b>500,850,350</b>
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>				
Depreciation	19	71,187,727	121,745,251	114,018,833
Amortisation	20	21,062,350	36,020,831	67,668,286
Provision for employment termination benefits	23	2,752,713	4,707,690	7,819,512
Taxation	41	100,952,865	172,649,589	120,356,449
Interest income	39	(4,252,928)	(7,273,358)	(10,079,046)
Interest expense	39	12,056,867	20,619,654	17,928,006
Foreign exchange (gain)/loss		(22,665,930)	(38,763,273)	55,116,026
Disposals from cash flow hedge reserve	39	5,631,284	9,630,622	23,929,040
Provision expenses/(Reversal of provisions)		2,847,181	4,869,249	(1,561,810)
Gain/(loss) on sale of property, plant and equipment-net	38	72,024	123,176	(1,365,151)
Dividend income	38	(102,765)	(175,749)	(56,240)
Net gain on sale of financial assets	38	(4,891,230)	(8,364,981)	(47,971,875)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>467,799,568</b>	<b>800,030,822</b>	<b>846,652,380</b>
Net change in assets and liabilities	43	13,324,942	22,788,315	(143,502,845)
Income tax paid	41	(58,859,585)	(100,661,663)	(100,003,229)
Employment termination benefits paid	23	(2,744,869)	(4,694,275)	(3,264,204)
<b>Net cash generated from operating activities</b>		<b>419,520,056</b>	<b>717,463,199</b>	<b>599,882,102</b>
<b>Cash flows used in investing activities:</b>				
Purchase of property, plant and equipment	19	(81,357,545)	(139,137,673)	(200,175,525)
Purchase of intangible assets	20	(12,444,574)	(21,282,711)	(31,039,099)
Proceeds from sale of property, plant and equipment		1,844,970	3,155,268	3,412,004
Interest received		4,129,881	7,062,923	10,379,074
Dividends received		102,765	175,749	56,240
<b>Net cash used in investing activities</b>		<b>(87,724,503)</b>	<b>(150,026,444)</b>	<b>(217,367,306)</b>
<b>Cash flows from financing activities:</b>				
Interest paid		(10,581,055)	(18,095,721)	(17,928,006)
Dividends paid		(234,938,574)	(401,791,950)	(450,903,116)
Proceeds from borrowings		205,530,347	351,498,000	260,848,000
Repayments of borrowings		(205,146,648)	(350,841,798)	(185,464,721)
Proceeds from the disposal of financial assets		-	-	(116,879)
<b>Net cash used in financing activities</b>		<b>(245,135,930)</b>	<b>(419,231,469)</b>	<b>(393,564,722)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>86,659,623</b>	<b>148,205,286</b>	<b>(11,049,926)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>4</b>	<b>123,661,681</b>	<b>211,486,208</b>	<b>222,536,134</b>
<b>Cash and cash equivalents at end of the period</b>	<b>4</b>	<b>210,321,304</b>	<b>359,691,494</b>	<b>211,486,208</b>

\* Euro amounts presented above are translated from New Turkish lira for convenience purposes only, at the official New Turkish lira exchange rate announced by the Central Bank of Turkey at 31 December 2007 and therefore do not form a part of these financial statements prepared in accordance with financial reporting standards issued by CMB.

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

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures and sells motor vehicles and parts, primarily commercial vehicles, and imports passenger cars. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the Istanbul Stock Exchange, where 17.92% of its shares are currently quoted.

The Company presently has two plants located in Kocaeli and Eskişehir and has a spare part distribution warehouse in Kartal, Istanbul. The light commercial vehicle, Transit Connect, and new generation Transit vehicles (minibuses, pick-ups and vans) are manufactured at the plant opened in 2001 in Kocaeli. Ford Cargo trucks and their engines are manufactured in Eskişehir.

On April 2007, the Company opened a branch in TUBITAK Marmara Research Center, located in Gebze Technological Free Zone for the purpose of conducting research and development and engineering operations.

As of 31 December 2007, the Company has 8,865 employees on average (31 December 2006: 7,949 employees).

The registered office address of the Company is as follows: Fatih Mah. Hasan Basri Cad. Köymenkent 34885 Samandıra Kartal Istanbul.

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Accounting standards

The financial statements of the Company have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board ("CMB"), namely "CMB Accounting Standards". The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 "The Accounting Standards in the Capital Markets". In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards "IFRS" issued by the International Accounting Standards Board ("IASB") is accepted as an alternative to conform to the CMB Accounting Standards.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by the IASB in its financial statements for the accounting periods starting 1 January 2005. These financial statements and the related notes have been presented in accordance with the formats required by the CMB.

The financial statements are prepared in New Turkish Lira ("YTL") based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

##### 2.2 Financial reporting in hyperinflationary periods

As explained under "Section 2.1 Accounting Standard"; the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Indices and conversion factors used to restate the comparative amounts until 31 December 2004 are given below:

Dates	Index	Conversion factors	Cumulative 3-year inflation rates %
31 December 2004	8,403.8	1.000	69.7
31 December 2003	7,382.1	1.138	181.1
31 December 2002	6,478.8	1.297	227.3

##### 2.3 Comparatives and restatement of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The balance sheet of the Company at 31 December 2007 includes the comparative financial information of 31 December 2006 and the statement of income, the statement of changes in shareholders' equity and the statement of cash flows for the year ended 31 December 2007, includes the comparative financial information of the year ended 31 December 2006. Comparative figures that are material have been reclassified to conform to the changes in presentation in the current period.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three months (Note 4).

##### 3.2 Marketable securities

Marketable securities are stated at fair value in the periods after initial recognition. The changes in the fair value of marketable securities are accounted in the financial income and expense accounts of the profit and loss statements. Marketable securities are accounted on the basis of the delivery date (Note 5).

##### 3.3 Trade receivables and valuation allowance

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

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 amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 7) in the current period.

Since 2006, the Company collected most of the receivables from domestic vehicles sales through the "Direct Debit System" (DDS). Receivables from sales are organised under collection warranties, using certain limits, in agreements made between contracted banks and dealers; the system named the Direct Collection System. Receivables from sales are transferred by the contracted banks to the Company's bank accounts in line with the due dates.

##### 3.4 Credit finance income/charges

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

##### 3.5 Inventories

Inventories are valued at the lower of cost or net realisable 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 realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

##### 3.6 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using effective interest method.

##### 3.7 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, except for land.

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

Land improvements	30 years
Buildings	30 years
Machinery and equipment	5-25 years
Moulds and models	project life
Furniture and fixtures	10-12.5 years
Motor vehicles	9 years

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



# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

Repair and maintenance expenditures are charged to the income statement as they are incurred. Repair and maintenance expenditures are capitalised if they result in an enlargement or substantial improvement of the respective asset (Note 19).

#### 3.8 Intangible assets

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

Intangible assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over a period not exceeding five years. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount. The recoverable amount is considered to be the higher of asset's net selling price or value in use. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalised as discussed in Note 3.23 (Note 20).

#### 3.9 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 recognised 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 recognised in the statement of income.

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

#### 3.10 Loans

Loans originated by the Company by providing money directly to a borrower, other than those that are originated with the intent to be sold immediately or in the short-term, are classified as loans originated by the Company. All loans are recognised when cash is advanced to the borrower and measured at amortised cost.

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

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

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

#### 3.11 Available-for-sale investments

Investments intended to be held for an indefinite period of time, and which may be sold in response to a need for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management makes the proper classification of such financial instruments at the date they are purchased and monitors this classification regularly.

Equity securities, whose fair values can be reliably estimated, are carried at fair value. All other equity securities classified as available-for-sale are carried at cost after the deduction for any impairment if the Company is not able to make an estimate of the fair values that are sufficiently reliable for certain unlisted equity securities, due to the high variability in the range of reasonable estimates and various outcome probabilities to assess the usefulness of a single estimate. The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognised in equity (Note 16).

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3.12 Embedded derivatives

Derivative instruments embedded in purchase or sales contracts that require payments denominated in (i) a currency other than the currency of the primary economic environment in which any substantial party to that contract operates or (ii) the currency other than the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in international commerce, are treated as embedded foreign currency forward contracts. Material gains and losses from embedded derivatives in the contracts, which will be realised in future periods, are recognised in the statement of income.

##### 3.13 Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends payable are recognised as an appropriation of profit in the period in which they are declared (Notes 26, 27, 28 and 42).

##### 3.14 Taxes on income

Taxes include current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of balance sheet date and includes adjustments related to previous years' tax liabilities.

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 utilised or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Carrying values of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilise 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 14).

##### 3.15 Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services. Revenue from the sale of goods is recognised 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 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. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company. Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on accrual basis (Note 36).

##### 3.16 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 YTL at the exchange rates prevailing at the balance sheet dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the income statement (Notes 29 and 39).

##### 3.17 Financial instruments

###### 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("DDS"). The use of DDS for receivables from dealers is an efficient way to decrease the credit risk. Collaterals obtained from dealers for the receivables regarding domestic spare part sales is another method in management of the credit risk (Note 7).

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Price risk

The Company is exposed to equity securities price risk because of investments classified on the balance sheet as available-for-sale. The Company limits the available-for sale-financial assets in order to manage the price risk arising from investments in equity securities. The Company is not exposed to commodity price risk.

##### 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 necessity is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain three weeks cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro70 million and factoring agreement amounting to YTL140 million in case a requirement for use arises.

##### Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The Company makes limited use of derivatives, such as interest rate swaps and collars, to hedge its floating rate borrowings.

At 31 December 2007, if the interest rates at repricing dates on US Dollars and Euro denominated borrowings with floating interest rate had been 100 basis points higher/lower with all other variables kept constant, net income for the year would have been YTL1,103,378 (31 December 2006: YTL677,088) lower/higher due to higher/lower interest expense of floating interest rate borrowings.

##### 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 regularly by management through Audit Committee and Board meetings. Idle cash is invested mainly in hard currency to balance the net foreign currency assets and liabilities and in order to minimise the balance sheet foreign exchange exposure.

The assets and liabilities of the Company are exposed to foreign exchange risk due to the export sales. The policy of the Company is to minimize the foreign exchange risk by balancing the foreign currency position. The Company manages the foreign currency risk incurred from foreign currency denominated borrowings and trade payables through foreign currency denominated assets (Note 29).

The Company is exposed to foreign currency risk from changes in foreign currency rates used in the YTL translation of the foreign currency denominated borrowings.

##### 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 and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

	31 December 2007	31 December 2006
Total debt	416,012,011	451,595,150
Total capital	1,715,817,604	1,631,412,856
<b>Debt/total capital ratio</b>	<b>0.24</b>	<b>0.28</b>

The Company's strategy is to maintain the debt/total capital ratio generally between 0.25 and 0.45.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3.18 Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

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

##### Monetary assets

The fair values of balances denominated in foreign currencies, which are translated using year-end exchange rates, are considered to approximate their carrying value.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks and deposits with banks are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for impairment are estimated to be their fair values due to their short-term nature.

##### Monetary liabilities

The fair values of monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Long-term borrowings, which are mainly denominated in foreign currencies, are translated at year-end exchange rates and their fair values approximate their carrying values.

##### 3.19 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Company designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge) or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and that are highly effective, are recognised in equity as cash flow hedge reserve. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts booked under equity are transferred to the statement of income and classified as revenue or expense in the period in which the hedged firm commitment or forecasted transaction affects the statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under "Financial Instruments" ("IAS 39"), any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the statement of income. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

Management believes that there is an effective cash flow hedge between the foreign currency denominated payables (a non-derivative hedging instrument) with regard to engineering expenses and anticipated future sales (hedged item) of the light commercial vehicle ("V227 or Transit Connect"). The hedge relationship has been considered effective since its inception, when the business principles for V227 between the Company and Ford Motor Company were formally discussed and agreed. As at 31 December 2007, there is no unrealised foreign exchange losses on foreign currency denominated engineering payables and the YTL9,630,622 (31 December 2006: YTL25,312,236) cash flow hedge reserve booked under shareholders' equity is stated under financial expense in the profit and loss statement due to relation with the sales to Ford in 2007.

##### 3.20 Borrowings and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings (Note 6).

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3.21 Provision for employment termination benefits

Provision for employment termination 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, completion of one year of service of the employees, employees' being calling up for military service or the death of employees calculated in accordance with the Turkish Labour Law (Note 23).

##### 3.22 Provisions

Provisions are recognised 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 stated as other income in the current period.

##### 3.23 Research and development expenses

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over five years.

##### 3.24 Variable marketing provision

Variable marketing expenses for dealer stocks are accrued for based on the last approved variable marketing programme (Note 10).

##### 3.25 Warranty expenses

Warranty expenses are recognised on an accrual basis for amounts estimated based on prior periods' realisation (Note 10).

##### 3.26 Related parties

For the purpose of these financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/or affiliated with them, and associated companies are considered and referred to as related parties (Note 9).

##### 3.27 Earnings per share

Earnings per share disclosed in the statement of income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 42).

##### 3.28 Investment incentives relating to the purchase of property, plant and equipment

Investment incentives, relating to the purchase of property, plant and equipment with regard to the new investments in 2005 and before, are treated as deductible temporary differences if the utilisation of the estimated amount is virtually certain in 2008 (Note 14).

##### 3.29 Comparatives

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

##### 3.30 Reporting of cash flows

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

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

The cash flows due to investing activities indicate the Group 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.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid with less than three months to maturity (Note 4).

##### 3.31 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.

##### 3.32 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### 3.33 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 financial tables and treated as contingent assets or liabilities (Note 31).

##### 3.34 Significant accounting estimates and decisions

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognised as of the balance sheet date, contingent assets and liabilities disclosed and the amount of revenue and expenses reported. Although, these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may vary from those estimates and assumptions.

##### 3.35 Accounting policies, changes in accounting estimates and errors

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

##### 3.36 Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorised for issue.

In the case that events requiring a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements.

#### NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2007	31 December 2006
Banks - foreign currency time deposits	193,555,866	103,202,018
Banks - foreign currency demand deposits	34,396,424	73,576,127
Banks - YTL time deposits	123,127,466	20,631,283
Banks - YTL demand deposits	8,341,991	14,291,599
Cheques received	700,000	5,000
	<b>360,121,747</b>	<b>211,706,027</b>

The maturity period of time deposits is up to three months. The weighted average interest rate for the YTL time deposits is 18.33% (31 December 2006: 18.91%). The weighted average interest rate for foreign currency time deposits is 4.56% (31 December 2006: 3.62%).

The details for cash and cash equivalents presented in the cash flow statement as of 31 December 2007 and 2006 is as follows:

	31 December 2007	31 December 2006	31 December 2005
Cash and banks	360,121,747	211,706,027	223,055,981
Less: Interest accruals	(430,253)	(219,819)	(519,487)
	<b>359,691,494</b>	<b>211,486,208</b>	<b>222,536,134</b>



# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 5 - MARKETABLE SECURITIES

There are no marketable securities as of 31 December 2007 and 2006.

#### NOTE 6 - BORROWINGS

	31 December 2007		31 December 2006	
	Effective interest rate %	YTL amount	Effective interest rate %	YTL amount
<b>Short-term borrowings:</b>				
- Euro	-	-	4.31	130,312,863
- YTL	-	-	-	3,642,097
		-		<b>133,954,960</b>
<b>Short-term portion of long-term borrowings:</b>				
- Euro	5.38	108,019,674	4.45	221,514,382
- US Dollar	5.69	8,605,214	5.91	10,602,873
		<b>116,624,888</b>		<b>232,117,255</b>
<b>Long-term borrowings:</b>				
- Euro	4.93	296,128,538	4.26	71,501,394
- US Dollar	5.81	3,258,585	5.94	14,021,541
		<b>299,387,123</b>		<b>85,522,935</b>

The redemption schedules of long-term bank borrowings as of 31 December 2007 and 2006 are as follows:

Payment period	31 December 2007			31 December 2006		
	US Dollar denominated	Euro denominated	Total	US Dollar denominated	Euro denominated	Total
2008	-	-	-	10,088,968	46,220,394	56,309,362
2009	3,258,585	113,882,664	117,141,249	3,932,573	11,360,276	15,292,849
2010	-	65,475,248	65,475,248	-	9,280,483	9,280,483
2011	-	39,811,633	39,811,633	-	4,640,241	4,640,241
2012	-	29,539,818	29,539,818	-	-	-
2013	-	29,539,818	29,539,818	-	-	-
2014	-	17,879,357	17,879,357	-	-	-
	<b>3,258,585</b>	<b>296,128,538</b>	<b>299,387,123</b>	<b>14,021,541</b>	<b>71,501,394</b>	<b>85,522,935</b>

The letter of bank guarantee given to financial institutions in connection with the long-term bank borrowings is amounting to YTL243,420,014 (31 December 2006: YTL100,103,121).

The borrowings with floating interest rates is amounting to YTL404,534,277 as of 31 December 2007 (31 December 2006: YTL434,364,930).

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	31 December 2007	31 December 2006
<b>Year</b>		
6 months or less	410,229,485	441,162,543
6-12 months	-	-
1-5 years	5,782,526	10,432,607
	<b>416,012,011</b>	<b>451,595,150</b>

The carrying values of borrowings approximates to its fair values as the effect of the discounting of borrowings is not material.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 7 - TRADE RECEIVABLES AND PAYABLES

##### Short-term trade receivables:

	31 December 2007	31 December 2006
Trade receivables	407,069,662	266,886,155
Cheques and notes receivable	3,326,936	5,685,665
Less: Unearned credit finance income	(1,843,944)	(233)
	<b>408,552,654</b>	<b>272,571,587</b>

The turnover of the Company's trade receivables is one month (31 December 2006: less than one month) and discounted with 0.9% effective interest rate.

The Company has collection guarantee agreement DDS with two banks in order to secure the collections regarding the vehicle sales. The Company has guarantee limit amounting to YTL379,375,000 (31 December 2006: YTL316,365,000) and a total receivable amounting to YTL569,399,588 (31 December 2006: YTL402,097,503) for the domestic sales to the dealers within the context of DDS as of 31 December 2007.

The Company secures its receivables resulting from spare part sales with guarantee letters. Within this context, the amount under guarantee amounts to YTL74,194,450 as of 31 December 2007 (31 December 2006: YTL69,484,150). Total receivables resulting from domestic spare part sales amounts to YTL89,755,488 as of 31 December 2007 (31 December 2006: payable YTL33,756,982 ).

97% of export sales is made to Ford Motor Company. The terms and the payment terms were determined in the business agreements made with Ford Motor Company. The term applied for receivables from Ford Motor Company is 14 days and these receivables are collected regularly (Note 9). The collection of the receivables resulting from export sales other than Ford Motor Company is secured in cash or via letter of credit.

The Company has no significant overdue receivables as of 31 December 2007 and 2006.

	31 December 2007	31 December 2006
Deposits and guarantees given	40,694	11,791
	<b>40,694</b>	<b>11,791</b>

	31 December 2007	31 December 2006
Trade payables	462,580,407	403,107,299
Less: Unearned credit finance charges	(1,049,069)	(59)
	<b>461,531,338</b>	<b>403,107,240</b>

The turnover of the Company's trade payables is 45 days (31 December 2006: 1 to 2 months) and discounted with 0.9% effective interest rate.

#### NOTE 8 - LEASING RECEIVABLES AND PAYABLES

The Company does not have any leasing agreements.

#### NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES

Due to and due from related parties as of the period ends and transactions with related parties during the periods are given below:

##### a) Due from related parties:

##### i) Short-term receivables

	31 December 2007	31 December 2006
Due from shareholders:		
Ford Motor Company and its subsidiaries	210,998,767	235,731,791
Koç Holding A.Ş. (*)	79,264,053	-
	<b>290,262,820</b>	<b>235,731,791</b>

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES (Continued)

##### Due from related parties:

Otokoç Otomotiv Tic. ve San. A.Ş.	118,877,093	113,170,026
Beldeyama Motorlu Vasıtalar San. ve Tic. A.Ş.	4,484	4,137,230
Other	223,197	291,063
	119,104,774	117,598,319
Less: Unearned credit finance income	(2,423,919)	(335)
	<b>406,943,675</b>	<b>353,329,775</b>

##### ii) Long-term receivables

##### Due from shareholders:

Koç Holding A.Ş. (*)	-	95,658,584
Less: Unearned credit finance income	-	(6,850,798)
	<b>-</b>	<b>88,807,786</b>

(\*) The Company disposed 1.31% of its shares in Koç Finansal Hizmetler A.Ş. to Koç Holding A.Ş. in December 2006. The receivable resulting from the disposal of the shares will be collected in 30 June 2008. Unearned credit finance income is calculated using an effective interest rate of 5.19% (Notes 16 and 38). The receivable from Koç Holding is re-classified in short-term due from shareholders as of 31 December 2007.

##### b) Due to related parties:

	31 December 2007	31 December 2006
<b>Due to shareholders:</b>		
Ford Motor Company and its subsidiaries	59,932,555	62,212,220
Koç Holding A.Ş.	1,565,158	380,961
Koç Allianz Sigorta T.A.Ş.	269,638	209,425
	61,767,351	62,802,606
<b>Due to related parties:</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	13,842,276	4,049,792
Palmira Turizm Ticaret A.Ş.	2,633,870	2,133,876
Migros Türk Ticaret A.Ş.	2,491,587	2,274,314
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	1,692,593	1,231,891
Opet Petrolcülük A.Ş.	1,252,372	-
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	1,114,292	1,661,419
Yapı ve Kredi Bankası A.Ş.	1,016,350	1,762,970
Koç Tüketici Finansmanı A.Ş.	822,456	3,570,553
Arçelik A.Ş.	691,956	54,411
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	685,564	852,005
Ram Sigorta Aracılık Hizmetleri A.Ş.	649,609	313,957
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	438,039	499,814
Setur Servis Turistik A.Ş.	392,606	555,183
Promena Elektronik Ticaret A.Ş.	307,635	74,044
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	223,711	98,653
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	177,628	134,134
V.K.V. Amerikan Hastanesi	167,749	40,531
Ark İnşaat A.Ş.	-	2,864,383
Ram Dış Ticaret A.Ş.	-	141,992
Other	184,011	293,861
	28,784,304	22,607,783
Less: Unearned credit finance charges	(70,036)	(16)
	<b>90,481,619</b>	<b>85,410,373</b>

(\*) The corporate name of Beko Ticaret A.Ş. has changed as Zer Merkezi Hizmetler ve Ticaret A.Ş. as of March 2007.

Payables to Ford Motor Company comprise vehicle and material stocks in transit, license fees and engineering expenses for the new projects.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES (Continued)

##### c) Sales to related parties:

	31 December 2007	31 December 2006
Ford Motor Company and its subsidiaries	4,345,084,061	3,511,559,097
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	793,072,796	824,090,607
Birleşik Motor San. ve Tic. A.Ş.	16,305,312	-
Beldeyama Motorlu Vasıtalar San. A.Ş.	1,491,114	6,192,984
Türk Traktör ve Ziraat Makineleri A.Ş.	1,234,692	2,409,756
Döktaş Dökümcülük Tic. San. A.Ş.	-	8,451,767
Other	998,507	655,929
	5,158,186,482	4,353,360,140
Less: Financial income from credit sales	(3,967,323)	(7,522,513)
	<b>5,154,219,159</b>	<b>4,345,837,627</b>

(\*) Sales to Döktaş Dökümcülük Tic. San. A.Ş. has not been included within sales to related parties in 2007 since Koç Holding A.Ş. sold its shares in this company on October 2006.

##### d) Major material, service and fixed asset purchases:

	1 January - 31 December 2007			
	Materials	Services	Fixed assets	Total
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	33,568,987	-	33,568,987
Palmira Turizm Ticaret A.Ş.	-	12,478,519	-	12,478,519
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	7,847,130	-	2,500	7,849,630
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,228,730	-	7,228,730
Opet Petrolcülük A.Ş.	6,343,117	-	-	6,343,117
Koçtaş Yapı Marketleri San. ve Tic. A.Ş.	5,824,050	-	22,944	5,846,994
Koç Holding A.Ş.	-	5,821,740	-	5,821,740
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	2,983,878	-	1,511,767	4,495,645
Migros Türk Ticaret A.Ş.	-	4,120,128	-	4,120,128
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	733,482	2,373,666	3,107,148
Setur Servis Turistik A.Ş.	-	2,875,950	-	2,875,950
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	976,885	-	976,885
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	-	556,204	166,979	723,183
Arçelik A.Ş.	595,347	-	30,992	626,339
Promena Elektronik Ticaret A.Ş.	-	625,588	-	625,588
Ark İnşaat A.Ş.	-	-	460,312	460,312
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	449,056	-	-	449,056
V.K.V. Amerikan Hastanesi	-	433,962	-	433,962
Birleşik Oksijen Sanayi A.Ş.	368,800	-	-	368,800
Ram Dış Ticaret A.Ş.	232,137	-	-	232,137
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	176,607	-	176,607
Sanal Merkez Ticaret A.Ş.	-	154,418	-	154,418
Koç Üniversitesi	-	116,799	-	116,799
Aygaz A.Ş.	110,980	-	-	110,980
Otokar Otobüs Karoseri Sanayi A.Ş.	106,146	-	-	106,146
Beko Elektronik A.Ş.	89,600	-	-	89,600
Otomotiv Lastikleri Tevzii A.Ş.	77,139	-	-	77,139
Tofaş Türk Otomobil Fabrikası A.Ş.	64,665	-	-	64,665
Birleşik Motor San. ve Tic. A.Ş.	-	950	-	950
Otoyol Sanayi A.Ş.	814	-	-	814
	25,092,859	69,868,949	4,569,160	99,530,968
Less: Unearned credit finance charges	(2,825,289)	-	-	(2,825,289)
	<b>22,267,570</b>	<b>69,868,949</b>	<b>4,569,160</b>	<b>96,705,679</b>

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES (Continued)

	1 January - 31 December 2006			
	Materials	Services	Fixed assets	Total
<b>Domestic purchases:</b>				
Döktaş Dökümcülük Tic. San. A.Ş.	48,194,872	-	2,119,352	50,314,224
Beko Ticaret A.Ş.	-	20,378,610	-	20,378,610
Ark İnşaat A.Ş.	-	-	12,141,617	12,141,617
Eltek Elektrik Enerji İthalat İhracat ve Toptancılık Ticaret A.Ş.	12,008,300	-	-	12,008,300
Palmira Turizm Ticaret A.Ş.	-	11,483,131	-	11,483,131
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	9,639,412	-	9,639,412
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	8,428,366	-	-	8,428,366
Ram Dış Ticaret A.Ş.	6,172,182	-	-	6,172,182
Koç Holding A.Ş.	-	5,441,694	-	5,441,694
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	2,743,547	-	2,367,798	5,111,345
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	1,302,721	2,856,993	4,159,714
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	4,131,998	-	10,593	4,142,591
Migros Türk Ticaret A.Ş.	-	3,935,953	-	3,935,953
Setur Servis Turistik A.Ş.	-	3,477,638	-	3,477,638
Eltek Elektrik Enerjisi A.Ş.	2,338,914	-	-	2,338,914
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,143,135	-	1,143,135
Opet Petrolcülük A.Ş.	930,852	-	-	930,852
Promena Elektronik Ticaret A.Ş.	-	854,750	-	854,750
Birleşik Oksijen Sanayi A.Ş.	692,078	-	121,661	813,739
Otokar Otobüs Karoseri Sanayi A.Ş.	540,349	-	65,323	605,672
Koç Allianz Sigorta T.A.Ş.	-	591,059	-	591,059
V.K.V. Amerikan Hastanesi	-	583,802	-	583,802
İzocam Ticaret ve Sanayi A.Ş.	-	-	551,991	551,991
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	-	477,487	34,078	511,565
Tofaş Türk Otomobil Fabrikası A.Ş.	347,803	-	-	347,803
Aygaz A.Ş.	183,051	-	-	183,051
Arçelik A.Ş.	145,404	-	4,798	150,202
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	142,528	-	142,528
Sanal Merkez Ticaret A.Ş.	-	115,764	-	115,764
Koç Üniversitesi	-	112,601	-	112,601
Koç Bryce Eğitim Hizmetleri A.Ş.	-	91,131	-	91,131
Otomotiv Lastikleri Tevzii A.Ş.	88,196	-	-	88,196
Beko Elektronik A.Ş.	26,346	-	34,711	61,057
Amerikan Hast. İntermed Sağ. Hiz.	-	54,579	-	54,579
Divan A.Ş.	-	27,699	-	27,699
Entek Elektrik Üretimi Otoproduktör Grubu A.Ş.	3,671	-	10,432	14,103
Rahmi M. Koç Müzecilik Vakfı	-	936	-	936
	86,975,929	59,854,630	20,319,347	167,149,906
Less: Unearned credit finance charges	(9,584,007)	-	-	(9,584,007)
	<b>77,391,922</b>	<b>59,854,630</b>	<b>20,319,347</b>	<b>157,565,899</b>

Import purchases:	31 December 2007	31 December 2006
Ford Motor Company	2,888,292,366	2,717,165,982
Kofisa S.A. (*)	-	70,273,576
	<b>2,888,292,366</b>	<b>2,787,439,558</b>

(\*) Since Kofisa S.A. shareholders have changed during 2006, the purchases are not disclosed in purchases from related parties in 2007.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES (Continued)

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

	31 December 2007	31 December 2006
	54,452,406	55,262,778

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

	31 December 2007	31 December 2006
	12,236,980	11,195,482

##### g) The details of deposits to related banks and borrowings received from related banks are as follows:

Deposits to related banks:	31 December 2007	31 December 2006
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	115,848,411	-
- Foreign currency demand deposits	31,817,238	53,022,404
- YTL time deposits	21,724,200	8,611,716
- YTL demand deposits	563,417	6,339,190
	<b>169,953,266</b>	<b>67,973,310</b>

Borrowings received from related banks:	31 December 2007	31 December 2006
Yapı ve Kredi Bankası A.Ş.	-	3,642,097

##### h) Commission expenses:

	31 December 2007	31 December 2006
Koç Tüketici Finansmanı A.Ş.	16,260,727	55,951,759
Yapı ve Kredi Bankası A.Ş.	7,248,867	30,769,881
	<b>23,509,594</b>	<b>86,721,640</b>

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

##### i) Dividend income:

	31 December 2007	31 December 2006
Otokar Otobüs Karoseri San. A.Ş.	175,749	-
Entek Elektrik Otoprodüktör Grubu A.Ş.	-	56,240
	<b>175,749</b>	<b>56,240</b>

##### j) Remuneration paid to top management:

Remuneration paid to top management by the Company is YTL8,995,428 in 2007 (31 December 2006: YTL7,964,963).



# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2007	31 December 2006
<b>Other receivables:</b>		
Prepaid taxes and funds	757,646	648,381
Receivables from personnel	524,106	848,341
Other	392,798	211,536
	<b>1,674,550</b>	<b>1,708,258</b>

	31 December 2007	31 December 2006
<b>Other liabilities:</b>		
Warranty expense provision	74,711,814	59,766,836
Taxes, withholdings and duties payable	25,567,711	21,331,754
Variable marketing provision	22,745,025	30,170,343
Accrued expenses	15,565,758	2,230,485
Payables to personnel	12,126,022	8,292,295
Payables to engineering companies	9,292,440	1,929,370
Other	1,612,518	4,356,236
	<b>161,621,288</b>	<b>128,077,319</b>

Variable marketing provision is primarily composed of expense accruals related to the inventories at dealers at the balance sheet date (Note 3.24).

#### NOTE 11 - BIOLOGICAL ASSETS

Biological assets are not included in the operations of the Company.

#### NOTE 12 - INVENTORIES

	31 December 2007	31 December 2006
Raw materials	189,895,085	163,375,198
Finished goods	37,531,276	68,777,883
Spare parts	41,913,422	57,616,518
Imported vehicles	18,514,988	53,198,939
Import and domestic purchase advances	87,073,193	30,072,200
	<b>374,927,964</b>	<b>373,040,738</b>
Less: Provision for impairment of finished goods and spare parts	(1,505,615)	-
	<b>373,422,349</b>	<b>373,040,738</b>

#### NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

The Company has no construction contract receivables or construction progress billings.

#### NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for CMB purposes and statutory tax financial statements.

The Company decided to utilise the investment incentive allowance in the corporate income tax calculation for years 2006, 2007 and 2008. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in the period where the investment incentive allowance is utilised, under the liability method using an effective tax rate of 30%. The Company uses an effective tax rate of 20% on temporary differences that are expected to be realised or settled after 2009.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 31 December 2007 and 2006 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets /(liabilities)	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
<b>Deferred tax assets:</b>				
Employment termination benefits	23,797,859	23,784,444	4,759,572	4,756,889
Unutilised investment incentive allowance earned	671,242,471	1,205,745,510	68,466,732	122,986,042
Warranty expense provision	74,711,814	59,766,836	14,942,363	11,953,367
Expense accruals	43,620,336	27,301,763	9,588,121	5,562,414
Inventories	(1,707,301)	(1,241,140)	512,190	372,342
Unearned credit finance expense-net	1,259,995	643	377,998	148
	812,925,174	1,315,358,056	98,646,976	145,631,202
<b>Deferred tax liability:</b>				
Difference between the financial statements prepared in accordance with CMB Accounting Standards and tax financial statements:				
- of property, plant and equipment	594,095,487	498,221,994	(118,819,097)	(99,644,399)
- of intangible assets	78,800,968	106,929,821	(17,966,621)	(27,115,912)
Income accruals	9,938,247	20,387,477	(2,125,351)	(5,986,243)
	682,834,702	625,539,292	(138,911,069)	(132,746,554)
<b>Net deferred tax (liabilities)/asset</b>			<b>(40,264,093)</b>	<b>12,884,648</b>

The Company did not recognize the deferred tax assets as of 31 December 2007 for unutilized investment incentive allowance earned amounting to YTL276 million (31 December 2006: YTL242 million) as there is an uncertainty about the future taxable profit that will be available against which these deferred tax assets can be utilised.

Movements in deferred income taxes can be analysed as follows:

	1 January 2007	Charged/(credited) to profit and loss	31 December 2007
<b>Deferred income tax liabilities:</b>			
Difference between the financial statements prepared in accordance with CMB Accounting Standards and tax financial statements	(126,760,311)	(10,025,407)	(136,785,718)
Income accruals	(5,986,243)	3,860,892	(2,125,351)
<b>Deferred income tax assets:</b>			
Provision for employment termination benefits	4,756,889	2,683	4,759,572
Unutilized investment incentive allowance earned	122,986,042	(54,519,310)	68,466,732
Warranty expense provision	11,953,367	2,988,996	14,942,363
Expense accruals	5,562,414	4,025,707	9,588,121
Inventories	372,342	139,848	512,190
Unearned credit finance income - net	148	377,850	377,998
<b>Net deferred tax asset/(liabilities)</b>	<b>12,884,648</b>	<b>(53,148,741)</b>	<b>(40,264,093)</b>

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

	1 January 2006	Charged/(credited) to profit and loss	31 December 2006
<b>Deferred income tax liabilities:</b>			
Difference between the financial statements prepared in accordance with CMB Accounting Standards and tax financial statements	(168,908,123)	42,147,812	(126,760,311)
Income accruals	(12,408,621)	6,422,378	(5,986,243)
<b>Deferred income tax assets:</b>			
Provision for employment termination benefits	5,768,741	(1,011,852)	4,756,889
Unutilized investment incentive allowance earned	186,060,663	(63,074,621)	122,986,042
Inventories	(999,467)	1,371,809	372,342
Unearned credit finance income - net	(18,542)	18,690	148
Expense accruals	23,084,783	(5,569,002)	17,515,781
<b>Net deferred tax asset</b>	<b>32,579,434</b>	<b>(19,694,786)</b>	<b>12,884,648</b>

#### NOTE 15 - OTHER CURRENT NON-CURRENT ASSETS AND OTHER CURRENT NON-CURRENT LIABILITIES

##### Other current assets:

	31 December 2007	31 December 2006
Value Added Tax (VAT) carried forward	43,260,692	49,763,393
VAT to be deducted	32,753,436	32,589,472
Prepaid expenses	3,198,483	4,591,446
Receivables from suppliers	1,467,151	3,850,662
Other	1,979,802	646,288
	<b>82,659,564</b>	<b>91,441,261</b>

#### NOTE 16 - FINANCIAL ASSETS

	31 December 2007		31 December 2006	
Available for sale financial investments	Shareholding percentage %	Amount	Shareholding percentage %	Amount
Otokar Otobüs Karoseri Sanayi A.Ş. (*)	0.59	2,826,043	0.59	2,137,107
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş. (**)	-	-	7.99	14,398,725
<b>Total</b>		<b>2,826,043</b>		<b>16,535,832</b>

(\*) The Company's share in Otokar Otobüs Karoseri Sanayi A.Ş. has been stated at market value at 31 December 2007 and 2006 which is assumed to approximate its fair value.

(\*\*) The Company has sold all of its shares in Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş. to Aygaz A.Ş. for a cash consideration YTL 14,398,725. The net income amounting to YTL8,364,981 arising from this sale is classified under non-operating income in the statement of income (Note 38).

#### NOTE 17 - GOODWILL/NEGATIVE GOODWILL

None.

#### NOTE 18 - INVESTMENT PROPERTY

The Company does not have investment property.

Ford Otomotiv Sanayi A.Ş.  
Notes to Financial Statements  
At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

**NOTE 19 - PROPERTY, PLANT AND EQUIPMENT**

	Land		Machinery and equipment		Moulds	Furniture and fixtures	Motor vehicles	Advances and construction in progress	Total
	Land improvements		Buildings						
<b>31 December 2006</b>									
Cost	11,917,784	83,756,245	365,416,615	1,218,417,015	504,159,061	62,543,615	8,735,287	93,845,675	2,348,791,297
Accumulated depreciation	-	(16,362,932)	(76,472,361)	(543,307,382)	(372,275,553)	(45,098,300)	(1,635,420)	-	(1,055,151,948)
<b>Net book value</b>	<b>11,917,784</b>	<b>67,393,313</b>	<b>288,944,254</b>	<b>675,109,633</b>	<b>131,883,508</b>	<b>17,445,315</b>	<b>7,099,867</b>	<b>93,845,675</b>	<b>1,293,639,349</b>
<b>For the year ended 31 December 2007</b>									
Opening net book value	11,917,784	67,393,313	288,944,254	675,109,633	131,883,508	17,445,315	7,099,867	93,845,675	1,293,639,349
Additions	91,397	11,953	-	25,849,339	-	7,133,085	3,285,229	102,766,670	139,137,673
Transfers	-	3,035,298	2,085,062	139,904,702	34,903,285	311,486	-	(180,239,833)	-
Disposals	-	-	-	(3,708,589)	(530,470)	(1,808,902)	(2,493,405)	-	(8,541,366)
Depreciation charge	-	(2,702,380)	(11,421,720)	(63,761,007)	(38,499,112)	(4,521,313)	(839,719)	-	(121,745,251)
Disposals from accumulated depreciation	-	-	-	3,348,351	530,470	473,168	910,933	-	5,262,922
<b>Closing net book value</b>	<b>12,009,181</b>	<b>67,738,184</b>	<b>279,607,596</b>	<b>776,742,429</b>	<b>128,287,681</b>	<b>19,032,839</b>	<b>7,962,905</b>	<b>16,372,512</b>	<b>1,307,753,327</b>
<b>31 December 2007</b>									
Cost	12,009,181	86,803,496	367,501,677	1,380,462,467	538,531,876	68,179,284	9,527,111	16,372,512	2,479,387,604
Accumulated depreciation	-	(19,065,312)	(87,894,081)	(603,720,038)	(410,244,195)	(49,146,445)	(1,564,206)	-	(1,171,634,277)
<b>Net book value</b>	<b>12,009,181</b>	<b>67,738,184</b>	<b>279,607,596</b>	<b>776,742,429</b>	<b>128,287,681</b>	<b>19,032,839</b>	<b>7,962,905</b>	<b>16,372,512</b>	<b>1,307,753,327</b>

**Ford Otomotiv Sanayi A.Ş.**  
**Notes to Financial Statements**  
**At 31 December 2007 and 2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

**NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Land		Machinery and		Moulds	Furniture and	Motor	Advances and	Total
	Land improvements	Buildings	equipment		fixtures	vehicles	in progress		
<b>31 December 2005</b>									
Cost	11,917,784	80,916,245	1,116,143,672	453,732,713	57,392,233	10,894,047	81,866,801	2,154,335,887	
Accumulated depreciation	-	(13,766,044)	(485,380,528)	(332,736,910)	(42,979,218)	(4,147,376)	-	(944,804,885)	
<b>Net book value</b>	<b>11,917,784</b>	<b>67,150,201</b>	<b>630,763,144</b>	<b>120,995,803</b>	<b>14,413,015</b>	<b>6,746,671</b>	<b>81,866,801</b>	<b>1,209,531,002</b>	
<b>For the year ended 31 December 2006</b>									
Opening net book value	11,917,784	67,150,201	630,763,144	120,995,803	14,413,015	6,746,671	81,866,801	1,209,531,002	
Additions	-	-	20,938,776	-	5,213,954	2,947,516	171,075,279	200,175,525	
Transfers	-	2,840,000	81,783,353	50,525,994	2,835	-	(159,096,405)		
Disposals	-	-	(448,785)	(99,646)	(65,407)	(5,106,276)	-	(5,720,114)	
Depreciation charge	-	(2,596,888)	(58,338,697)	(39,638,289)	(2,183,415)	(583,992)	-	(114,018,833)	
Disposals from accumulated depreciation	-	-	411,842	99,646	64,333	3,095,948	-	3,671,769	
<b>Closing net book value</b>	<b>11,917,784</b>	<b>67,393,313</b>	<b>675,109,633</b>	<b>131,883,508</b>	<b>17,445,315</b>	<b>7,099,867</b>	<b>93,845,675</b>	<b>1,293,639,349</b>	
<b>31 December 2006</b>									
Cost	11,917,784	83,756,245	1,218,417,015	504,159,061	62,543,615	8,735,287	93,845,675	2,348,791,297	
Accumulated depreciation	-	(16,362,932)	(543,307,382)	(372,275,553)	(45,098,300)	(1,635,420)	-	(1,055,151,948)	
<b>Net book value</b>	<b>11,917,784</b>	<b>67,393,313</b>	<b>675,109,633</b>	<b>131,883,508</b>	<b>17,445,315</b>	<b>7,099,867</b>	<b>93,845,675</b>	<b>1,293,639,349</b>	

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	31 December 2007	31 December 2006
Moulds and models	169,480,253	170,010,634
Machinery and equipment	95,223,759	98,029,650
Furniture and fixtures	37,258,514	32,303,185
Buildings	5,529,499	5,529,499
Motor vehicles	444,210	657,487
Land improvements	237,300	237,300
	<b>308,173,535</b>	<b>306,767,755</b>

The Board of Directors has authorised management with the decision taken in December 2005 to spend a total amount of Euro225 million to increase the production capacity of Kocaeli Factory from 240,000 vehicles to 280,000 vehicles, renew the Ford Transit model, develop the new Transit engine and produce the engines in İnönü plant, renew the Ford Transit Connect and develop the new Cargo engine. The capital expenditure made by the Company in relation to these projects from the beginning of 2005 to the ending of 2007 amounted to Euro208.5 million (31 December 2006: Euro154 million).

The Board of Directors has authorised management with the decision taken December 2006 to make capital expenditures amounting to Euro13.4 million to increase the production capacity of the Kocaeli plant from 280,000 vehicles to 300,000 vehicles and Euro7.5 million has been utilised for this project (31 December 2006: None). The Company has increased its capacity to 300,000 vehicles as of October 2007.

The allocation of depreciation charge as of 31 December 2007 and 2006 are as follows:

	31 December 2007	31 December 2006
Cost of goods sold	115,990,381	108,556,131
General administrative expenses (Note 37)	2,871,570	2,951,450
Research and development expenses (Note 37)	1,256,258	1,380,205
Sales and marketing expenses (Note 37)	1,627,042	1,131,047
Current year depreciation charge	<b>121,745,251</b>	<b>114,018,833</b>



# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 20 - INTANGIBLE ASSETS

	Rights	Development costs	Special costs	Total
<b>31 December 2006</b>				
Cost	17,060,225	402,000,662	719,300	419,780,187
Accumulated amortisation	(13,359,440)	(297,081,199)	(719,300)	(311,159,939)
<b>Net book value</b>	<b>3,700,785</b>	<b>104,919,463</b>	<b>-</b>	<b>108,620,248</b>
<b>For the period ended at 31 December 2007</b>				
Opening net book value	3,700,785	104,919,463	-	108,620,248
Additions	790,929	19,718,756	773,026	21,282,711
Amortisation charge for the year	(1,233,261)	(34,774,686)	(12,884)	(36,020,831)
<b>Closing net book value</b>	<b>3,258,453</b>	<b>89,863,533</b>	<b>760,142</b>	<b>93,882,128</b>
<b>31 December 2007</b>				
Cost	17,851,154	421,719,418	1,492,326	441,062,898
Accumulated amortisation	(14,592,701)	(331,855,885)	(732,184)	(347,180,770)
<b>Net book value</b>	<b>3,258,453</b>	<b>89,863,533</b>	<b>760,142</b>	<b>93,882,128</b>
<b>31 December 2005</b>				
Cost	16,072,253	371,949,535	719,300	388,741,088
Accumulated amortisation	(12,218,038)	(230,554,315)	(719,300)	(243,491,653)
<b>Net book value</b>	<b>3,854,215</b>	<b>141,395,220</b>	<b>-</b>	<b>145,249,435</b>
<b>For the period ended at 31 December 2006</b>				
Opening net book value	3,854,215	141,395,220	-	145,249,435
Additions	987,972	30,051,127	-	31,039,099
Amortisation charge for the year	(1,141,402)	(66,526,884)	-	(67,668,286)
<b>Closing net book value</b>	<b>3,700,785</b>	<b>104,919,463</b>	<b>-</b>	<b>108,620,248</b>
<b>31 December 2006</b>				
Cost	17,060,225	402,000,662	719,300	419,780,187
Accumulated amortisation	(13,359,440)	(297,081,199)	(719,300)	(311,159,939)
<b>Net book value</b>	<b>3,700,785</b>	<b>104,919,463</b>	<b>-</b>	<b>108,620,248</b>

Additions to development costs are comprised of engineering expenses capitalised for the five-cylinder Transit Engine and Cargo Truck Engine.

The amortization charge from development costs amounting to YTL34,774,686 (31 December 2006 : YTL66,526,884) has been presented under cost of goods sold. The amortization charge for rights amounting to YTL1,233,261 (31 December 2006 : YTL1,141,402) has been presented under general administrative expenses. The amortization charge for special costs amounting to YTL12,884 (31 December 2006 : None) has been presented under research and development expenses.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 21 - ADVANCES RECEIVED

Advances received are classified under other short-term liabilities in the balance sheet.

	31 December 2007	31 December 2006
Advances received from customers	8,850,071	248,255
	<b>8,850,071</b>	<b>248,255</b>

#### NOTE 22 - RETIREMENT PLANS

The Company has no liabilities concerning retirement plans.

#### NOTE 23 - PROVISIONS

##### Short-term provisions:

	31 December 2007	31 December 2006
Tax provision (Note 41)	119,500,848	100,661,663
	<b>119,500,848</b>	<b>100,661,663</b>

##### Long-term provisions:

	31 December 2007	31 December 2006
Provision for employment termination benefits	23,797,859	23,784,444
	<b>23,797,859</b>	<b>23,784,444</b>

##### Provision for employment 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). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to the length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of YTL2,030.19 for each year of service as of 31 December 2007 (31 December 2006: YTL1,857.44).

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.

IFRS require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2007	31 December 2006
Discount rate (%)	5.71	5.71
Turnover rate to estimate the probability of retirement (%)	6	4

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 employment termination benefits every six months, the maximum amount of YTL2,087.92 which is effective from 1 January 2008 (1 January 2007: YTL1,960.69) has been taken into consideration in the calculations.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 23 - PROVISIONS (Continued)

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

	2007	2006
<b>Balance at 1 January</b>	<b>23,784,444</b>	<b>19,229,136</b>
Paid during the year	(4,694,275)	(3,264,204)
Additions during the year	4,707,690	7,819,512
<b>31 December</b>	<b>23,797,859</b>	<b>23,784,444</b>

Variable marketing provision and warranty provisions are classified under other liabilities (Note 10).

#### NOTE 24 - MINORITY INTEREST

Since the Company does not prepare consolidated financial statements, there is no minority interest.

#### NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The composition of the Company's paid-in capital at 31 December 2007 and 2006 is as follows:

	31 December 2007	Shareholding percentage (%)	31 December 2006	Shareholding percentage (%)
Koç Holding A.Ş.	132,160,187	37.66	132,160,187	37.66
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
Koç Allianz Sigorta T.A.Ş.	2,793,170	0.80	2,793,170	0.80
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>350,910,000</b>	<b>100.00</b>	<b>350,910,000</b>	<b>100.00</b>

There are 35,091,000,000 shares (31 December 2006: 35,091,000,000) with a nominal value of YKr 1 each.

#### NOTE 26-27-28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS

Retained earnings, as per the statutory financial statements, other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the Communiqué No: XI-25 Section 15 paragraph 399, the accumulated deficit amounts arising from the first application of inflation adjustment, in line with the CMB's profit distribution regulations, are considered to be deductive when computing the distributable profit. The accumulated deficit will first be netted-off from net income and retained earnings, and the remaining amount of deficit from extraordinary reserves, legal reserves and adjustment to share capital.

In accordance with the Capital Market Board decision number 4/138 on 8 January 2008 the minimum profit distribution ratio requirement for incorporated companies listed on the Stock Exchange shall be applied as 20% (31 December 2006: 20%), effective from 1 January 2008. Accordingly this distribution, in line with decisions taken by the general assemblies, can be made either in cash, as shares to be issued by adding dividends to capital or as a combination of both. The related amount is not required to be distributed, in case the amount of initial dividend amount is less than 5% paid in capital. Nevertheless the companies which have increased their share capital without distributing profits from prior periods as their shares are reclassified as "old" and "new" shares, the initial profit distribution from net income from 2007 operations is required to be distributed in cash.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 26-27-28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)

The Company decided in the General Assembly held on 27 March 2007 to distribute a total cash dividend from the year 2006 profit in the amount of YTL193,000,500 at the rate of 55%, by giving YKr 0.55 for each share worth YKr 1; the dividend distribution was realised in April 2007.

The Company decided to distribute a dividend amounting to YTL208,791,450 from the extraordinary reserves transferred from 2006 profit, in the Extraordinary General Assembly meeting on 2 October 2007. The dividend distribution was realized in October 2007.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders' equity in total as restatement difference.

The restatement difference of shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increases where extraordinary reserves can be netted-off against prior years' losses, or used in the distribution of bonus shares and dividends to shareholders.

In accordance with Communiqué No: XI-25, at 31 December 2007 and 2006 the shareholders' equity schedules are as follows:

	31 December 2007	31 December 2006
Share capital	350,910,000	350,910,000
Share premium	8,252	8,252
Legal reserves	201,892,410	153,763,349
Special reserves	2	2
Extraordinary reserves	50,929,339	-
Financial assets fair value reserve	1,724,890	9,400,935
Inflation adjustments to shareholders' equity	456,221,527	456,221,527
Cash flow hedge reserve	-	(9,630,622)
Net income for the year	484,242,121	500,850,350
Retained earnings	169,889,063	169,889,063
<b>Total shareholders' equity</b>	<b>1,715,817,604</b>	<b>1,631,412,856</b>

At 31 December 2007 and 2006, the restated amounts and the shareholders' equity restatement differences of the aforementioned nominal values are as follows:

31 December 2007:		Shareholders' equity restatement differences	
	Historical values	Restated amounts	
Share capital	350,910,000	378,830,283	27,920,283
Share premium	8,252	361,733	353,481
Legal reserves	201,892,410	260,645,014	58,752,604
Extraordinary reserves	50,929,339	420,074,355	369,145,016
Special reserves	2	50,145	50,143
	<b>603,740,003</b>	<b>1,059,961,530</b>	<b>456,221,527</b>
31 December 2006:		Shareholders' equity restatement differences	
	Historical values	Restated amounts	
Share capital	350,910,000	378,830,283	27,920,283
Share premium	8,252	361,733	353,481
Legal reserves	153,763,349	212,515,953	58,752,604
Extraordinary reserves	-	369,145,016	369,145,016
Special reserves	2	50,145	50,143
	<b>504,681,603</b>	<b>960,903,130</b>	<b>456,221,527</b>

The retained earnings in the balance sheet prepared in accordance with the IFRS is YTL 169,889,063 (31 December 2006: YTL 169,889,063) as of 31 December 2007.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 29 - FOREIGN CURRENCY POSITION

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2007 and 2006. Included in the tables are the Company's foreign currency denominated assets and liabilities at carrying amounts, categorised by currency.

##### 31 December 2007

	US Dollar		EURO		Other		Total
	Original currency	YTL	Original currency	YTL	YTL	YTL	
<b>Assets:</b>							
Cash and cash equivalents (Note 4)	5,507,890	6,415,040	129,478,483	221,434,101	103,149	103,149	227,952,290
Short-term receivables from related parties	78,208,734	91,089,713	113,154,358	193,516,583	3,372,909	3,372,909	287,979,205
Inventories	312,863	364,391	25,959,894	44,396,610	365,436	365,436	45,126,437
Trade receivables	819,383	954,335	7,881,071	13,478,207	-	-	14,432,542
Other current assets	43,717	50,917	320,771	548,583	-	-	599,500
	84,892,587	98,874,396	276,794,577	473,374,084	3,841,494	3,841,494	576,089,974
<b>Liabilities:</b>							
Short-term portion of long-term borrowings (Note 6)	(7,388,352)	(8,605,214)	(63,162,013)	(108,019,674)	-	-	(116,624,888)
Due to related parties	(16,707,750)	(19,459,516)	(22,343,896)	(38,212,531)	(2,214,481)	(2,214,481)	(59,886,528)
Trade payables	(505,035)	(588,214)	(20,313,910)	(34,740,849)	(163,764)	(163,764)	(35,492,827)
Other current liabilities	(7,765)	(9,044)	(8,262,280)	(14,130,152)	(235,254)	(235,254)	(14,374,450)
Long-term borrowings (Note 6)	(2,797,789)	(3,258,585)	(173,154,332)	(296,128,538)	-	-	(299,387,123)
	(27,406,691)	(31,920,573)	(287,236,431)	(491,231,744)	(2,613,499)	(2,613,499)	(525,765,816)
<b>Net foreign currency position</b>	<b>57,485,896</b>	<b>66,953,823</b>	<b>(10,441,854)</b>	<b>(17,857,660)</b>	<b>1,227,995</b>	<b>1,227,995</b>	<b>50,324,158</b>

**Ford Otomotiv Sanayi A.Ş.**  
**Notes to Financial Statements**  
**At 31 December 2007 and 2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

**NOTE 29 - FOREIGN CURRENCY POSITION (Continued)**

**31 December 2006**

	US Dollar		EURO		Other		Total
	Original currency	YTL	Original currency	YTL	YTL	YTL	
<b>Assets:</b>							
Cash and cash equivalents (Note 4)	14,155,466	19,896,923	84,668,041	156,762,878	118,344		176,778,145
Short-term receivables from related parties	2,173,143	3,054,569	123,082,843	227,887,883	4,665,834		235,608,286
Long-term receivables from related parties (Note 9)	63,181,407	88,807,786	-	-	-		88,807,786
Inventories	115,217	161,949	15,336,622	28,395,756	528,425		29,086,130
Trade receivables	32,410	45,555	8,408,158	15,567,705	84,251		15,697,511
Other current assets	360,449	506,647	108	200	-		506,847
	80,018,092	112,473,429	231,495,772	428,614,422	5,396,854		546,484,705
<b>Liabilities:</b>							
Short-term borrowings	-	-	(70,382,319)	(130,312,863)	-		(130,312,863)
Short-term portion of long-term borrowings (Note 6)	(7,543,307)	(10,602,873)	(119,640,498)	(221,514,382)	-		(232,117,255)
Due to related parties	(12,787,405)	(17,973,977)	(23,822,472)	(44,107,307)	(502,132)		(62,583,416)
Trade payables	(474,093)	(666,385)	(9,721,133)	(17,998,678)	(2,359,878)		(21,024,941)
Other current liabilities	(436)	(613)	(950,900)	(1,760,591)	(514,743)		(2,275,947)
Long-term borrowings	(9,975,484)	(14,021,541)	(38,618,090)	(71,501,394)	-		(85,522,935)
	(30,780,725)	(43,265,389)	(263,135,412)	(487,195,215)	(3,376,753)		(533,837,357)
<b>Net foreign currency position</b>	<b>49,237,367</b>	<b>69,208,040</b>	<b>(31,639,640)</b>	<b>(58,580,793)</b>	<b>2,020,101</b>		<b>12,647,348</b>



# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

The Company is primarily exposed to foreign currency risk arising from US Dollar and Euro positions held.

At 31 December 2007, if the YTL had weakened/strengthened by 10% against the US dollar with all other variables held constant, net income for the year would have been YTL6,695,382 (31 December 2006 : YTL6,920,804) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated assets and liabilities.

At 31 December 2007, if the YTL had weakened/strengthened by 10% against the Euro with all other variables held constant, net income for the year would have been YTL1,785,766 (31 December 2006 : YTL5,858,079) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro denominated assets and liabilities.

#### NOTE 30 - GOVERNMENT GRANTS

The investment incentives earned but not deducted from the tax base as of the balance sheet date amount to YTL947 million (31 December 2006: YTL1,448 million). The Company expects to use investment incentives amounting to YTL671 million from the total investment incentives by the end of 2008 (Note 14).

In 2007, the Company earned investment incentives amounting to YTL10,796,775 (31 December 2006: YTL12,939,240) calculated as 40% of the period research and development expenditure of YTL26,991,938 (31 December 2006: YTL32,348,101) which will be deducted from the tax base without any withholding tax impacts.

The research and development support received from Tübitak in 2007 amounting to YTL19,569,495 (31 December 2006: YTL18,075,904) is classified under other income (Note 38).

#### NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2007	31 December 2006
Letters of guarantee given to banks	243,420,014	100,103,121
Letters of guarantee given to customs	25,454,175	23,834,961
Import order guarantees	458,505	15,501,589
	<b>269,332,694</b>	<b>139,439,671</b>

a) The Company entered into two collar agreements in 2000, one of which is outstanding as of 31 December 2007. One of the agreements ended as of 31 August 2007. The value of the outstanding agreement as of balance sheet date amounts to Euro3,104,272 and this agreement have fixed floor and ceiling rates. Accordingly, at the dates defined in the agreements, if the EURIBOR rate is below the floor rate the Company compensates for the difference between the floor rate and the actual rate to the counter bank. Similarly, if the EURIBOR rate is above the ceiling rate, the counter bank compensates the difference to the Company.

Details of the collar agreement, which is valid as of 31 December 2007 are as follows:

Agreement	EURIBOR Floor rate	EURIBOR Ceiling rate	Amount EURO	Due date
Citibank	5.15%	6.00%	3,104,272	28 February 2008

The total amount charged to expenses relating to these agreements amounted to YTL136,316 (31 December 2006: YTL587,684).

b) The Company entered into a credit agreement with Akbank T.A.Ş. in 2003. According to the terms of this agreement, the Company is required to ensure that its export proceeds up to an amount equal to Euro300,000,000 for each calendar year, except for last year, be received in a deposit account in Akbank T.A.Ş. In 2008, the last year of the agreement, the commitment will be Euro200,000,000. With the other credit agreements entered with Akbank in 2007, the Company is required to ensure that its export proceeds up to an amount equal to Euro69,000,000 in the year 2008 be received into a deposit account in Akbank T.A.Ş.

c) Regarding the credit agreements made with HSBC (Value: Euro50,000,000) and Garanti Bankası (Value: Euro20,000,000) in 2007, the Company is required to ensure that its export proceeds up to an amount equal to Euro100,000,000 (via HSBC) and Euro50,000,000 (via Garanti Bankası) for the year 2008 be received into deposit accounts in these banks.

d) Regarding the other credit agreements made by the Company, the Company is required to ensure that its export proceeds up to an amount equal to Euro20,000,000 (via Garanti Bankası), Euro25,000,000 (via İş Bankası) and Euro20,000,000 (via Ziraat Bankası) for the year 2008 be received into deposit accounts in these banks.

The Company fulfilled its export commitments with banks in 2007 as of 31 December 2007.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 32 - BUSINESS COMBINATIONS

There are no business combinations as of balance sheet dates.

#### NOTE 33 - SEGMENT REPORTING

The Company management has decided to use business segments for primary segment reporting considering that the risks and returns of the Company are affected by the developments in the automotive industry rather than differences in geographical regions. Management believes that the Company is operating under one business segment as the scope of business for the Company is the production, import and sale of motor vehicles and spare parts and as there is no significant difference in terms of risk and return between these activities. Nature of products, nature of production processes, type of customers methods used to distribute the products are similar. Information regarding primary segment has already been presented as full in these financial statements since there is one business segment.

As the primary reporting format of the Company is the business segment, the disclosure of revenues based on the geographical locations of customers is required for secondary segment reporting as disclosed in Note 36 to the financial statements.

As all Company assets are located in Turkey, the carrying values of assets within this segment as well as the costs of the related assets, which both need to be disclosed within the secondary segment reporting framework, have not been disclosed separately.

#### NOTE 34 - SUBSEQUENT EVENTS

There is no significant event, affecting the financial statements after the balance sheet date.

#### NOTE 35 - DISCONTINUED OPERATIONS

The Company has no discontinuing operations at the balance sheet date.

#### NOTE 36 - OPERATING INCOME

	31 December 2007	31 December 2006
Domestic sales	3,304,979,418	3,462,204,695
Foreign sales	4,480,062,276	3,574,574,674
Other sales	42,171,829	42,462,614
Less: Discounts	(596,583,435)	(557,942,638)
	<b>7,230,630,088</b>	<b>6,521,299,345</b>

Sales to Ford of Britain comprises 95% of foreign sales (31 December 2006: 98%).

Unit sales:	1 January - 31 December 2007			1 January - 31 December 2006		
	Domestic sales	Foreign sales	Total sales	Domestic sales	Foreign sales	Total sales
Transit	34,915	134,631	169,546	35,365	101,843	137,208
Transit Connect	27,979	85,324	113,303	28,801	82,398	111,199
Passenger cars	32,032	378	32,410	37,865	539	38,404
Cargo	4,339	2,007	6,346	7,109	507	7,616
Ranger	2,164	2	2,166	2,023	71	2,094
Fiesta Van	1,271	53	1,324	1,575	-	1,575
<b>Total</b>	<b>102,700</b>	<b>222,395</b>	<b>325,095</b>	<b>112,738</b>	<b>185,358</b>	<b>298,096</b>

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 37- OPERATING EXPENSES

##### Research and development expenses:

	31 December 2007	31 December 2006
Personnel expenses	32,383,649	21,228,812
Project costs	21,573,682	16,013,818
Depreciation charge (Note 19)	1,256,258	1,380,205
Other	3,252,850	3,208,860
	58,466,439	41,831,695

##### General administrative expenses:

Personnel expenses	36,154,833	29,745,535
Consulting and auditing expenses	12,841,508	5,549,015
Grants and donations	12,698,880	11,329,975
Information technology expenses	3,034,228	5,067,151
Depreciation charge (Note 19)	2,871,570	2,951,450
Duties, taxes and levies	2,629,864	1,653,943
Repair, maintenance and energy expenses	2,125,253	2,827,151
Travel expenses	1,791,008	1,680,568
Other guarantee expenses	1,556,873	1,618,674
New project administrative expenses	773,673	2,898,658
Other	7,308,260	5,668,633
	83,785,950	70,990,753

##### Sales and marketing expenses:

Warranty expenses	118,135,007	103,946,652
Advertising expenses	45,591,527	37,154,153
Transportation expenses	28,835,514	28,262,138
Personnel expenses	23,628,861	21,328,055
Spare parts transportation and packaging expenses	9,191,734	7,405,335
Branch and service development expenses	5,632,307	8,315,977
Depreciation charge (Note 19)	1,627,042	1,131,047
Other	12,016,478	9,166,594
	244,658,470	216,709,951

<b>Total operating expenses</b>	<b>386,910,859</b>	<b>329,532,399</b>
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As of 31 December 2007 development expenses amounting YTL19,718,756 (31 December 2006: YTL30,051,127) have been capitalised under intangible assets and not charged as research and development expenses in the relevant periods.

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	31 December 2007	31 December 2006
<b>Other income:</b>		
Research and development support premium (Note 30)	19,569,495	18,075,904
Income from sale of financial assets (*)	8,364,981	47,971,875
Compensation for spare parts and materials	7,024,135	4,913,318
Invoiced service revenue	3,756,731	2,911,290
Rent income	2,274,338	2,074,889
Insurance claim recoveries	1,371,219	1,560,537
Income from and sale of property, plant and equipment	502,928	1,406,910
Dividend income	175,749	56,240
Revenue from services sold to Ford	-	11,269,119
Other	1,977,708	713,416
<b>Other income</b>	<b>45,017,284</b>	<b>90,953,498</b>

Due to materiality, comparative amounts classified under other income and expenses at 31 December 2006 have not been reclassified.

(\*) The Company sold all of its shares in Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş. to Aygaz A.Ş. in December 2007 at a price amounting to YTL14,398,725 (Note 16). The Company sold all of its shares in Koç Finansal Hizmetler A.Ş. to Koç Holding A.Ş. at a price of YTL95,423,377 (USD67,265,880) including interest. Based on the agreement, this amount will be collected on 30 June 2008 (Note 9a). Net income arising from this sale (which amounts to YTL47,971,875) is classified under other income in income statement.

	31 December 2007	31 December 2006
<b>Other expenses:</b>		
Import material claim expenses	(1,430,851)	(1,280,292)
Loss on sales of property, plant and equipment	(626,104)	(41,759)
Prior period price differences	(289,969)	(368,973)
Other	(494,768)	(858,044)
<b>Other expenses</b>	<b>(2,841,692)</b>	<b>(2,549,068)</b>

#### NOTE 39 - FINANCIAL EXPENSES

	31 December 2007	31 December 2006
<b>Financial income:</b>		
Foreign exchange gains	41,984,215	55,696,227
Finance income from credit sales	19,913,697	30,938,996
Interest income	7,273,358	10,079,046
	69,171,270	96,714,269
<b>Financial expense:</b>		
Foreign exchange losses	(52,869,126)	(62,448,377)
Interest expenses	(20,619,654)	(17,928,006)
Finance charges on credit purchases	(12,796,429)	(23,280,743)
Financial expense related to cash flow hedge reserve	(9,630,622)	(23,929,040)
Other financial expenses	(6,413,928)	(5,543,189)
	(102,329,759)	(133,129,355)
<b>Financial expense - net</b>	<b>(33,158,489)</b>	<b>(36,415,086)</b>

# Ford Otomotiv Sanayi A.Ş.

## Notes to Financial Statements

### At 31 December 2007 and 2006

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

#### NOTE 40 - NET MONETARY POSITION PROFIT/LOSSES

None (31 December 2006: None).

#### NOTE 41 - TAXES ON INCOME

Corporate Tax Law was amended by the Law No. 5520 dated 13 June 2006. Law No. 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from 1 January 2006. Accordingly, the corporation tax rate for the fiscal year 2007 is 20% (2006: 20%). Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. 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 corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off other liabilities to the government.

In accordance with Tax Law No. 5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" that was published in the official Gazette on 30 December 2003, effective from 1 January 2004, income and corporate taxpayers will apply inflation adjustments to the statutory financial statements. In accordance with the abovementioned Law's provisions, in order to apply inflation adjustment, the cumulative inflation rate ("WPI") over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the years 2005 and 2006.

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

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

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

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

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

The investment allowance, which has been applied for many years and calculated as 40% of fixed asset acquisitions exceeding a certain amount, was annulled with the Law No. 5479 dated 30 March 2006. However, in accordance with the temporary Law No. 69 added to the Income Tax Law, corporate and income taxpayers can offset the investment allowance amounts present as of 31 December 2005, which they could not offset against income in 2005 and:

(a) investments to be made after 1 January 2006 in the scope of the certificate regarding the investments that began in the scope of additional articles 1, 2, 3, 4, 5 and 6 of Income Tax Law No: 193 before it was repealed with the Law No. 4842 dated 9 April 2003, and

(b) investment allowance amounts to be calculated in accordance with legislation effective at 31 December 2005 related to investments which exhibit a technical and economic and integrity and which were started prior to 1 January 2006 in the scope of Income Tax Law repealed 19th article, only against the income related to the years 2006, 2007 and 2008, in accordance with the legislation at 31 December 2005 (including provisions related to tax rates).

The Company reviewed 2006, 2007 and 2008 profit estimations, and decided to use the investment allowance subject to an allowance withholding of 19.8%, in the calculation of corporate tax related to these years.

The tax withholding rate on the dividends which holding companies resident in Turkey transfer from the earnings of resident full-payers fulfilling the conditions for "foreign equity sales earnings exemption and the equity earnings obtained from these foreign equities, and fulfilling the conditions stated in the foreign equity earning exemption, to entities holding the status of joint stock and limited companies (shareholders) located abroad (non-resident) cannot exceed 7.5%.

Accordingly, earnings of the abovementioned nature, which are in the trade profit/loss figures, have been taken into account in calculation of corporate tax.

# Ford Otomotiv Sanayi A.Ş.

## 31 Aralık 2007 ve 2006 Tarihlerinde Sona Eren Yıllara Ait Finansal Tablolara İlişkin Açıklayıcı Dipnotlar

(Tutarlar, aksi belirtilmedikçe, Yeni Türk Lirası ("YTL") olarak ifade edilmiştir.)

### NOTE 41 - TAXES ON INCOME (Continued)

The taxation on income for the years ended 31 December 2007 and 2006 is summarised as follows:

	31 December 2007	31 December 2006
Current year corporate tax	119,500,848	100,661,663
Deferred tax expense (Note 14)	53,148,741	19,694,786
<b>Total taxation on income</b>	<b>172,649,589</b>	<b>120,356,449</b>

Calculation of the tax expense reconciliation using the current year tax expense in the income statement for the year 2007 and current tax ratio based on income before tax is as follows:

	31 December 2007	31 December 2006
<b>Income before tax :</b>	<b>659,891,710</b>	<b>621,206,799</b>
Current year tax expense calculated taking into account the investment allowance withholding tax of 19.8%	130,658,559	122,998,946
Unused investment allowance during the year (Note 14)	54,519,310	63,074,621
Tax exemptions	(4,788,718)	(13,756,367)
Effective tax rate differences applied for temporary differences	(2,306,415)	(54,797,366)
Other	(5,433,147)	2,836,615
<b>Total taxation on income</b>	<b>172,649,589</b>	<b>120,356,449</b>

### NOTE 42 - EARNINGS PER SHARE

	31 December 2007	31 December 2006
Net income for the year (YTL)	484,242,121	500,850,350
Weighted average number of shares with face value of YKr 1 each	35,091,000,000	35,091,000,000
<b>Earnings per share with face value of YKr 1 each</b>	<b>YKr 1.38</b>	<b>YKr 1.43</b>

### NOTE 43 - STATEMENT OF CASH FLOWS

The details of the changes in asset and liability balances that exist in the statements of cash flow for the year ended 31 December 2007 and 2006 is as follows:

	31 December 2007	31 December 2006
(Increase)/decrease in trade receivables	(135,981,067)	45,623,308
Decrease/(increase) in receivables from related parties	49,592,611	(111,241,178)
Increase in inventories	(381,611)	(47,061,937)
Decrease/(increase) in other current assets	8,815,405	(58,512,730)
Increase in other non-current assets	(28,903)	(1,894)
Increase in trade payables	58,424,098	88,114,745
Increase/(decrease) in due to related parties	5,071,246	(53,495,424)
Increase/(decrease) in other current liabilities	37,276,536	(6,927,735)
<b>Net change in assets and liabilities</b>	<b>22,788,315</b>	<b>(143,502,845)</b>

### NOTE 44 - DISCLOSURE OF OTHER MATTERS

These financial statements are prepared and presented in accordance with the accounting and reporting principles issued by the CMB, which are different from the accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards. The effects of such differences have not been quantified. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.



# Corporate Governance Principles Compliance Report

## 1. Corporate Governance Principles Compliance Statement

Ford Otosan has adhered to and implemented the Corporate Governance Principles published by the Capital Markets Board during the period of its operation ending on December 31, 2007, except for the matters stated below.

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

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

## SECTION I - SHAREHOLDERS

### 2. Shareholders Relations Department

An Investor Relations Team was established in the company in 2004. This unit reports to CFO, Oğuz Toprakoğlu (otoprako@ford.com.tr /0262 3156900) and is directed by Assistant General Manager - Treasury, Tuncay Selçuk (tselcuk@ford.com.tr /0262 3156960) and Manager - Treasury, Burak Çekmece (bcekmece@ford.com.tr /0262 3156962). Nevin Aylan is the Investor Relations Officer (naylan@ford.com.tr /0262 3156977).

The Investor Relations Team works to ensure that investors and equity analysts are informed. For achieving this objective, separate meetings are organized with the concerned parties, investor conferences and road shows are attended and all questions coming in by telephone or e-mail are answered. In 2007, the Team attended 2 road shows, 2 Investor Conferences and held one-on-one meetings with over 135 investors and analysts.

### 3. The Use of Shareholders Rights to Obtain Information

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

The "Investor Relations" section in the company's website (www.ford.com.tr) includes all kind of

information and announcements regarding the utilization of rights by shareholders by using electronic tools effectively.

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

### 4. Information on Shareholders' Meeting

During the calendar year of 2007, two General Shareholders' Meetings were held; one ordinary meeting on March 27<sup>th</sup> and one extraordinary meeting on October 02<sup>nd</sup>. Both meetings achieved a participation of on average 83% and convened at sessions that were open to the public. The meetings can be attended by stakeholders and the media.

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

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

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

There are no provisions in the Articles of Incorporation requiring important resolutions having to be taken at the Shareholders' Meeting related to division, the purchase, sale and lease of significant amounts of assets, etc. Important resolutions are taken by the Board of Directors, who represents 82.04% of the company capital.

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

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

### 5. Voting Rights and Minority Rights

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

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

There are no companies that are reciprocal shareholders.

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

### 6. Dividend Policy and Deadline for Dividend Distribution

There are no dividend privilege rights in shares.

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

In accordance with this policy, YTL 401,791,950 dividend in total was distributed in the calendar year of 2007; YTL 193,000,500 was paid on April 5<sup>th</sup>, 2007 and YTL 208,791,450 on October 10<sup>th</sup>, 2007.

### 7. Transfer of Shares

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

## SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company Information Disclosure Policy

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

### 9. Disclosure of Material Events

14 special case disclosures were issued in the calendar year of 2007. One of these disclosures was additional announcement made on request of the Istanbul Stock Exchange (ISE). All special case disclosures were issued within the time required.

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

### 10. The Company's Website and Its Contents

The address for access to the Ford Otomotiv Sanayi A.Ş. official website is [www.ford.com.tr](http://www.ford.com.tr). The website is available both in Turkish and English.

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

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

It is clearly disclosed in all documents related to the company that two of our major shareholders, the Ford

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

## 12. Disclosure on Insiders

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

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

Rahmi M. Koç: Chairman of the Board  
Lewis W.K. Booth: Vice-Chairman of the Board  
Bülent Bulgurlu: Board Member  
Y. Ali Koç: Board Member  
Ali İhsan İlkbahar: Board Member  
John Fleming: Board Member  
David L. Schoch: Board Member  
Philip A. Collareno: Board Member  
O. Turgay Durak: Board Member  
Michael R. Flewitt: Board Member - General Manager  
Dr. Füsün Akkal: Auditor  
Adnan Nas: Auditor  
Ufuk Güçlü: Deputy General Manager  
Oğuz Toprakoğlu: Asst. General Manager (Finance - CFO)  
Ernur Mutlu: Asst. General Manager (Product Development)  
Haydar Yenigün: Asst. General Manager (Kocaeli Plant)  
Burak Gökçelik: Asst. General Manager (İnönü Plant)  
Ahmet Kinay: Asst. General Manager (Purchasing)  
Ahmet Şatiroğlu: Asst. General Manager (Service and Spare Parts)  
Cengiz Kabatepe: Asst. General Manager (Material Planning & Logistics)  
Taylan Avcı: Asst. General Manager (New Projects)  
Ali İhsan Kamanlı: Asst. General Manager (Tool & Die - Prototypes)  
Tuncay Selçuk: Asst. General Manager (Treasury)  
Aykut Özünler: Asst. General Manager (Sales and Marketing)

## SECTION III - STAKEHOLDERS

### 13. Informing Stakeholders

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

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

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

### 14. Participation of the Stakeholders in the Management

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

Dealers' participation in management is achieved through the “Dealers Council,” which was formed many years ago. This Council, made up of representatives elected by dealers, meets every two months and develops suggestions concerning company sales and marketing activities together with management representatives. There is also a Dealers Meeting organized every year with the attendance of all 3S dealers.

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

### 15. Human Resources Policy

As in other companies of the Koç Group, the tenet “Our most valuable capital is our human resources.” comprises the essence of human resources policies at Ford Otosan. The vision of the company is set forth as: “To take its place among the first five companies preferred by employees in Turkey by 2010 and to create a Ford Otosan culture of happy, loyal personnel.”

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

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

The company has signed a 2 year agreement in September 2006 with blue colored personnel through Turkish Metals Union. Except union representatives who are appointed in accordance with the Collective Labor Agreement, there is no other representative from the company appointed to manage employee relations. This relationship with the union is essentially the job of the Industrial Relations and Human Resources Operations Directorate.

#### **16. Information on Relations with the Clients and Suppliers**

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

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

#### **17. Social Responsibility**

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

No lawsuits have been filed against the company during this period for damages to the environment, and no related complaint has been received.

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

### **SECTION IV – BOARD OF DIRECTORS**

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

The list of the Board of Directors is included in the Annual Report. Only one of the ten Board members is an executive member (General Manager Michael R. Flewitt).

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

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


#### **19. Qualifications of Board Members**

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

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

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

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



## 21. Internal Control and Risk Management Mechanism

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

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

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

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

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

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

The authorities of the Board members and executive management have been set out in Articles 9, 10 and 11 of the Articles of Incorporation. In summary, according

to the Turkish Commercial Code and the provisions of the Articles of Incorporation, the Board of Directors is authorized to take all decisions about all procedures other than those that are required to be taken at the General Shareholders' Meeting.

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

## 23. Principles of Activity of the Board of Directors

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

In the calendar year of 2007, 19 Board of Directors' Meetings convened with a majority of the number of members and 1 circular type BOD resolution has been adopted.

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

The Board of Directors Secretarial duty is managed by the Assistant General Manager - Finance (CFO). Since no member has opposed to decisions taken at the meetings in recent years, no indication of opposition has been made in the minutes and consequently no such report has been made to the auditors.

An effort is made to have matters falling within the scope of Article 2.17.4 of Part IV of Corporate Governance Principles discussed in the presence of all members at the regular meetings of the Board. Nonetheless, in matters that have legal urgency, this rule is not followed.

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



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

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

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

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

#### 25. Ethical Rules

The “**Ford Otosan Standards of Corporate Conduct**” were created in 2002 for the purpose of determining basic ethical principles for the company and its employees. Comprising sixteen guidelines, the text of these principles was distributed to and signed by all personnel working at the company at the time. The same procedure has continued to be carried out for personnel joining the company after that date. In addition, all employees are issued reminders of the guidelines two times a year.

Being included also in the company website, Ford Otosan Standards of Corporate Conduct are being updated as of the year 2007.

#### 26. Number, Structure and Independency of Committees Established by the Board of Directors

Audit Committee and Compensation Committee have been formed within the Ford Otosan Board of Directors.

Audit Committee, comprising Y. Ali Koç and David L. Schoch, meet three times a year in general before the regular meetings of the Board. The working principles of the committee have been put forth in a written set of procedures. Reviewing and monitoring detailed data on the company's financial status, risk management,

independent auditing and internal control mechanisms and presenting all views and decision drafts to the Board of Directors are among the duties of the Audit Committee.

Compensation Committee members are Lewis W. K. Booth and Bülent Bulgurlu. There are no written procedures setting down the Committee's working principles.

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

#### 27. Remuneration of the Board of Directors

At this term, the remuneration of the chairman and the Board members is a monthly gross amount of 1,265 YTL. The General Manager, who is a member of the Board of Directors, also receives a monthly salary in connection with this duty plus a performance-based premium.

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

Rahmi M. Koç  
Chairman



# Ford Otosan Directory

## Company Information

Kartal Spare Parts Distribution Center  
Fatih Mah. Hasan Basri Cad.  
Köymenkent 34885  
Samandıra / İstanbul

Kocaeli Plant  
İzmit Gölçük Yolu  
14. Km. 41680  
Gölçük / Kocaeli

İnönü Plant  
Kütahya Yolu Üzeri  
26331 İnönü PK:186  
Köprübaşı / Eskişehir

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## Website

For detailed information about Ford Otosan, our products and operations, please visit us at:

[www.ford.com.tr](http://www.ford.com.tr)





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