FORD OTOSAN

Ford Otosan **2018** Annual Report

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FROM 1928 TO TODAY

"I live and prosper with my country. As long as democracy exists and thrives, so do we. We shall do our utmost to strengthen our economy. As our economy prospers, so will democracy and our standing in the world."

Vehbi Koç

"Coming together is a beginning keeping together is progress, working together is success."

Henry Ford

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FORD OTOSAN FROM PAST TO PRESENT

	1997*		2018
Production capacity (Units)	47,000	10 Times	455,000
Production (Units)	43,102	9 Times	373,702
Exports (Units)	667	493 Times	328,892
Exports (USD)	16 million	356 Times	5.7 billion
Revenues (USD)	850 million	8 Times	7 billion
Headcount	3,406	3 Times	10,598
Market Cap (USD)	1.1 billion	3 Times	3.3 billion

* The shares of Koç Holding and Ford Motor Company in Otosan became equal.

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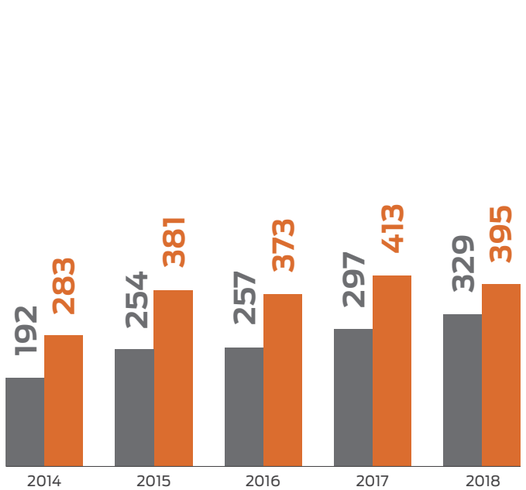
SUMMARY RESULTS

	2014	2015	2016	2017	2018
Main Financial Indicators (Million TL)					
Revenues	11,925	16,746	18,289	25,341	33,292
Export Revenues	4,238	10,723	12,287	17,830	27,303
Domestic Revenues	7,687	6,023	6,002	7,511	5,989
Gross Profit	1,131	1,860	2,086	2,637	3,459
Operating Profit	541	1,036	1,111	1,708	2,285
EBITDA	846	1,441	1,567	2,182	2,854
Profit Before Tax	390	866	970	1,481	1,761
Net Profit	595	842	955	1,490	1,683
Earnings Per Share (for Kr 1 nominal value)	1,70	2,40	2,72	4,25	4,80
Cash Position (Million TL)					
Cash & Cash Equivalents	577	980	1,189	1,806	1,393
Total Financial Debt	(2,350)	(2,561)	(2,852)	(3,604)	(4,483)
Net Financial Debt	(1,773)	(1,580)	(1,663)	(1,798)	(3,090)
Financial Ratios					
Current Ratio	1,00	1,05	1,09	1,13	1,02
Liquidity Ratio	0,74	0,73	0,79	0,87	0,64
Net Financial Debt / Tangible Net Worth	0,79	0,63	0,64	0,60	1,01
Net Financial Debt / EBITDA	2,10	1,10	1,06	0,82	1,08
Current Assets / Total Assets	0,41	0,48	0,50	0,57	0,56
Current Liabilities / Total Liabilities	0,66	0,71	0,70	0,73	0,78
Total Liabilities / Total Assets	0,62	0,64	0,66	0,69	0,70
Return on Equity (%)	21.6	27.5	30.2	40.3	43.2
Margins					
Gross Margin	9.5%	11.1%	11.4%	10.4%	10.4%
EBITDA Margin	7.1%	8.6%	8.6%	8.6%	8.6%
Operating Margin	4.5%	6.2%	6.1%	6.7%	6.9%
Net Income Margin	5.0%	5.0%	5.2%	5.9%	5.1%
Other					
Dividend Payment (Million TL)	175	400	663	790	1,204

MAIN INDICATORS

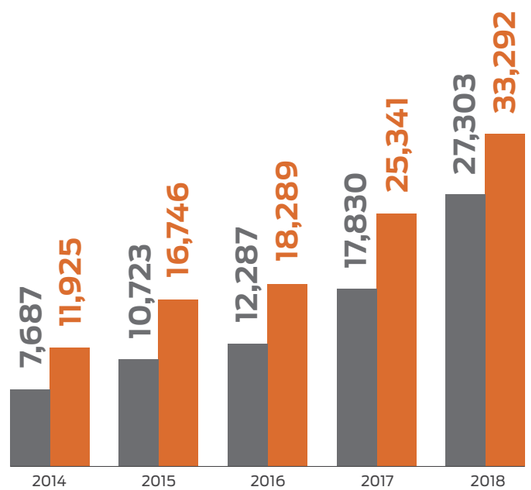


Wholesale Volume
(1000 Units)

Turkish automotive industry contracted 35% YoY in 2018 to 634,540 units. Sales decreased by 33% in Passenger Car, 47% in Light Commercial Vehicle and 36% both in Medium and Heavy Commercial Vehicles. Domestic wholesale volume decreased by 43% YoY to 65,768 units. Export volumes increased by 11% to 328,892 units. Total wholesale volume declined 4% to 394,660 units with the effect of demand contraction in the country.

Export

Total



Revenues
(Million TL)

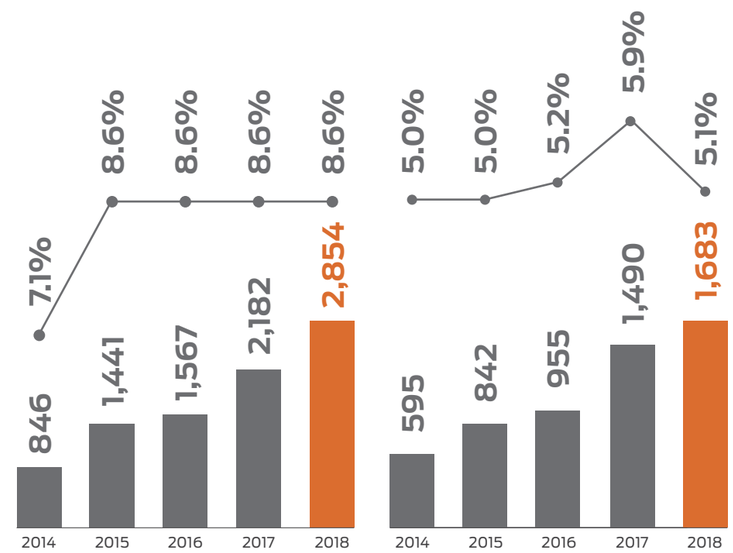
Record

Domestic sales volume decreased by 43%, more than the market, due to our focus on profitability. Thanks to our pricing discipline and our focus on high margin products, our domestic revenues contracted by 20%. Domestic sales revenue was realized as TL 5,989 million. Export revenues rose 53% YoY to TL 27,303 million with market growth, ongoing strong demand for our products and currency impact. Export sales volume increased by 11% to 328,892 units. Total revenues were up 31% YoY to TL 33,292 million due to strong export performance. Share of exports in total revenues was 82%, up from 70% in 2017.

Export

Total

2014 numbers reflect the transition to new product range and relevant ramp-up period.



EBITDA
(Million TL)

Record

Despite rising expenses and low domestic sales volume due to increase in €/TL rate (38% YoY) and high inflation, we are able to hold our profitability. EBITDA rose by 31% to TL 2,854 million. Main supporting factors are:

- Increase in export demand
- Cost reduction actions and strong OpEx control
- Pricing focus to offset the cost impact (weak TL and high inflation)

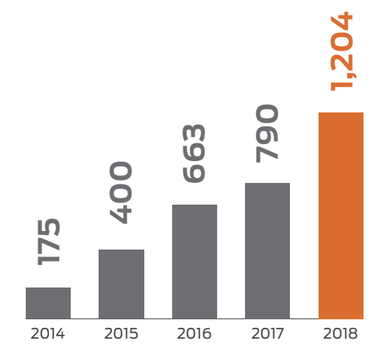
Margin

Net Profit
(Million TL)

Record

Net financial expenses increased by 132% due to 127% increase in net fx loss. Profit before tax rose 19% to TL 1,761 million depending on exchange rate and last year's cash flow hedge fund. Net profit increased by 13% to TL 1,683 million with the effect of increase in the deferred tax asset.

Margin



Dividend
(Million TL, gross)

Record

Ford Otosan paid a total gross dividend of TL 1,204 million in 2018. Distributed dividend rose by 52% compared to 2017. The total dividend paid by Ford Otosan reached TL 7.3 billion between 200 and 2017.

HIGHLIGHTS

Turkey's Export Champion	Turkey's Commercial Vehicle Leader	3rd Place in Total Automotive Market Share
USD **5.7** Billion	**31%** Market Share	**10.8%**

455,000 Units

Lead Commercial Vehicle Manufacturing Hub of Ford in Europe

1,100 R&D Engineers

Most Competent R&D Center in Turkish Automotive Industry

10,598 Employees

Highest Employment in Turkish Automotive

24%	**71%**	**74%**
of Turkey's total automotive production	of Turkey's commercial vehicle production	of Turkey's commercial vehicle exports

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VALUES

Vision

Being Turkey's most valuable and most preferred industrial company.

Mission

Providing innovative automotive products and services beneficial to the community.

Values

Our products and services are the upshots of our efforts. The more our customers appreciate our products and services, the higher our value will rise.

Our employees are the source of our strength. It is our goal to boost the skills and contentment of our employees by providing them with opportunities to self-improve. It is our principle to accomplish "teamwork" that will ensure their participation in all areas.

Our earnings are an indication of the extent to which our products and services meet customer expectations. We aim to profit so as to provide the resources necessary towards improving our products and services.

Strategy

Growth
Organic and inorganic growth in new markets and existing business areas by developing new products.

Innovation
Providing innovative products and services in all business processes by keeping creativity at the top.

Brand
Being the most preferred brand in all segments by meeting customer needs and expectations.

Employees
Being the most preferred workplace by aiming excellence in human resources processes and increasing benefits provided for employees.

Customers
Being the leader automotive brand with regards to customer satisfaction in sales and after sales products and services.

In addition to our **Digital Transformation** and **Innovation** projects continued in recent years to reach our vision, **Common Culture** and **Lean Transformation** processes were also put into operation this year .

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MILESTONES

1928 — **Vehbi Koç is Assigned as Ankara Ford Dealer**

1956 — **The Foundations of Koç-Ford Partnership are Laid Down**

1966 — **First Domestic Passenger Car: Anadol**

1967 — **Otosan Produces its First Transit**

1982 — **İnönü Plant Opens**

1986 — **Otosan Produces Turkey's first Diesel Engine ERK**

1997 — **Ford Assumes 41% Equity in 'Ford Otosan'**

2001 — **Gölcük Plant opens**

2009 — **First Vehicle Export to North America**

2012 — **Launch of Ford Custom**

2013 — **JMC Engine & Truck Technology Licensing Agreements**

2014 — **Yeniköy Plant Opens and Otosan Produces its First Courier**

2016 — **Ecotorq Engine Production Starts**

2018 — **F-MAX has won the International year of the truck award**

2018 — **Capacity increase in Gölcük Facility was completed**

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AGENDA OF FORD OTOMOTİV SANAYİ A.Ş. ORDINARY GENERAL ASSEMBLY MEETING

1. Opening and election of Chairmanship Panel,
2. Reading, discussion and approval of the Annual Report of year 2018 prepared by the Board of Directors,
3. Reading of the summary report of the Independent Audit Firm of 2018 Fiscal Period,
4. Reading, discussion and approval of the Financial Statements of 2018 Fiscal Period,
5. Release of the members of the Board of Directors separately for year 2018 activities,
6. Approval, or approval with amendments or refusal of the Board of Directors' proposal for profit distribution for the year 2018 and the distribution date which prepared in accordance with the Company's Profit Distribution Policy,
7. Determination of the number and the term of duty of the members of the Board of Directors and election of the members base on the determined number, election of the Independent Board Members,
8. As per the Corporate Governance Principles, informing the shareholders regarding the "Remuneration Policy" for members of the Board of Directors and the senior executives and payments made under this policy and approval of the "Remuneration Policy" and related payments,
9. Determination of the annual gross fees to be paid to the members of the Board of Directors,
10. As per the regulations of the Turkish Commercial Code and Capital Markets Board, approval of the Board of Directors' election for the Independent Audit Firm,
11. Giving information to the shareholders regarding the donations made by the Company in 2018 and determination of a upper limit for donations to be made in 2019,
12. Under Articles 395 and 396 of the Turkish Commercial Code, authorizing: shareholders with management control, members of the Board of Directors, senior executives and their spouses and relatives related by blood or affinity up to the second degree; and also informing the shareholders regarding the transactions made in this extent in 2018 pursuant to the Capital Markets Board's Communiqué on Corporate Governance,
13. Wishes and opinions.

pwc

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

1. Opinion

We have audited the annual report of Ford Otomotiv Sanayi A.Ş. (the "Company") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 12 February 2019 on the full set financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- Events of particular importance that occurred in the Company after the operating year,
- The Company's research and development activities,
- Financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Beste Ortaç, SMMM
Partner

İstanbul, 21 February 2019

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BOARD OF DIRECTORS' REPORT

Dear Shareholders, Business Partners, and Employees,

We would like to welcome you to our 60th Ordinary General Meeting of Shareholders as we present the Report of the Board of Directors, which covers the activities of Ford Otomotiv Sanayi A.Ş. in 2018. In our report you will find detailed information about our company and an assessment of our 2018 operations. The report also contains our independently audited financial statements as of December 31, 2018, including the relevant notes for tables and all other information required by the Capital Markets Board of Turkey.

In 2018, the world economy was marked by the trade wars between China and the United States. As the U.S. economy grew, the Federal Reserve hiked interest rates four times and reduced its balance sheet. Europe saw continuing economic and political instability, which caused concerns about growth. The countdown to Brexit continued without a deal. In Turkey, geopolitical developments, highly volatile exchange rates, rising interest rates and inflation have created a challenging environment for businesses.

We reinforced our lead in the Turkish commercial vehicle market

In 2018, Turkish automotive sales, including trucks, contracted by 35% to 634,540 units. The industry which stood at 1 million units in the 2015–2017 period, declined in 2018 due to the strong base year, higher vehicle prices due to rising exchange rates, a high interest rate environment and tightening liquidity. On the other hand, the Special Consumption Tax and Value Added Tax incentives introduced in November and December, where the highest sales take place in the industry, had a positive impact on production and employment in the industry.

Passenger car sales fell by 33% to 486,321 units. Light commercial vehicle sales declined by 47% to 66,448 units. Medium commercial vehicle and truck sales fell by 36% to 68,168 and 11,984, respectively. Ford Otosan's strategy is focused on profitability in passenger cars and profitable growth in commercial vehicles. Our company sold 68,838 vehicles, fuelled by new models launched in 2018 and moved up from fourth to third position in the industry with a market share of 10.8%. We bolstered our long-standing leadership in the commercial vehicle segment and expanded our market share to 30.8%. Our Transit model, which we have produced since 1967, has become Turkey's most preferred light commercial vehicle in 2018.

Capacity increase completed with record production

Ford Otosan is Ford Motor Company's largest commercial vehicle production base in Europe and has produced 373,702 vehicles in line with the rising export demand in 2018. This is a historic high for Ford Otosan. The Company's share in Turkey's total vehicle and commercial vehicle production was 24% and 71%, respectively.

The capacity increase investment announced on August 2, 2017 was completed in 2018. Consequently, our production capacity rose to 330,000 units at the Gölcük Plant and to 455,000 units in total. Our capacity utilization rate was 84% for the year.

Turkey's export champion for the fourth consecutive year

The light commercial vehicle segment in Europe, our main export market, grew 3.1%. Meanwhile Ford brand sustained its leadership in commercial vehicles in Europe for the fourth consecutive year with 14.1% market share. 2018 marked Ford's highest commercial vehicle sales in Europe in the last 25 years. In this positive backdrop, our exports rose by 11% year-on-year to 328,892, a record high. Ford Otosan, the export leader in Turkish automotive since 2011, became Turkey's export champion for the fourth year in a row. Ford Otosan had 74% share in Turkey's commercial vehicle exports in 2018. The company also made 83% of the Transit family vehicles sold in Europe. Ford's growth-focused strategy for Europe is a main driver of our export volume.

We are the most valuable automotive company on Borsa Istanbul

Ford Otosan is the 14th most valuable company on BIST with a market capitalization of $3.3 billion. Ford Otosan's shares outperformed the BIST 100 Index by 11%, while 80% of its free float were owned by foreign investors. Investor Relations Department attended 19 conferences and roadshows, and held 352 meetings in which the strategic, financial and operational developments related to our company were shared with the investment community. Ford Otosan aims to consistently boost shareholder value through its world-class corporate governance and investor relations practices.

Our new tractor F-MAX wins the International Truck of the Year Award

Since 2015, we invested $400 million in our truck business. Our Ford Trucks network expanded to 35 countries and our truck exports grew by 39% in 2018.

In 2018, Ford Otosan blazed a new trail in the Turkish automotive industry. Our truck growth strategy which started in 2013 yielded its first product, with F-MAX rolling off the assembly line in October.

Following a detailed analyses with 900 drivers and 44 fleet customers, we designed our truck with the aim of responding to customer needs in the best and most cost-effective manner. We conducted tests in 11 countries on four continents reaching up to 5 million kilometers. 1,200 Ford Otosan engineers as well as many domestic suppliers were involved in the five-year design, development and production processes. Launched at the Hannover Fair in Germany, F-MAX won the International Truck of the Year award, signifying our production power and engineering prowess.

Ford Otosan's support for its intrapreneurs culminated in the commercialization of the Rezervis Project

As part of Ford Otosan's innovation program, Rezervis is the first commercialized project designed by our intrapreneurs. Rezervis Mobil Teknoloji A.Ş. was established for the development, improvement and customer acquisition of the algorithmic application that re-modeled the individual and collective use of transportation vehicles. Ford Otosan owns 25% of Rezervis Mobil Teknoloji A.Ş.

We are restructuring all our processes in accordance with our vision

Throughout the year, we focused on Digitalization and Innovation efforts to achieve our vision to "become Turkey's most valuable and preferred industrial company." This year also saw us implementing the Common Culture and Lean Transformation processes. In 2019, we will continue to restructure in order to enhance our competitive edge.

R&D projects maintained under product programs

Ford Otosan is a leading product development center within the Global Ford organization and implements R&D projects under product programs. Our R&D spending on the various projects we undertook in 2018 amounted to 577.8 million Turkish lira before capitalization, (2017: 512 million Turkish lira), and 368.57 million Turkish lira after capitalization (2017: 317.2 million Turkish lira).

Corporate social responsibility and donations

Our company and employees support many corporate social responsibility projects in education, health, environment and culture, which are fundamental focus areas. Among these initiatives, those that require larger budgets are led by the Vehbi Koç Foundation. Total donations made to tax-exempt foundations and associations in 2018, including those given to the Vehbi Koç Foundation, amounted to 41.8 million Turkish lira (2017: 27.4 million Turkish lira)

Changes to the Board of Directors and Company Management

At the Ordinary General Assembly Meeting dated March 19, 2018, the number of members on our Board of Directors was set at 14 in total, including two independent members. Our Board of Directors was appointed to serve until the next Ordinary General Assembly Meeting, which would convene to review the 2018 accounts. No changes were made to the Board of Directors in 2018. However, Ali Riza Aksoy, who previously served as the Industrial Relations & Manufacturing Human Resources Senior Manager, was appointed as the Director of Human Resources from March 30, 2018.

Ford Otosan remained as Turkey's biggest automotive employer

As of the end of 2018, the total number of our employees was 10,598, including 8,086 hourly and 2,512 salaried employees (2017: a total 11,501 employees with 8,847 hourly and 2,654 salaried). Our employees are covered by the Group Collective Bargaining Agreement, signed between the Turkish Metal Union and the Turkish Employers' Association of Metal Industries, and effective until August 31, 2019.

A year of strong financial results

You will find, starting from page number 120 of the Annual Report, independently audited financial statements regarding the results of 2018 operations, as well as the relevant footnotes to the documents. While our domestic sales volume fell by 43% due to the challenging macro environment in the country, our domestic revenues only shrank by 20% to 6 billion Turkish lira thanks to our pricing discipline and positive sales mix. With market growth and strong demand for our vehicles, our export volume rose by 11% to 328,892 units. Our exports rose by 53% to 27 billion Turkish lira, thanks to higher sales volumes and favorable exchange rates. While our wholesale volume fell by 4% to 394,660, our revenues grew by 31% to 33.3 billion Turkish lira due to the strong export performance. The share of exports in total sales rose to 82% from 70% in 2017. Despite rising costs and the high base year due to the 38% increase in Euro/Turkish lira exchange rate and the rising inflation, we maintained our profitability thanks to our cost reduction actions, effective opex control and pricing discipline.

Through effective cost management, our operating profit rose by 34% to 2.3 billion Turkish lira. Our pre-tax profit grew by 19% to 1.8 billion Turkish lira. This is because our financing expenses grew due to exchange rates. Our net income rose by 13% to 1.7 billion Turkish lira. As of December 31, 2018, there is 1.4 billion Turkish lira in cash and 4.5 billion Turkish lira in financial liabilities. Our company closely monitors financial risks and takes a highly cautious approach against such uncertainties. Maximum sensitivity and due diligence go into efforts to keep risk-related financial ratios within the basic policy limits set by the Board of Directors and the Early Determination and Management of Risk Committee. We explain our key risk management policies in the Risk Management section of our Annual Report. Summaries of the data on the nature and levels of risks can be found in the footnotes to the corresponding financial tables. 1.2 billion Turkish lira was invested in new projects and typical activities undertaken every year.

Dividend policy and proposed dividend

Our company pays out dividends in accordance with the provisions of the Turkish Commercial Code, rules and regulations issued by the Capital Markets Board of Turkey, tax legislation, and other related rules and regulations, as well as the sections of our Articles of Association regarding dividend payouts. Our dividend policy is balanced and consistent, and heeds the interests of both shareholders and the company in line with the Corporate Governance Principles issued by the Capital Markets Board of Turkey.

The full text of our Dividend Policy is available on page 25 of this report and on our corporate website (www.fordotosan.com.tr). Ford Otosan is one of the most consistent and high dividend-paying companies listed on BIST. The company continued to share its increased profitability and cash flow with shareholders in 2018. A total of 1.2 billion Turkish lira in dividends was paid out in two installments during the year, setting a new historic record. Dividends paid-out increased by 52 % year-on-year in 2018.

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As outlined in our Dividend Policy, in accordance with our investment and financing policies, and after deducting for legal requirements from 2018 net profits, and taking into account the cash flow situation, we propose to pay out a gross dividend of 243.00 kuruş (206.55 kuruş net) for each one Turkish lira par value. This is 852,711,300 Turkish lira in total, or 243% gross (206.55% net) cash dividend. Payments will be made to our shareholders starting from April 1, 2019. The details of our dividend payout proposal are also provided on page 26 of the report.

Selection of the Independent Audit Firm

Pursuant to the guidelines set in accordance with Turkish Commercial Code No. 6102 and Capital Markets Law No. 6362, and after consultation with the Audit Committee, our Board of Directors met on February 7, 2019, and resolved to designate PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the task of auditing our company's financial statements and reports for the 2019 accounting period in addition to performing other activities within the scope of regulations set forth as per the law. We submit this resolution for the approval of the General Assembly.

Our views and expectations for 2019

We began 2019 with a cautious approach. We foresee that Turkish automotive sales will continue to fall in 2019. This has been attributed to higher costs caused by the rising exchange rates, high interest rates and inflation, limited availability of loans, and the macro environment. We aim to repeat our 2018 performance leveraging Ford's strong positioning in Europe. In line with our profitable growth target, we will sustain our cost reduction actions and manage our activities more efficiently and effectively. We will maintain productive, high-quality and flexible working principles to ensure our future success.

We will also remain steadfast in giving top priority to risk management and preserving our strong financial structure.

As the pioneer of the Turkish automotive industry, export champion of the country, and Turkey's second-largest industrial enterprise, we will always continue bringing value to our country and creating higher added value to our esteemed investors.

We would like to extend our sincere thanks to our founders, who have made vital contributions to the success of Ford Otosan; to our investors; to our business partners; to all our employees; to the Turkish Metal Union; to our suppliers; to our dealers; to all our customers; and to you, our valuable shareholders.

Sincerely,

Ford Otomotiv Sanayi A.Ş.
Board of Directors

2019 GUIDANCE

	2018 A	2019 F
Turkish Industry Volume	635 k	380 - 430 k
Ford Otosan Retail Sales Volume	69 k	40 - 50 k
Exports	329 k	320 - 330 k
Wholesale Volume	395 k	360 - 380 k
Production Volume	374 k	350 - 360 k
CapEx (Fixed Assets)	166 mn €	160 - 180 mn €

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DIVIDEND POLICY

Our Company conducts a dividend policy within the framework of the provisions of the Turkish Commercial Code, Capital Markets Legislation, Tax Regulations and other relevant legislation as well as the provisions of the Articles of Association governing the distribution of profits. In the distribution of profit, a consistent and balanced policy is followed between shareholders and Company requirements in line with Corporate Governance Principles. In principle, subject to being covered by the resources existing in legal records, and subject to the decision of the Ordinary or Extraordinary General Assembly Meeting, when required, excluding periods of large investment or severe economic downturn, by taking into consideration other legislation, financial and market conditions, long-term strategy, investment and financing policies, profitability and cash position, a minimum 50% of the distributable profit for the period calculated within the framework of the Capital Markets Legislation is distributed in the form of cash and/or bonus shares. The dividend distribution date is determined by the General Assembly and targeted to be within one month after the General or Extraordinary Assembly Meeting date. The General Assembly, or if authorized the Board of Directors, may decide to pay dividends in installments within the framework of Capital Markets Legislation. According to the Company's Articles of Association, the Board of Directors can distribute an advance.

2018 DIVIDEND DISTRIBUTION PROPOSAL

As per the attached Profit Distribution Proposal which prepared in accordance with the CMB's regulations, Article No.19 of the Articles of Incorporation of the Company and the investment and financing policies as stated in the Dividend Distribution Policy approved by the General Assembly held on March 25, 2014 and considering the cash flow position, it's resolved to present;

(i) not to allocate 5 % first rank legal reserve required by Article 519 of the Turkish Commercial Code for 2018 since the amount of first rank legal reserve has already reached 20 % of share capital in tax books as of 31.12.2018;

(ii) to cover TL 83.516.580 second rank legal reserve from net income of TL 1.683.196.018 which is in the financial statements prepared within the framework of CMB's regulations and pay 243,0000 % gross (206,5500 % net) in proportion and TL 852.711.300 total gross dividend in cash assuming each share with a nominal value of 1-TL pays Kr 243,0000 gross (Kr. 206,5500 net in accordance with the Dividend Distribution Proposal) and allocate the remaining TL 746.968.138 as extraordinary reserves;

(iii) to cover TL 83.516.580 second rank legal reserve from 2018 net income of TL 1.198.036.754 which is formed in accordance with Tax Procedure Law records, pay TL 852.711.300 total gross cash dividend and allocate the remaining TL 261.808.874 as extraordinary reserves;

(iv) and to determine dividend distribution date as April 01, 2019; to the General Assembly's approval.

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Ford Otomotiv Sanayi A.Ş. 2018 Dividend Distribution Proposal Table (TL)

1. Paid-in / Issued Capital			350.910.000
2. Total Legal Reserves (According to Tax Book)			370.599.170
If there is dividend privilege in the Articles of Association, information regarding this privilege: No			-
		According to CMB	**According to Tax Book**
3.	**Current Period Profit**	**1.761.112.319**	**1.215.005.555**
4.	**Taxes Payable (-)**	(77.916.301)	(16.968.801)
5.	**Net Current Period Profit**	**1.683.196.018**	**1.198.036.754**
6.	**Losses in Previous Years (-)**	0	0
7.	**Primary Legal Reserve (-)**	0	0
8.	**NET DISTRIBUTABLE CURRENT PERIOD PROFIT**	**1.683.196.018**	**1.198.036.754**
9.	Donations Made during the Year (+)	41.749.634	
10.	**Donation-Added Net Distributable Current Period Profit on which First Dividend Is Calculated**	**1.724.945.652**	
11.	**First Dividend to Shareholders**	**852.711.300**	
	-Cash	852.711.300	
	-Stock	0	
	-Total	852.711.300	
12.	Dividend Distributed to Owners of Privileged Shares	0	
13.	**Other Dividend Distributed**	**0**	
	-To the Employees	0	
	-To the Members of the Board of Directors	0	
	-To None Shareholders	0	
14.	Dividend to Owners of Redeemed Shares	0	
15.	Second Dividend to Shareholders	0	
16.	Secondary Legal Reserves	83.516.580	
17.	Statutory Reserves	0	0
18.	Special Reserves	0	0
19.	**EXTRAORDINARY RESERVES**	**746.968.138**	**261.808.874**
20.	**Other Distributable Resources**	**0**	**0**
	-Retained Earnings	0	0
	-Extraordinary Reserves	0	0
	-Other distributable reserves in accordance with the Law and the Articles of Association	0	0

Ford Otomotiv Sanayi A.Ş. 2017 Dividend Rates Table

	SHARE GROUP	**DIVIDEND AMOUNT**		**TOTAL DIVIDEND AMOUNT (TL) / NET DISTRIBUTABLE CURRENT PERIOD PROFIT (%)**	**DIVIDEND TO BE PAID FOR SHARE WITH PAR VALUE OF 1 TL**	
		CASH (TL)	STOCK (TL)	RATE (%)	AMOUNT (TL)	RATE (%
NET	Group A	144.954.466	0	8,61	2,0655	206,55
	Group B	333.661.458	0	19,82	2,4300	243,00
	Group C	297.425.879	0	17,67	2,0655	206,55
	TOTAL	**776.041.803**	**0**	**46,11**		

1) There is no privileged share group within the profit.
2) Withholding tax at a rate of 0% is applied for a dividend amounting to TL 7,919,862 belonging to the Koç Holding Retirement and Assistance Fund Foundation and Vehbi Koç Foundation among Group A shares; and a withholding tax at a rate of 15% is applied to the shares corresponding to dividend worth TL 161,217,181 assuming that all these shares are held by real persons.
3) As the entirety of Group B shares belongs to our fully responsible legal entity shareholders, Koç Holding A.Ş and Temel Ticaret A.Ş, a withholding tax at a rate of 0% is applied while the net dividend is calculated for this group.
4) As the entire Group C shares belong to our limited taxpayer-shareholder, Ford Motor Company, a withholding tax at a rate of 15% is applied while the net dividend is calculated for this group.

REMUNERATION POLICY FOR THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

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

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

Executive Board Members are compensated as per the Remuneration Policy for Senior Executives, detailed below. Performance - based compensation or stock option plans cannot be used to determine the remuneration of independent Board Members. Members of the Board of Directors are paid according to the principle of per diem deduction taking into consideration their term of service.

Costs borne by the members of the Board of Directors due to their contributions to the company (transportation, telephone, insurance, etc. expenditures) can be met by the Company. Remuneration of Senior Executives consists of two components: Base salary and performance based bonus. Base salaries of Senior Executives are determined in accordance with international standards and legal responsibilities, taking into consideration macroeconomic data within the market, the remuneration policies in the market, size and long-term goals of the company, and positions and efficiency levels of the individuals.

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

Bonus Base

Bonus bases are updated at the beginning of each year and vary according to the workload of the executives.

Company Performance

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

Individual Performance

For the determination of individual performance, employee, customer, process, technology and long-term strategy-related goals are taken into consideration, together with the company goals. For the calculation of individual performance, the long-term sustainability improvement principle is observed also, outside the financial spheres, as is the case for company performance. The total remuneration amount determined according to these principles, and paid to the Senior Executives and the members of the Board of Directors during the year, is submitted for the information of the partners in the subsequent General Assembly Meeting, in accordance with the regulations.

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2019 BOARD OF DIRECTORS MEMBER CANDIDATES

Rahmi M. Koç *

Ali Y. Koç *

Steven Armstrong *

William R. Periam *

Roelant de Waard *

İ. Cenk Çimen *

O. Turgay Durak *

Birgit Annelies Behrendt*

Joerg Beyer

Ali İhsan İlkbahar *

Fatma Füsun Akkal Bozok *
(Independent Member Candidate)

Leonard Meany *
(Independent Member Candidate)

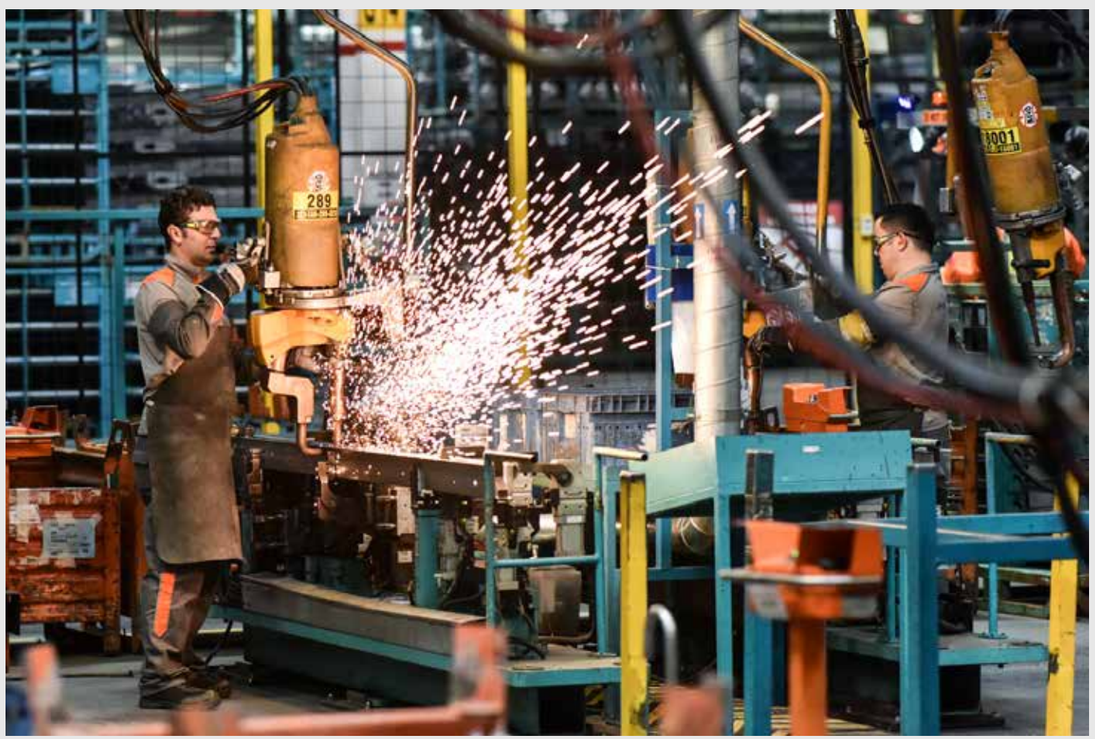
Haydar Yenigün *

Lisa K. King *

Joerg Beyer

Mr. Joerg Beyer graduated with a diploma in automotive engineering from Rheinisch-Westfälische Technische Hochschule Aachen in 1991.Since joining Ford in 1990, Beyer has held a variety of Product Development roles at Ford Motor Company in Germany, the UK and the United States – including chief engineer for Mondeo and Fiesta. He is managing director, Product Development, Ford-Werke GmbH, and executive director, Engineering, Ford of Europe.Previously, Beyer was executive director, Global Programs, responsible for leading all global programs developed in Ford's Development Centers around the world. He headed the pre-production vehicles and innovation division, as well as the small car segment with global responsibility.

* Resumes are available on pages 36 to 40.



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CHAIRMAN'S MESSAGE

Our Esteemed Shareholders, Business Partners, and Employees,

Despite a challenging operating environment, 2018 was a year of record-breaking production and exports for Ford Otosan. We completed the year with successful results thanks to our profitability-focused strategy and cost reduction actions.

World agenda dominated by trade wars

Over the course of the year, the global agenda was dominated by the trade war between China and the United States, and its potential impact on global growth dynamics. The Fed hiked interest rates four times in response to improving macroeconomic indicators in the U.S., while the European Central Bank continued its loose monetary policy due to unpromising growth. Uncertainty surrounding Brexit grew with lack of progress over the talks.

In Turkey, geopolitical developments, a highly volatile financial market, rising interest rates and inflation led to a challenging environment.

We reached record levels in production and exports

Turkey's automotive market saw a big decline. While this contraction negatively impacted our domestic sales, we have reinforced our long-standing leadership in the Turkish commercial vehicles market, increasing our market share to 30.8%.Strong demand for our products in the export markets drove our production and exports to a record high. Throughout the year, we have focused on key areas to achieve our profitability targets. 67% of our domestic sales consisted of the vehicles we produced at our own plants. The share of imports in our wholesale volume remained at 5%. We achieved our cost-reduction targets. We focused more on risk management than ever before and have maintained our strong financial structure.

Our revenues rose by 31% to 33.3 billion Turkish lira. Our operating profit increased by 34% to 2.3 billion Turkish lira. Our profit before tax increased by 19% to 1.8 billion Turkish lira and our net profit was up by 13% to 1.7 billion Turkish lira.

We paid our highest-ever dividend

As a publicly traded company since 1986, creating value for our investors is one of our top priorities. Thanks to our successful exports performance in 2018, we achieved a strong cash flow and maintained our maximum dividend policy. We distributed 1.2 billion Turkish lira in dividends, an increase of 52% YoY. In 2019, we aim to continue our dividend policy.

Ford Otosan's shares outperformed the BIST 100 Index by 11%, while the share of foreign investors in free float was 80%.

F-MAX won the "International Truck of the Year" award

Ford Trucks is a crucial venture that excites us for the future of Ford Otosan. In 2010, we made a strategic decision to grow Ford Trucks and our investments exceeded $400 million since 2015. We built a strong network of heavy commercial vehicle dealers in Turkey. Following suit with the Middle East, Africa, Russia and Turkic Republics in international markets, we launched dealerships in Central and Eastern Europe. As of the end of 2018, we operate in 35 countries. Leveraging our network, we increased our truck exports by 49% in 2017 and 39% in 2018. At Ford Trucks, our goal is to expand our operations to 51 countries by the end of 2020, to export a third of our production capacity and to deliver 50% of our exports to European markets.

In 2018, we blazed a new trail in the Turkish automotive industry. Launched to the world at the Hannover Fair in Germany, our new tractor F-MAX won the International Truck of the Year award, signifying our production power and engineering prowess. As part of the design process for F-MAX that started in 2013, we carried out tests in 11 countries on four continents, covering nearly 5 million kilometers. Following detailed analyses, our truck was designed to respond to customer needs in the best and most cost-effective manner. 1,200 Ford Otosan engineers were involved in the five-year design, development and production processes, while many domestic manufacturers also contributed to production. The success of our vehicle and the attention it received has made us extremely proud. The F-Vision was another model that made its mark at the Hannover Fair. It is the first concept vehicle designed by the Ford Otosan Design Studio with an all-electric engine, self-driving, and innovative design.

As part of our growth strategy for trucks, we achieved another first this year in Turkey: we started a joint R&D venture with AVL, a company that develops autonomous convoy-platooning technologies. In this context, we aim to contribute to the reduction of fuel consumption and carbon emissions, and the improvement of driving safety in heavy commercial vehicles.

We expect Ford Motor Company's alliance with Volkswagen AG to bring more growth potential to our company in the long term

This year, our partner Ford Motor Company and Volkswagen AG, another industry leader, signed a memorandum of understanding to boost their competitiveness and better serve their customers. The two giants announced that they will work together to achieve improvement across the entire value chain and to allocate more resources to autonomous vehicles, mobility services, and electric vehicles. The cooperation will also involve the development of new commercial vehicles. We believe that Ford Otosan, Europe's largest commercial vehicle production base, will take on more responsibility in production and engineering during this process.

The first project in our innovation process has commercialized

As part of our vision to "become Turkey's most valuable and most preferred industrial company," we launched our innovation and digital transformation programs in 2015 to improve our existing businesses and create new opportunities. This process involves many exciting projects and has started to bear its first fruits. The Rezervis project, which was designed by a team of Ford Otosan employees at the Fikirhane platform that we built to promote innovation, was found fit for commercialization and spun off as a separate company. Ford Otosan owns 25% share in Rezervis.

By significantly investing in manufacturing technologies in the Industry 4.0 era, we are undergoing a thorough digital transformation in all stages of production

Ford Otosan had 11 robots in 1991. Today, we have 1,030 robots used in production. 250 of our robots were installed by our own engineers. As part of our digital manufacturing efforts, we implemented our big data platform, which collects data from all robots and the systems that supervise them at our Gölcük Plant. Using this data, we began to receive the first outputs from projects such as automatic planning.

Through these efforts, we aim to achieve a faster, more flexible, more productive, more competitive, more profitable and higher value-creating structure in the long term.

Expectations for 2019

We began 2019 with a cautious approach. While concerns about global trade wars continue, we are monitoring the signs of economic slowdown in Europe, which is our main export market, and developments on Brexit. The subdued growth caused the Fed to delay interest rate hikes, followed by the other central banks. Additionally, the slowdown in demand is keeping oil and commodity prices subdued. In this period, Turkey's priority should be to sustain capital inflows by maintaining a market-friendly and efficient economic program with determination.

At Koç Group, we have faith in our country and will continue our investments to increase our competitiveness, benefit our country and make a difference with a carefully planned and long-term perspective.

I would like to take the opportunity to express my deepest gratitude to our esteemed colleagues, valuable suppliers and dealers, loyal customers, and you, our valued shareholders.

Sincerely yours,

Ali Y. Koç
Chairman

CEO'S MESSAGE

Dear Shareholders and Stakeholders,,

We completed 2018 with many achievements resulting from our production, exports, social responsibility efforts, innovation projects, product launches, and many other activities.

Turkish automotive sales, which stood at approximately 1 million units for the last three years, fell to 635,000 units in 2018 due to the strong base effect, rising vehicle prices with soaring exchange rates, high interest rates and tightening liquidity. Special Consumption Tax and Value Added Tax incentives implemented in the last two months of the year were a positive development that allowed for the continuity of production and employment in the industry.

We moved up to third place in market share

Ford Otosan was also affected by this contraction. Our retail sales declined by 41% to 69,000 units. However, with the impact of the new Custom, Courier and Focus products launched in the year, the Ford brand moved up one place to third position by market share. On the other hand, we bolstered our long-standing leadership in commercial vehicles with 30.8% share. Ford Transit was Turkey's "Most Preferred Light Commercial Vehicle."

With the strong demand for our products in export markets, our annual production reached a record level of 373,702 units. We single-handedly accounted for 24% of Turkey's vehicle production.

We are proud to be Turkey's top exporter for the fourth consecutive year

Ford continued its European CV market leadership for the fourth consecutive year and increased its market share to 14.1 %, the highest level in 23 years. Sales rose by 8 % to 381,000 units.

Ford Otosan continued to play an important role in this success by manufacturing 83% of the Transit family vans sold in Europe. While our exports in 2018 increased to a record level of 329,000 units, we proudly became Turkey's top exporter for the fourth time with $5.7 billion in exports revenue, and top automotive exporter for the eighth time. We accounted for 25% of Turkey's automotive exports. As our overseas network expanded to 35 countries from 28 countries, our truck exports rose by 39%.

In 2018, we completed the capacity increase we began in 2017 and reached a total production capacity of 455,000 vehicles, 330,000 of which is at our Gölcük Plant. As part of the capacity increase, we installed a new press line, and 51 robots at the welding shop.

While revamping our Custom and Courier models, we launched a brand-new Ford Focus and our new truck F-MAX. We continued working on the hybrid (PHEV) version of our Custom model due to hit the markets in the last quarter of 2019 as Ford's first commercial electric vehicle.

F-MAX named "International Truck of the Year"

One of the most important highlights of this year was undoubtedly the award we received for F-MAX. Ford Otosan's ability to design and manufacture vehicles has been recognized with the International Truck of the Year award. This award, judged by a jury of 23 commercial vehicle editors and senior journalists from 23 European countries, is a major step for our future. We continue our journey in this segment with the support and trust of our partners, Ford Motor Company and Koç Holding.

As Turkey's biggest automotive employer, Ford Otosan believes that its workforce is key to its success. Our Employee Engagement ratio, an important indicator for developing our road map, measured annually, increased by 5% YoY to 72 %.

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We are fully dedicated to and continue to work towards our vision to "become Turkey's most valuable and most preferred industrial company," which we set in 2015. In addition to our recent Digital Transformation and Innovation efforts, we have also initiated the Shared Values and Lean Transformation processes this year.

We continue to invest in our plants to prepare for the Industry 4.0 era. Our smart production information systems monitor all transactions instantly. Data from all locations are collected and transferred to our data processing center. Using this data, a digital twin of our production is created. This enables us to monitor our production and performance simultaneously. With our digital production model, we can instantly access data and run data analytics projects. We can prepare new projects to anticipate failures by instantly detecting deviations.

We manage our digital transformation with 23 projects

We are managing our digital transformation with 23 projects. This includes the iDEAL platform, which will transform the way our dealers work and the end-to-end customer experience; wearable technologies; robots working alongside people; and virtual reality. In particular, our investments in customer experience, connected vehicles, and smart production will continue. In 2019 and the following years, we expect to recoup these investments in the form of increased productivity and enhanced customer satisfaction.

We embrace gender equality and take concrete steps

"For My Country" is an umbrella project that aims to promote corporate social responsibility among Koç Group companies, employees, dealers, and suppliers. The focus area was announced as "Gender Equality for 2015-2017 period. From the onset, we invested in this project with the support of all our stakeholders to level the playing field for women in business and social life. In the automotive industry, we share a great responsibility to raise this awareness and create an egalitarian work environment. Ford Otosan signed the Women Empowerment Principles (WEPs), a United Nations initiative, to embrace gender equality and establish concrete efforts in this area. We also invited our dealers and suppliers to sign the initiative.

Additionally, we became the first company in Turkey to become a member of the Society of Women Engineers (SWE), of which the Ford Motor Company is also a member. In order to assume a more inclusive role, we also established SWE Istanbul. In 2019, we will share with you the activities to be carried out in this regard.

For five years we have participated in Steptember, aiming to improve the quality of life of children suffering from cerebral palsy. This year, the donations we collected during the campaign made us the company that created the highest social benefits in Turkey.

We have an established roadmap and clear goals to reach our vision to "become Turkey's most valuable and most preferred industrial company." We work with an extremely valuable workforce with very high management skills. In 2019, we will intensify our efforts in lean business processes, smart production methods, digitalizing infrastructure, and culture of innovation, shaping the way we do business to create more value for all our stakeholders.

Haydar Yenigün
General Manager

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BOARD OF DIRECTORS

Rahmi M. Koç

- Honorary Chairman
- Honorary Chairman of Koç Holding A.Ş.

Mr. Rahmi M. Koç earned a Bachelor's Degree in Business Administration from Johns Hopkins University (USA). Rahmi M. Koç started his active career at Otokoç Ankara in 1958. He then became Chairman of the Executive Committee off Koç Holding in 1970, Vice President of the Board in 1975, and Chairman of the Managing Committee in 1980. He handed over his position to Mustafa V. Koç on 4 April 2003. Rahmi M. Koç has remained a Board Member and assumed the title of Honorary Chairman. Koç, who has been a Member of the Ford Otosan Board of Directors since 1961 and Chairman of the Board since 1972, is currently Honorary Chairman of the Ford Otosan Board of Directors since 10 December 2012. Rahmi M. Koc is or has been affiliated with many institutions and organisations including:

• The Metropolitan Museum of Art, New York City, Honorary Trustee
• Former President of the International Chamber of Commerce
• Vice Chairman of the Board of Trustees of the Vehbi Koç Foundation
• Honorary Chairman of the Board of Trustees of the Koç University
• Founder and Chairman of the Board of the Rahmi M. Koç Museum and Cultural Foundation
• Chairman of the Board of the Vehbi Koç Foundation American Hospital
• Honorary Chairman and Founding Member of TURMEPA, The Turkish Marine and Environment Protection Association
• Honorary President of the Advisory Board of the Turkish Industrialists' and Businessmen's Association
• Member of the Advisory Board of the Turkish Employers Association
• Founding Chairman of the Global Relations Forum
Honorary PhDs from;
Johns Hopkins University, Eskisehir Anadolu University, İzmir Ege University, Ankara Bilkent University, Constanta Ovidius University and Aydın Adnan Menderes University.
Service Medals;
"State Medal of Distinguished Service" by the President of Turkey, "Grosses Verdienst Kreuz" (Great Cross of Merit of Germany) by the German government, "Order of Merit of the Italian Republic" by Italy, "the Order of Merit" by the Presidency of the Republic of Austria and "(Honorary) Commander of the Most Excellent Order of the British Empire (CBE)" and "Officier dans L'Ordre National de la Legion D'Honneur" which is the most prestigious order of French government.

Ali Y. Koç

- Chairman
- Vice Chairman - Koç Holding A.Ş. Board of Directors

Mr. Ali Y. Koç capped his undergraduate studies at the Management Faculty of Rice University (USA) with an MBA from Harvard Business School. He started his career at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank. Mr. Ali Y. Koç joined Koç Holding in 1997 and held senior-level positions until 2010 including new business development and information technologies. He was the President of Corporate Communications and IT Group. He has been serving as a Board Member at Koç Holding since 2008 and was elected as Vice Chairman in February 2016. Ali Y. Koç has been serving on the Board of Directors at Ford Otosan since 1997 and was elected as Chairman on 10 December 2012. Currently, Ali Y. Koç is the Chairman of Ark İnşaat, Bilkom, Digital Panorama, Koç Information and Defence Technologies, Koç Financial Services, Koç Sistem, Koçtaş, Otokar, Otokoç, Setur and Yapı Kredi Bank. Ali Y. Koç also contributes to the country's social and economic development at Fenerbahçe as Chairman, URAK – National Competition Research Association as President, Endeavor Association and DEİK, Foreign Economic Relations Board as Board Member. He is also the Vice Chairman of TÜSİAD – Turkish Industry and Business Association and member of the Global Advisory Council of Bank of America, Harvard University and CFR.

Steven Armstrong

- Vice Chairman
- Ford of Europe Group Vice President and President, Europe, Middle East & amp; Africa
- Member - Ford Sollers Board of Directors

Mr. Armstrong has a bachelor's degree in business administration from the University of East London. During his more than 25 years in the auto industry, he has held a variety of senior management and purchasing positions for Ford, Jaguar Land Rover, Volvo Cars, and served as chief operating officer of Getrag-Ford Transmissions. He has been recognized with many awards, including being named a Eurostar by Automotive News in 2005 for improving supplier relations for Volvo. Steven Armstrong was appointed group vice president and president of Europe, Middle East and Africa, Ford Motor Company, June 1, 2017. Prior to this position, he served as vice president and chief operating officer, Ford of Europe, from September 1, 2016. Mr. Armstrong appointed a Ford Otosan Board member and vice chairman of the Board of Directors, and a Member of the Remuneration Committee, effective September 8, 2017.

William R. Periam

- Member
- CFO - Ford of Europe
- Member - Corporate Governance Committee
- Member - Early Determination and Management of Risk Committee

Mr. Periam earned a bachelor's degree in Management Sciences from Manchester University (UK). He joined Ford as an Investment Analyst in the United Kingdom in 1989. He has held multiple senior management positions at Ford in the Finance, Credit, Business Development and Business Strategy departments in the USA, Germany, Brazil and China. He was appointed Deputy General Manager and a Member of the Board of Directors of Ford Otosan from September 2013 until August 2016. Mr. Periam was appointed as the Chief Financial Officer of Ford of Europe as of August 1, 2016 and remains a member of the Board Directors at Ford Otosan. He also serves as Member of the Corporate Governance and Early Determination and Management of Risk Committees since August 1, 2016.

Roelant de Waard

- Member
- Vice President, Marketing, Sales and Service - Ford of Europe

Mr. de Waard holds a Master's degree in Economics & Business from Erasmus University Rotterdam. He joined Ford Netherlands in 1990. He was appointed as the Sales Manager in 1993 and Marketing Manager in 1995. Roelant de Waard moved to Dearborn in 1996 where he became Marketing Strategy Manager and, in 1998, Marketing Plans Manager at the Large Vehicle Centre. He returned to Europe in 1999 as the Director of Operations for Ford Netherlands and served as Managing Director Ford Netherlands starting from April 2000. In January 2001, he was appointed as Director, Ford of Europe Retail Management, a position he held until March 2002. He was the Vice President FCSD – Europe (Ford Customer Service Division), from April 2002. From February 2006 until the end of 2008, de Waard was Chairman and Managing Director of Ford of Britain. From January 2009, he was Vice President of Sales, Ford of Europe, responsible for 49 markets, including the UK, France, Italy, Spain and Russia. Roelant de Waard is Vice President of Marketing, Sales and Service, Ford of Europe, effective January 1, 2011. Mr. de Waard was appointed as Ford Otosan Board Member on December 9, 2015.

İ. Cenk Çimen

- Member
- Automotive Group President - Koç Holding A.Ş.
- Member - Remuneration Committee Member - Early Determination and Management of Risk Committee

Mr. Çimen has an Industrial Engineering degree from Istanbul Technical University. He completed Executive Development Programs at Stanford University (USA) and University of California Los Angeles (USA). He joined Koç Group in 1991 as a Management Trainee at Nasoto. He assumed Sales Coordinator, Regional Manager and Import Manager responsibilities at Otosan Pazarlama from 1993 to 1996. He served as Fleet Sales Manager at Ford Otosan from 1996 to 1998 and became the General Manager of Otokoç Ankara in 1998. In 2001, he was appointed as the General Manager of the companies merged under Otokoç. In 2005 his responsibility was extended to include the General Manager role for Birmot A.Ş., also assuming responsibility for Avis car rental business. He has been serving as the Automotive Group President at Koç Holding since June 2009. He was elected as a member of Ford Otosan Board of Directors on March 25, 2014. He has been serving as the member of the Early Determination and Management of Risk Committee since April 21, 2014 and a member of Remuneration Committee since March 27, 2015.

O. Turgay Durak

> Member

Mr. Durak is a graduate of the Mechanical Engineering Department of Northwestern University (USA) where he also completed his Master's degree in mechanical engineering. His career commenced at Ford Otosan in 1976 as Applications Engineer. In the same year, he assumed the position of Product Development and Design Engineer, and by 1979 he became the İnönü Engine Plant Project Leader. In 1982 and 1984, he was assigned as Project Coordination Manager and Project Coordination Department Head, respectively. In 1986 and 1987, he was designated as Assistant General Manager of Marketing and Assistant General Manager of Purchasing, respectively. He became the Deputy General Manager of Ford Otosan in 2000. He started to serve as the General Manager in 2002 when he also joined the Board of Directors. From 2007 to 2009, he was the Automotive Group President at Koç Holding. He served as Deputy CEO of Koç Holding from May 2009 until April 2010 and as CEO and Member of the Board of Directors of Koç Holding from April 2010 to March 31, 2015, Mr. Durak retired at age 63. He was Chairman of the Board of the Automotive Manufacturers Association for 6 years between 2004 and 2010. He served as a member of the Istanbul Chamber of Industry (ISO) from January 2008 to May 2010 and was a board member between February 2009 and May 2010. Mr. Durak also was a National Board Member of International Chamber Of Commerce from February 2014 to March 2015.

Birgit Annelies Behrendt

> Member
> Ford of Europe Vice president, Joint Ventures, Alliances and Commercial Affairs

Birgit Behrendt holds a business degree from the Administration and Business Academy (Verwaltungs- und Wirtschaftsakademie) in Cologne, Germany. She joined Ford in Cologne in 1978 as a commercial apprentice. From April 1, 2008 through July 2010, Behrendt was vice president, Purchasing, Ford of Europe, and executive director, Global Programs. Before she assumed the role of executive director, Global Programs and the Americas Purchasing. In this role, Behrendt oversaw all Purchasing activities for Ford's North and South America operations while working closely with Product Development on all global vehicle and powertrain programs. She was elected a corporate officer and named vice president, Global Programs and Purchasing Operations in Aug. 2013. Behrendt is vice president, Joint Ventures, Alliances and Commercial Affairs, effective Jan. 1, 2018. She was appointed as a Member of the Board of Directors of Ford Otosan on 19 March 2018.

Joseph Bakaj

> Member
> Vice President, Product Development - Ford of Europe

Mr. Bakaj holds a Mechanical Engineering degree from the City University London. His past experience includes powertrain engineering and extensive noise, vibration and harshness (NVH) and chassis work. Before rejoining Ford of Europe in 2005, Bakaj was senior managing executive officer in charge of design, product planning, research and development for Mazda Motor Corporation and responsible for the worldwide development of all Mazda products. Bakaj was appointed as Vice President Product Development Ford of Europe in July 2005 and elected Corporate Officer in August 2005. In January 2007, his responsibilities were expanded to include Global Programs. Between January 2011 and November 2013, Bakaj served as Vice President, Powertrain Engineering, responsible for overseeing all engine and transmission engineering worldwide. He retired from his position since November 2013 at Ford Europe as Vice President Product Development on December 31, 2018. He was appointed as a Member of the Board of Directors of Ford Otosan in September 2017.

Ali İhsan İlkbahar

> Member
> Member - Corporate Governance Committee

Mr. İlkbahar graduated from Istanbul Technical University Mechanical Engineering (MSc.) and started working as a Manufacturing Engineer at Otosan in 1964. He spent his entire professional life at Ford Otosan where he served as the General Manager during the last 14 years and retired at the beginning of 2000. He was also the Koç Holding Ford Group President between 1996-2000. He was involved in the construction project of the Otosan Engine Plant in Eskişehir İnönü in 1980. He led the Gölcük Plant project and Connect vehicle project between 1997 and 2000. He was the Chairman of Board of Directors at Automotive Manufacturers Association for 15 years, from 1989 until February 2004. He served as a member of Ford Otosan Board of Directors from 1991 to 2012 and he was elected again on 25 March 2014. He has also been serving as the member of the Corporate Governance Committee since April 21, 2014.

Füsun Akkal Bozok

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

Mrs. Bozok earned a Bachelor's Degree in Business Administration from Istanbul University. She also holds an MBA from Boğaziçi University and a PhD in Business Administration from İstanbul University. She started her career as an Auditor at Arthur Andersen in 1980. In 1983, she joined Koç Holding as an auditor at the Internal Audit Department. After serving as an Audit Coordinator between 1992 and 2003, she was appointed Finance Director in 2003. Bozok also worked as a Project Manager between 1995 and 1996 under Koç Group's MIS Project. Bozok continued her career at Koç University between 2006 and 2008 as a member at the Faculty of Computer Systems Supervision and International Finance. Since 2008, she has been a member of the Sabancı University International Finance and Auditing Faculty. Füsun Bozok was appointed a Board Member at Yapı Kredi Bankası in 2004. She was appointed as an Independent Board Member at Akiş GYO and Bizim Toptan in 2017 and at Tat Gıda Sanayi, İzocam and Ford Otosan in 2018. Bozok also holds CMB Credit Rating, Corporate Governance, and Advanced Derivative Licenses.

Leonard Meany

> Independent Board Member
> Audit Committee Member
> Chairman - Corporate Governance Committee

Mr. Meany holds a Business Management degree from the University College Cork (Ireland). Mr. Meany started his career at Finance department, Ford of Europe, in 1973. He was appointed Controller, Ford of Europe Commercial Vehicle Product Development in April 1988 working on an SUV JV with Transit and Nissan. Following the Investment Agreement negotiations with the Russian Government for the establishment of a production facility in St. Petersburg, he was appointed CFO/Board Member Ford Russia in August 1999. In April 2003, he was appointed Operations Controller, Genk, Belgium Manufacturing Operations during major restructuring actions completed in 2004 including transfer of Transit manufacturing operations to Turkey. He was appointed Director, Business Development, Ford of Europe in July 2006 joining the Ford team negotiating the purchase of former Daewoo manufacturing facilities from the Romanian Government and minority shareholders. Mr. Meany was appointed CFO Ford Romania in April 2008. After completing his duty, Mr. Meany retired in 2011. He was elected as an independent Board Member of the Ford Otosan Board of Directors on 29 March 2016. He has been serving as a member of the Audit Committee since April 6, 2016. He was appointed as the Chairman of the Corporate Governance Committee on 31 March 2017.

Haydar Yenigün

> Member
> General Manager

Mr. Yenigün graduated from Yıldız Technical University in Mechanical Engineering and joined Ford Otosan in 1987, He found opportunity to serve in many different departments in production and worked as Project engineer between 1992 and 1996 after completing his military duty. He continued serving in different positions during the establishment of the Kocaeli Plant after the shares of Ford Motor Company and Otosan A.S. were equalized in 1997. He became Project Leader in 1998. He participated in the production process of commercial vehicles design and production processes to be built in the new plant. He worked as Body Construction Area Manager in the Kocaeli Plant between 1999 and 2007, and served as Kocaeli Plant Manager and Assistant General Manager from 2007 to 2012. He was appointed as Ford Otosan General Manager and became a Member of the Board of Directors on 15 February 2012. He is currently Chairman of the Automotive Manufacturers Association (OSD). In addition, he is a member of Kocaeli Chamber of Industry Board of Directors, member of Turkish Industry and Business Association, Vice Chairman of the Turkish-American Business Council Executive Committee and a member of the International Investors Association (YASED).

Lisa K. King

> Member
> Deputy General Manager

Mrs. King earned a bachelor's degree in Management Sciences and Statistics from Loughborough University (UK). Prior to Ford, she worked at Hewlett Packard as an internal consultant in process improvement, and then at Ernst & Young Consulting as a business consultant. She joined Ford in 1996 into the Process Leadership team and held a number of positions including starting up a joint venture call center business supporting all Ford call centers globally, and a variety of buying and purchasing strategy roles. She was appointed Global Purchasing Director, Stamping and Raw Materials in 2008. In 2011, she assumed the role of Purchasing Director, Manufacturing and Transportation. She became the Vice President, Purchasing FordSollers in Russia and held this role from 2013 until her move to Chassis in 2015. Following her tenure as Global Purchasing Director, Chassis, she was appointed Ford Otosan Deputy General Manager and member of Board of Directors on September 1, 2016.

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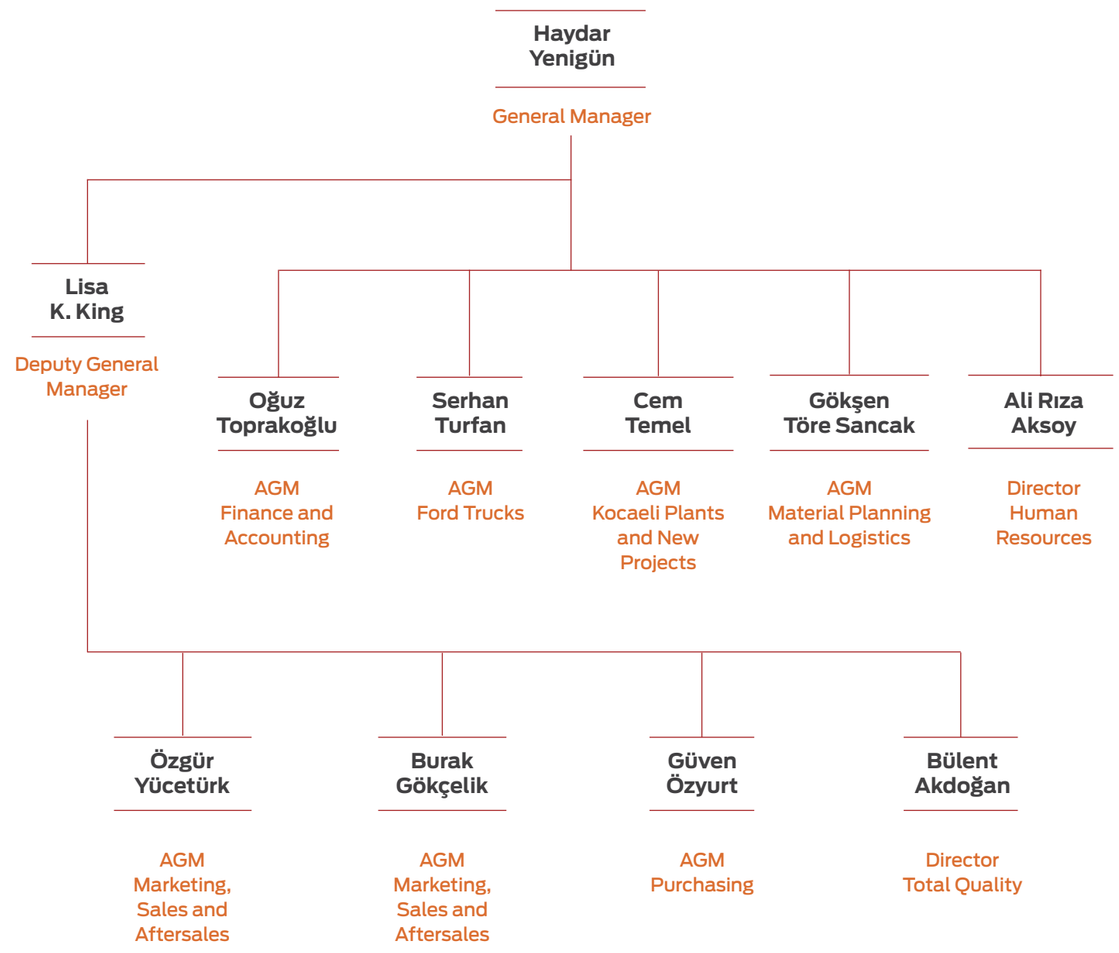
ORGANIZATION CHART



EXECUTIVE MANAGEMENT

Haydar Yenigün

> General Manager
> Member - Board of Directors

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Oğuz Toprakoğlu

> Assistant General Manager - Finance and Accounting (CFO)
> Member - Corporate Governance Committee

Mr. Toprakoğlu graduated from the Economics Department of Boğaziçi University in 1991, and joined Ford Otosan in the same year as a Financial Specialist. He became Inventory Planning and Control Specialist in 1993, Commercial Accounting Team Leader in 1995 and Financial Control Manager in 1998. He worked as the Finance Manager of Ford of Europe from 2002 to 2004. In 2004, he was appointed as Deputy CFO of Ford Otosan and has been serving as Assistant General Manager (CFO) of Finance and Accounting since 2006. As of July 3, 2014 he was assigned as Corporate Governance Committee Member.

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Serhan Turfan

> Assistant General Manager - Ford Trucks

Mr. Turfan earned his Bachelor's degree in Mechanical Engineering from Boğaziçi University in 1995 and completed his Executive MBA degree at Marmara University in 1997. Started working at Ford Otosan in 1995 as a Sales Planning & Logistics Specialist. After respectively, he became Sales Support Team Leader, Sales Planning Senior Manager, Sales Senior Manager, and Marketing Senior Manager. In 2010, he was appointed as Service & Spare Parts Director and has held various directorial positions until 2017. After becoming the Director – Ford Trucks Turkey, Mr. Turfan was appointed Assistant General Manager – Ford Trucks as of January 1, 2018.

Özgür Yücetürk

> Assistant General Manager - Marketing, Sales and After Sales

Mr. Yücetürk graduated from Mechanical Engineering Department at Boğaziçi University in 1995, completed his Executive MBA degree at Koç University in 2002 and completed AMP of Harvard University in 2018. He joined Ford Otosan Marketing Department in 1995 as a Product Specialist. After holding various positions in Marketing & Sales departments as Marketing Strategy Manager, Passenger Car Brand Manager and Sales Support Manager, he served as the Technical Assistant to the General Manager. He was appointed as Marketing Manager in 2002. He worked as the European Sales Operations Coordinator at Ford of Europe in 2006. He returned to Ford Otosan in 2007 as Marketing Director and became the Sales and After Sales Field Operations Director in 2009. He has been serving as the Assistant General Manager of Marketing, Sales and After Sales since October 1, 2014.

Burak Gökçelik

> Assistant General Manager - Product Development

Mr. Gökçelik graduated from the Mechanical Engineering Department of Ruhr University (Germany) and completed an MBA at Koç University. He joined Ford Otosan as a Product Development Engineer in 1988. He became Compound Construction Team Leader in 1994, Body Construction Development Manager in 1997, İnönü Plant Assistant Manager in 2004 and İnönü Plant Manager in 2006. He became Assistant General Manager of Engineering at Ford Otosan Product Development in 2009. He worked as Assistant Director of Engineering at Ford Motor Company in the UK from 2011 to 2013. He served as Assistant General Manager of Engineering at Ford Otosan Product Development from 2013 to 2016. Mr. Gökçelik was assigned as Product Development - Assistant General Manager as of February 1, 2016.

Cem Temel

> Assistant General Manager - Kocaeli Plants and New Projects

Mr. Temel graduated from İstanbul Technical University in 1991 and completed a Masters degree at İstanbul University in 1992. He joined Ford Otosan in 1993 as an engineer in Quality department. He worked on launching the Press Area between 1998-2008 and served as Press and Tool & Die Group Manager between 2008-2012. He became Gölcük Assistant Plant Manager in 2012 and Gölcük Plant Manager in 2013. Mr. Temel was assigned as Assistant General Manager – Kocaeli Plants and New Projects as of February 1, 2016.

Güven Özyurt

> Assistant General Manager - Purchasing

Mr. Özyurt graduated from the Mechanical Engineering Department of Istanbul Technical University in 1989, and completed an MBA at Istanbul University in 1990. In the same year, he joined Ford Otosan as a Method Engineer. After taking on various positions in the fields of Product Development, Service and Quality Engineering, Export and Sales Planning, he became a Project Engineer in the Kocaeli Plant Project Team in 1997. He worked as the Project Leader of the same team from 1998 to 1999. In 2000, he was appointed Material Planning Manager. He was appointed as Assistant General Manager, Material Planning and Logistics in 2010 and as Assistant General Manager, Purchasing on June 1, 2014. He has been serving as corporate coach at Koç Group since 2013.

Gökşen Töre Sancak

> Assistant General Manager – Material Planning and Logistics

Mrs. Sancak earned a bachelor's and Master's degree in Business Administration Engineering from İstanbul Technical University. She joined Ford Otosan in 1996 as Purchasing Specialist. She became Import Supply Team Leader in 2001 and worked as Import Supply Assistant Manager between 2004-2009. She was appointed as Global Supply Operations Assistant Manager from 2009 to 2011. She was appointed as Part Export, Business & Supply Chain Flow Design Senior Manager from 2011 to 2014; and became Central Planning Manager until 2016. She was assigned as Assistant General Manager – Material Planning & Logistics as of February 1, 2016.

Ali Rıza Aksoy

> Director - Human Resources

Mr. Aksoy graduated from İstanbul Technical University Industrial Engineering Department with an MsC degree in 1995, earned his Executive MBA degree from Koç University in 2017. He joined Ford Otosan in 1996 as an Industrial Engineer. During the first six years of his career at Ford Otosan, Mr. Aksoy's responsibilities included Manufacturing, Industrial Engineering, Ford Production System, Total Productive Maintenance and ISO 9000 and ISO 14001 projects as a Method Engineer. At the end of 2001, he was transferred to the HR Department. He worked as a Manager in HR Applications, Personnel Management and HR operations and Labor Relations departments. Following his latest assignment as the Industrial Relations & Manufacturing Human Resources Senior Manager, Mr. Aksoy was appointed as Human Resources Director on 30th March 2018.

Bülent Akdoğan

> Director - Total Quality

Mr. Akdoğan graduated from the Mechanical Engineering Department of Middle East Technical University in 1985. He started his career as a Valve Specialist at Hidrel Hidrolik. In 1988, he joined Ford Otosan as an Assembly Method Engineer. He became Project Engineer in 1991 and Product and Process Development Team Leader in 1994. In 1999, he took part in the Kocaeli Plant Project Team as Assembly Area Deputy Manager. In 2007, he became the acting Quality Assurance Manager, assuming the position formally between 2008 and 2012. He was appointed as Total Quality Director in 2012.

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Digital Transformation 72

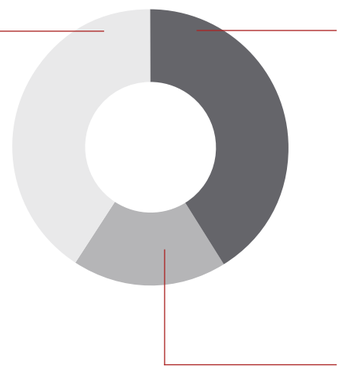
INVESTOR RELATIONS

Strong and committed shareholder structure

Ford Motor Company

41%

Ford Motor Company is a global company based in Dearborn, Michigan. The company designs, manufactures, markets and services a full line of Ford cars, trucks, SUVs, electrified vehicles and Lincoln luxury vehicles, provides financial services through Ford Motor Credit Company and is pursuing leadership positions in electrification, autonomous vehicles and mobility solutions. Ford employs approximately 199,000 people worldwide.



Koç Holding A.Ş.

41%

Established in 1926, Koç Holding is Turkey's leading investment holding company and the Koç Group is Turkey's largest industrial and services group in terms of revenues, exports, share in Borsa İstanbul's market capitalization and employment generation. While maintaining its leadership position in Turkey, The Koç Group focuses on sustainable and profitable growth with an aim to be a key player in its region and in the world.

Free Float

18%

Traded on the Borsa Istanbul since: January 13, 1986
Ticker symbol: FROTO.IS
Paid-in Capital: TL 350,910,000
Authorized Capital: TL 500,000,000

Ford Otosan, a Group A share, is traded on BIST Stars. As a result of its success in environmental, social, and governance practices, Ford Otosan has been included in the BIST Sustainability Index and FTSE4Good Emerging Markets Index, one of the most important indices used for responsible investments.

2018 Main indicators

Closing Price: 50.25 TL
Market Cap: US$ 3.3 billion
Highest Price (intraday): TL 69.24
Lowest Price (intraday): TL 47.42
Average Daily Trading Volume: US$ 4.0 million
Foreign Share in Free Float: 80%

FTSE4Good

Strong share price performance

BIST-100 decreased by 21% in TL terms while Ford Otosan fell by 12% in 2018. In terms of market cap, Ford Otosan ranked as the most valuable auto company and 14th overall among BIST companies. Foreign share in free float is at 80% levels.

Investor relations practices in global standards

Investor Relations Team attended 19 conferences and roadshows and held over 350 meetings with investors and analysts. Quarterly meetings were held with the investment community with the attendance of our CFO to discuss financial results.

Ford Otosan provides regularly updated date to the stakeholders by company website, investor presentation and investor relations application.

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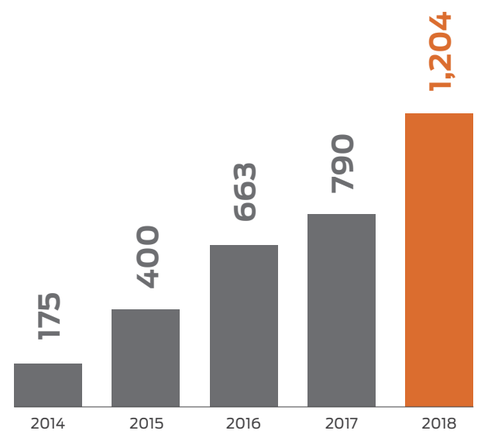
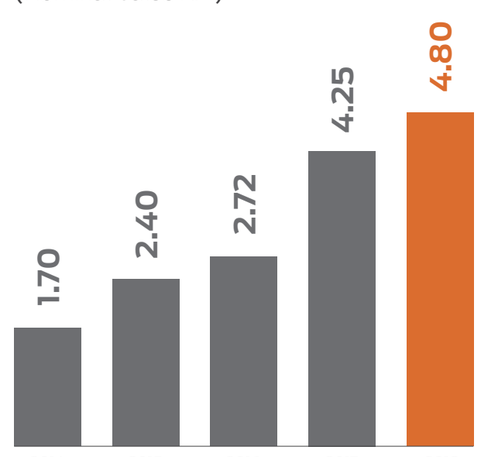
Surging dividend payments
(Gross, Million TL)



Earnings Per Share
(Nominal Value Kr 1)



Ford Otosan's value proposition

Scale & Growth

- Turkey's export champion and industry leader in commercial vehicles
- Ford of Europe's largest vehicle manufacturer in Europe
- Technology licensing agreements delivering royalty fees with strong growth potential

Resilience & Efficiency

- €-denominated export revenues, including non-€ countries
- Above sector capacity utilization
- Efficient, flexible and low-cost manufacturing and engineering competency

Strong Balance Sheet & Prudent Risk Management

- Surging FCF generation following completion of capex cycle
- Rising volumes and profitability driven by new products
- Natural hedge of fx-payables due to fx-denominated export revenues

Shareholder Value Creation

- Dividend growth with surging FCF
- Strong relative share performance in the long term
- Commitment to good corporate governance

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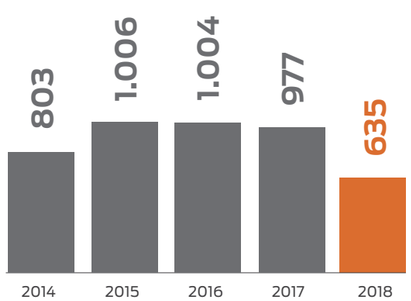
TURKISH AUTOMOTIVE MARKET AND FORD OTOSAN

Total automotive market ('000 units)



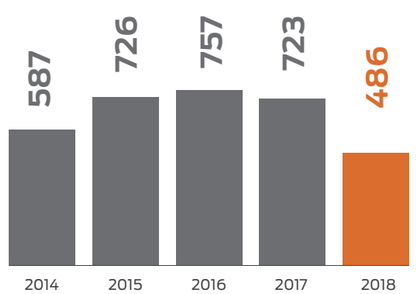
Source: ODD and TAID

The Turkish automotive sector sales was realized as 635,000 units in 2018 due to the strong base effect, high interest rates, tight liquidity conditions and higher vehicle prices by reason of increase in the exchange rates. Decrease in SCT and VAT rate was put into operation for the last 2-month period which was seen as a positive development in terms of production and employment continuity.

Ford Otosan took 3rd place in the total industry with 68.838 units sales and 10.8% market share.

#3 **Ford Otosan took 3rd place in the total industry in 2018.**

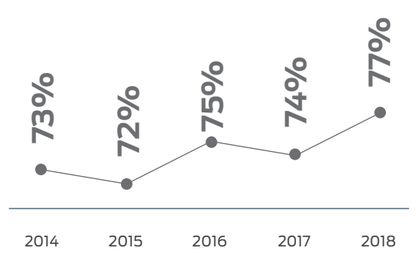
Passenger Cars ('000 units)



Passenger car sales decreased by 33% to 486,321 units.

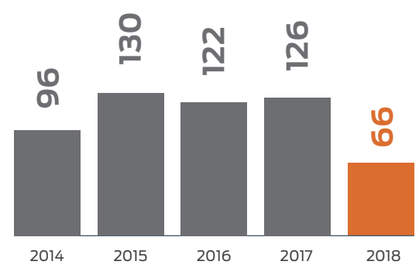
Ford Otosan focuses on profitability in this segment that the company finished 2018 in 10th place with 4.9% passenger car market share and 23,748 units.

Share of passenger cars in the total industry (%)



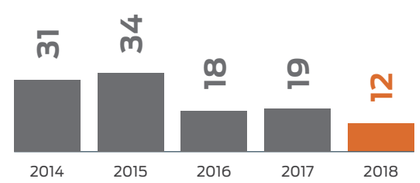
Share of passenger cars rose to 77%.

Light commercial vehicles ('000 units)



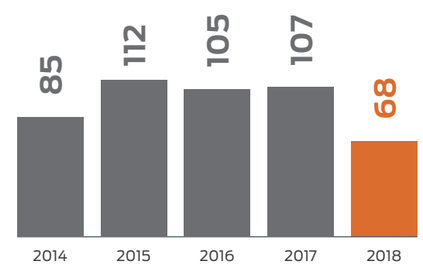
Light commercial vehicle sales were down 47% to 66,448 units. Ford Otosan took 2nd place in the segment with 17,999 unit sales and a market share of 27.1%.

Truck ('000 units)



Heavy truck sales decreased 36% to 11,984 units. Ford Otosan was 2nd in the truck segment with 28.5% market share and 3,410 unit sales.

Medium commercial vehicles ('000 units)



Medium commercial vehicle sales were down 36% to 68,168 units. Ford Otosan maintained its leadership in this segment with 23,681 unit sales and a market share of 34.7%. Transit, the leading nameplate in its segment, maintained a market share higher than the sum of the following three brands.

Transit has become the most preferred light commercial vehicle in Turkey in 2018.

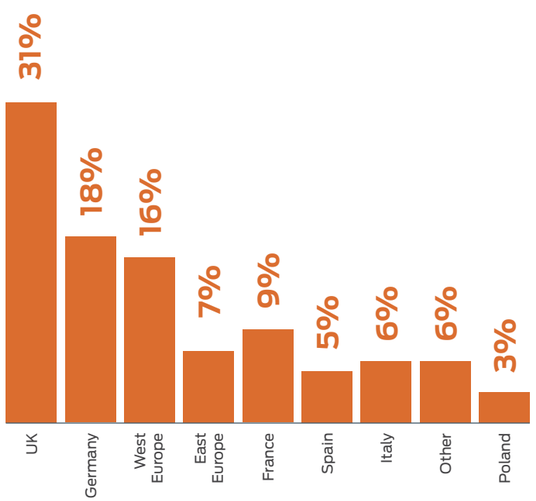
Source: ODD

#1 **Ford Otosan maintained its leadership in commercial vehicles with a 31% market share.**

EXPORTS

Our exports reached a record level of 328,892 units in 2018 with a 11% increase. Ford Otosan became Turkey's export champion for the fourth consecutive year with US$ 5.7 billion export revenues.

Main export markets (Units)



All export revenues are €-denominated (including non-€ countries)

Commercial vehicle sales rose 3.1% in Europe.

	CHANGE,%				
COUNTRY	2014	2015	2016	2017	2018
UK	18.7	15.6	1.0	-3.6	-1.3
Germany	7.3	4.2	8.5	4.9	5.5
İtaly	16.4	12.4	50.0	-3.4	-6.0
Spain	33.2	36.1	11.2	15.5	7.8
France	1.5	2.0	8.2	7.1	4.6
Europe	11.3	11.6	11.9	3.9	3.1

Source: ACEA, Vans up to 3.5 tons. 27 European markets excluding Malta.

Export Revenues in 2018

US$

5.7

billion

Vehicle and Spare Parts exports to

94

Countries in

5

Continents

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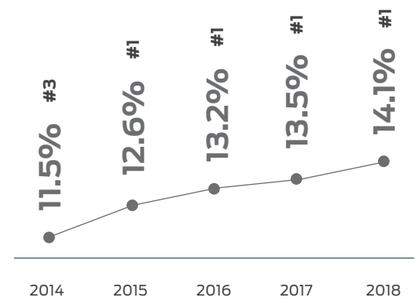
Ford continued to increase its commercial vehicle market share in Europe.



In 2018, Ford Otosan achieved 24% of Turkey's overall automotive production, 71% of the commercial vehicle production and 74% of the commercial vehicle exports. Our number of exports was increased by 7% in Custom, 20% in Transit, 2% in Courier and 39% in Cargo year over year. Ford successfully sustained its leadership position in Europe commercial vehicles for four consecutive years with increasing market share. As Ford Otosan, we play a crucial role in this success with our timely, flexible and high quality production.

Ford Otosan's Yeniköy Port, equipped with 400,000 annual loading and unloading capacity, is currently the only production integrated automotive port in Turkey. In this regard, Ford Otosan remains as the only automotive plant to have its own port, which gives our company a significant competitive advantage against our peers. In 2018, 390,000 units were distributed from our Yeniköy Port that has a Green Port Certificate and is one of

#1 Ford is the best-selling commercial vehicle brand in Europe for the last four years

9% Annual increase in Ford's commercial vehicle sales

14.1% Ford reached the highest market share in European commercial vehicles since 1995

83% Ford Otosan's share in Transit vehicles sold by Ford in Europe

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PRODUCTION AND CAPACITY

84% capacity utilization rate

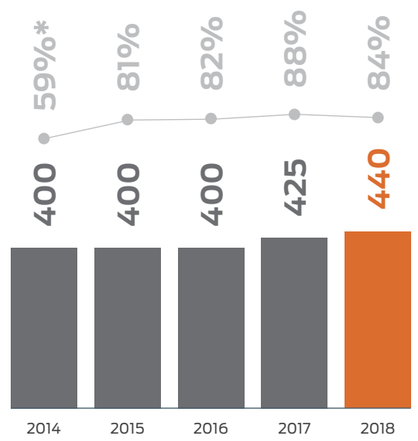
Despite the contraction in the domestic market, Ford Otosan's production increased by 12% to 373,702 vehicles in 2018 to meet high export demand. The company operated at 84% capacity utilization rate on a three-shift basis. Capacity utilization was lower than 2017 due to the increase in the production capacity in the last quarter.

In 2018, the production were suspended for 12 working days at our Gölcük Plant for the planned maintenance and repair. In Yeniköy and İnönü Plants, the total number of intermittent stops was 30 and 48 working days respectively due to planned maintenance and repair works, annual vacation usage and inventory planning.

Ford's largest commercial vehicle production base in Europe.

When opened in 2001, the Kocaeli Plant had an annual production capacity of 40,000 Transit vehicles. Since then, it has significantly increased its manufacturing capacity, thanks to its productivity, flexibility, and high quality production. As of 2014, its total capacity increased to 400,000 units spanning 3 products. With the completion of the annual production capacity increase investment, our capacity increased to 440,000 units. In this process, the capacity increase due to the increase in demand and the shifting of production from other Ford centers to Ford Otosan have been the factors..

Kocaeli Plant Capacity and Utilization ('000)



* 2014 numbers reflect the transition to new product range and relevant ramp-up period.

The best plant by "Ford production system" standards

Ford Otosan enjoys productivity and competitive advantage thanks to a fully established lean manufacturing environment in line with the Ford Production Systems (FPS). Ford Otosan plants were recognized as the best Ford plants in audits conducted by the Ford Europe FPS office. Ford started implementing its Global Ford Production Systems by consolidating manufacturing processes and development under one umbrella in 2011.

In 2012, Ford Otosan began to train its employees in Global Ford Production Systems, and this new program was launched at Gölcük and İnönü plants in 2013. Ford Otosan was the first Ford plant in Europe to implement this system. In 2014, the system was also launched at the Yeniköy Plant. Ford Otosan quickly and effectively incorporated Global Ford Production Systems, and was named Europe's best performing plant in this regard.

In 2018, we completed the capacity increase we began in 2017 and reached a total manufacturing capacity of 455,000 vehicles, 330,000 of which is at our Gölcük Plant. During the installation of our new press line, which we began as part of the capacity increase, we installed 51 robots in the welding shop. The whole process was managed with zero occupational accidents.

64 robots were put into operation in 11 projects. As part of our efforts for Innovation and Smart Factory, 10 projects were prioritized among 154 projects. For example, the digital maintenance goggles used within the context of wearable technologies facilitate access to Occupational Health and Safety measures, maintenance guidelines, technical information and visual aids needed during maintenance. Thanks to its voice control functionality, it is possible to select these documents with voice commands and view them with the goggles. When help from an outside specialist is required, the maintenance operator can be guided through visual and auditory communication using the goggles of the attending operator.

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HIGHEST INSTALLED PRODUCTION CAPACITY IN EUROPE

We increased our total production capacity.

2014	2017	2018
415,000 →	440,000 →	455,000

Ford Otosan has taken a decision to increase the annual production capacity of the Gölcük Plant from 290,000 units to 330,000 units in order to meet increasing export demand. The investment costed US$52 million and completed in September 2018. The production capacity in our three plants has risen from 415,000 units per annum to 455,000 units per annum.

Kocaeli Plants
440,000 Units

Gölcük Plant
330,000 Units*

Transit
160,000 Units

Custom
180,000 Units

Yeniköy Plant
110,000 Units

Courier

İnönü Plant
15,000 Units

Truck

* The paintshop capacity of the Gölcük plant is 330,000 units and in this capacity, Transit and Custom production can rise up to 160,000 and 180,000 units respectively.

PLANTS AND FACILITIES

KOCAELİ PLANTS

Gölcük Plant

340,000 m²

indoor space

Annual production capacity

180.000 units Custom
160.000 units Transit
total capacity

330,000 units

Opened in
2001

You can watch the film of our Kocaeli Plants by scanning the QR code.

Lead manufacturing plant of Ford Transit

Opened in 2001, the Gölcük Plant became the world's leading Transit production center in 2004 thanks to its high manufacturing quality and the advanced technology used by Turkish workers. The Gölcük Plant is distinguished among global Ford production facilities for its exceptional quality standards, and has been awarded many prizes both at home and abroad for its environmentally friendly manufacturing. The plant's proximity to industry and its own port facilities give Ford Otosan logistical superiority. The facility houses tool and die, press, body, paint and assembly shops. Its Central Maintenance, Production Planning, and Quality Assurance Departments provide common services to the entire facility.

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2012

On July 23, production of the new Ford models, Transit Custom and Tourneo Custom – newly added to the Transit family – started on a third production line established at the Gölcük Plant.

2014

The production of the next generation Transit started in January and the vehicle has been successfully commissioned throughout the year. Investments worth $850 million in the Gölcük Plant for the new Transit series and the Yeniköy Plant increased the annual capacity of the Kocaeli Facilities from 320,000 units to 400,000 units per year.

2015

Investments were completed at the Gölcük Plant, had a total capacity of 290,000 units, to increase Custom's annual production capacity from 130,000 to 150,000 units.

2016

The second Plastic Paint Shop was opened at the Gölcük Plant. Following new European emission regulations, the Euro 6 Panther engine was introduced and first used in the Ford Custom model at the Gölcük Plant.

2017

Investments have been completed to increase the annual production capacity of Custom vehicles from 150,000 units to 170,000 units. Production capacity of the Gölcük Plant increased from 290,000 units to 315,000 units and Kocaeli Plants to 415,000 units.

2018

The investments to increase the annual manufacturing capacity of Custom vehicles from 170,000 to 180,000 units were completed. In 2018, we reached a record level of production with 310,000 units. Custom model has been renewed and launched. The investments for Transit, which will be renewed in 2019, were completed and test vehicles were produced. Pre-manufacturing vehicles were produced for the Hybrid Electric Transit vehicle, which will be launched in 2019.

Yeniköy Plant

Opened in **2014**

122.000 m²

indoor space

Annual production capacity

110.000

units Courier

Yeniköy Plant was established as Ford Otosan's third plant. It was the first automobile plant established in Turkey in 13 years. Completed in a record time of 16 months, Yeniköy Plant has been known for a number of "firsts." It was the first and only plant in Turkey where the same project simultaneously included the factory construction, end-to-end vehicle design, prototype production, and production lines. Yeniköy Plant's proximity to industry and own port facilities usage with Gölcük Plant give Ford Otosan logistical superiority. Yeniköy Plant is recognized as "employee-centered," innovative, efficient, and lifestyle-enhancing thanks to its disability awareness and environmentally friendly approach, in addition to its sensitivity to occupational health and safety and employment gender equality.

The feasibility studies and engineering behind the manufacturing of Ford Courier, which was designed entirely by Turkish engineers, were completed by the Yeniköy Plant Project Team. Courier is Ford's only commercial vehicle in the B segment and is manufactured solely at the Yeniköy Plant before being exported to 40 countries.

From April, Ford Courier was refreshed and started production with a renewed front view, SYNC3 system, emission improvements, and six forward transmission properties.

With demonstrated quality, technical, and organizational excellence, Yeniköy Plant is fast becoming Ford's leading production center and has been awarded on many platforms.

Ford is firmly focused on increasing accessibility. In recognition of its efforts with the "Touch with Sign Language" project, Ford Otosan received the Chairman's Leadership Award for Diversity (CLAD) in Europe and the Diversity & Inclusion award globally. Thanks to this project, hearing-impaired employees are encouraged to interact in a wider area without the need for an interpreter in their working environments.
The factory always keeps Occupational Health and Safety (OHS) at the forefront and has won the "Recommended Practice" award in MESS OHS Competition for its "Innovative Pedestrian/Vehicle Security Systems" project.

Yeniköy Plant has the best quality metrics among all of Ford of Europe facilities since 2016. As a result of the projects carried out, Ford has been the most efficient factory in Europe for 2 years in energy consumption per vehicle.

İNÖNÜ PLANT

Opened in **1982**

109.000 m²

indoor space

Annual production capacity

15.000	75.000	140.000
units truck	engine (Transit and truck)	rear axles (Transit)

The only factory in Turkey capable of producing vehicle, diesel engine and power train in the same center.

İnönü Plant in Eskişehir manufactures Ford trucks (tractors, road trucks, and construction series) in addition to engines and engine systems. F-MAX, "2019 International Truck of the Year" award winner, was added to our Ford Trucks Family. As a result of investments made in 2014, the plant now has an annual truck production capacity of 15,000 units. Furthermore, it can produce up to 75,000 Cargo and Transit model engines and 140,000 Transit model rear axles each year. To date, the İnönü Plant has manufactured more than 850,000 engines for more than 220,000 trucks and tractors. In the years ahead, after its product range is finalized, Ford trucks made at İnönü Plant will be exported to approximately 50 countries over three continents. Among Ford Europe, İnönü Plant is the only producer of Transit model rear axles. İnönü plant started to export 14.000 units axle pipes to North America per year after the completion of additional investment.

The assembly lines were updated with a new welding plant and paint shop. These were commissioned for the F-MAX vehicle and have led to more effective, efficient, and technologically advanced work. The massive line of welding robots installed on the welding line works with over 90% performance. The paint shop e-coat line was commissioned with a versatile infrastructure and installation. It can process a wide range of products, including truck cabins, truck-transit chassis arms, and transit sub-assembly parts. Thanks to the extended assembly lines, two truck products, such as the Cargo and F-MAX, can be produced on the same line.

Inönü Plant produces the Duratorq engines used in Transit vehicles and, following an investment of $100 million, now also produces the new Euro 6 compliant Ecotorq engines. Ford Otosan's new 13-liter Ecotorq engines, whose intellectual property rights are 100 percent owned by the company, will have a variety of applications, including in heavy commercial, industrial, and marine fields. Inönü Plant has an R&D Center, an Engine Test Center, a Test Track, and a Prototype Development Workshop. Detailed information can be found on pages 68 and 69 of our report.

You can watch the film of our İnönü Plant by scanning the QR code.

Within the scope of the Innovation Projects, Ford Otosan's Collaborative Robot Project took a further step in 2018. With establishment of the Robot Programming Training Center in the factory, competencies increased across the board. Additionally, short and basic programs can now be designed at the plant. Within the scope of the bench renewal plan initiated in 2018, the capacities and efficiency within the Motor Area Factory have increased and been regulated.

Innovative solutions of 2018 include the Three-Tier line-up/stocking area, machining quality data collection system supporting the smart factory infrastructure, and high-tech measurement equipment.

Sancaktepe R&D Center

Ford Otosan is Ford's global engineering hub for heavy commercial vehicles and associated diesel engines and engine systems. It also provides core support for Ford light commercial vehicle design and engineering.

The R&D Center in Sancaktepe was recognized and registered as an "R&D Center" by the Ministry of Science, Industry, and Technology in December 2014, becoming Ford Otosan's second R&D Center. Today, with more than 1,100 engineers, Ford Otosan R&D center is the largest organization in the Turkish automotive industry, exporting engineering services.

Sancaktepe Spare Parts Distribution Center

With a closed area of 35,000 m2, Ford Otosan Spare Parts Distribution Center is the largest facility of its kind in Turkey. It is the hub where all of Ford Otosan's spare parts, marketing, sales, and after sales operations are managed. Our center is fourth among Ford's European spare parts distribution centers in terms of indoor space capacity, and provides services to 174 dealers across Turkey and 50 dealers in 50 different countries internationally. The center has a 96 percent order fill rate as a result of its effective spare parts management, a much higher figure than comparable Ford centers. In September 2017, a new spare parts distribution center of 1000 m2 in Poland where storage and distribution services are made by external purchase methods was opened. With the introduction of this distribution center located in Eastern Europe, we aim to improve spare parts delivery times and to increase customer satisfaction.

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SUPPLIERS

One of the most important stakeholders of our vision "to become Turkey's most valuable and most preferred industrial company" is our suppliers. The Turkish automotive industry's competitive position stems from a network of well-established and experienced suppliers. Today, our suppliers, which make up about 40% of total automotive exports, offer competitive goods and services with world-class standards by exporting to the world's leading producers or producing on-site. As one of the first car manufacturers in Turkey, Ford Otosan supported the development of many suppliers to reach their current levels and helped the leading global suppliers make investments in Turkey directly or by establishing partnerships.

Localization

Localization is one of the most important areas where we directly and indirectly add value:

- Cost advantage (price per piece, shipping, storage)
- Increasing the capacity utilization of our domestic suppliers to make them more efficient enterprises
- Increased employment
- Reducing the exchange rate risk in our vehicle costs
- Managing any sudden changes in production more conveniently and at a lower cost
- Favorable position in domestic official purchases by increasing the domestic added value of our vehicles
- Important advantage in providing and pricing spare parts

Our company holds domestic goods certificate for our products. Today, many product groups used in vehicles are supplied from domestic sources. We are constantly developing new ideas and projects to increase our localization. The localization of the entire value chain, not only the end product, is our ultimate goal to maximize value added.

Maintaining and improving our localization rate, it is our strategic priority to localize new technology electronic components and new materials that are lighter and more durable than the existing ones. In this regard, we support the development of local suppliers, who bring necessary technologies to Turkey, and foreign suppliers who invest in our country.

Sustainability

Sustainability in every sense is the basis of our relationship with our suppliers. We handle sustainability under four main headings:

- Competitive pricing and continuous productivity
- Continuity of quality, manufacturing and supply
- Financial strength and health
- Technical/commercial support for new projects

Our contracts are generally designed to be valid for the relevant parts or products until the vehicle in which they are used goes out of service. Ford and Ford Otosan attach great importance to the fact that our suppliers totally comply with the global Ford Q1 certification criteria showing their commitment to sustainable processes and operations.

Our Digitalization and Lean Management Projects are the most critical agenda items when it comes to achieving a competitive structure in all areas with an innovative thinking structure that envisages continuous improvement.

Smart Purchasing System

This platform, which will digitalize all end-to-end purchasing processes, is designed to advance the process with real-time data entry and approval from the internal (Purchasing, Engineering, Material Planning/Supply, Financial Affairs) and external (Supplier) stakeholders that are part of the process. In all of our subsequent or parallel processes,
We aim for:

- Accessible information for all (Corporate memory)
- Transparency and traceability at every stage
- Mobile and electronic approvals
- E-signatures instead of original signatures
- Systematic standards and discipline with measurement and reporting of all processe
- Elimination of all no-value-adding and inefficient steps in the current processes

R&D

An established R&D culture

Ford Otosan's Product Development Department kicked off the first R&D efforts of the Turkish automotive sector in 1961. Otosan had produced Turkey's first domestic passenger car, Anadol, in 1966 and designed the first diesel engine, ERK, in 1986. Ford Otosan had developed the Transit Connect model, its first big project following the establishment of equal partnership with Ford in 1997, a new Cargo truck and Ecotorq, a brand new heavy commercial vehicle engine, in 2003.

Ford Otosan has all the skills and infrastructure necessary to design, develop, and test a vehicle in its entirety, including the engine, from scratch to product. Our company employs cutting-edge technology to offer competitive products not only in Turkey, but also to all potential export markets, including Europe and North America.

The largest R&D organization in the Turkish Automotive industry

Ford Otosan has the largest R&D organization in the Turkish automotive industry, exporting engineering services with more than 1,100 R&D engineers. As part of the ongoing research and product development activities for Ford Motor Company and Ford Otosan, a large number of projects of various contents and sizes are carried out regarding the engine and power transmission systems, interior and exterior body, chassis systems, and electrical and electronic systems of the vehicles. Following the technological transformation in the automotive industry,and in addition to traditional automotive products and services, advanced R&D studies are carried out in the areas of carbon dioxide emissions reduction, connected vehicles, autonomous vehicles, electric vehicles and electrification, and light vehicle technologies. Investments in R&D infrastructure continue.

Turkey's engineering export leader

Ford Otosan, Turkey's export champion, was rewarded the first prize for the third times in "Architectural, Engineering, Scientific & Other Technical Services" category which was held at the "Turkey's Top 500 Service Exporter" survey in 2018 by Turkey Exporters' Assembly (TIM). Our total engineering export has reached US$ 646 million since 2010.

Ford Otosan launched many different projects, including the Euro 6-compliant Global Duratorq engines used in Transit, Custom, Ranger and Everest models, and the premium diesel engine with a sequential twin-turbocharger used in vehicles such as the Mondeo, Edge, S-MAX, and Galaxy. The calibration of the diesel engines in Euro 6.1 and Euro 6.2, the new models of the Ford Fiesta, which is one of the most successful models of the Ford Motor Company, is a prime example of the projects carried out by Ford Otosan engineers.

Ford Otosan's R&D teams continue to be awarded with the prestigious awards in the Ford world. Following the "Henry Ford Technology Award" received in 2017, two other projects received Ford Global Innovation Awards in 2018.

Transit Courier, the Signature Product of Ford Otosan in Design and Technology

Ford Otosan started producing Ford Transit Couriers at its Yeniköy Plant in March 2014 after successfully completing all engineering, prototyping, and plant construction and production work in 40 months. Courier is Ford's first light commercial B-platform vehicle, and all its engineering work was carried out by Ford Otosan.

Ecotorq engine family

Developed entirely by Turkish engineers within a short four-year period, new generation Ecotorq Eu6 engine family was awarded the Grand Prize at the Technology Awards organized by Turkish Scientific and Technological Research Council (TUBITAK), the Technology Development Foundation of Turkey (TTGV), and the Turkish Industry and Business Association (TUSIAD). Ford Cargo Trucks equipped with new generation Ecotorq engines compliant with Euro-6 emission standards are being manufactured in our İnönü Plant since 2016.

Duratorq engine family

The Duratorq Motor Family was built with Ford Otosan engineering, and is used in many Ford vehicles, including Transit Custom, Ranger, Everest, and Territory models. The five cylinder Duratorq, first engine developed by Ford Otosan on behalf of Ford, is installed in new Ford Rangers and Transits manufactured for the U.S. market.

EcoBlue motor

The 2.0L EcoBlue diesel engine, which started to be produced at the İnönü Plant in 2018, replaced the 2.2L Duratorq TDCi engine that is used in Transit and Custom models. Beside its quite form, the new model has higher torque and power at low engine speeds and a lower fuel consumption. The new 2.0L EcoBlue's basic design and development process were carried out by joint leadership of England and Turkey team, the two engineering centers of Ford of Europe. The EcoBlue engine created the substructure of the engine that is compatible with the new emission limits foreseen to be introduced recently. Besides Transit Vehicles, this engine can be used for long years in place at C/ CD type passenger cars (Focus, Mondeo, C-Max, S-Max and Galaxy) which are among common models of Ford Europe, Ford America and Asia-Pacific and also at all "pick up" vehicles (Ranger / Everest also called T6).

> Ford Otosan is the only Turkish company which can develop engine, interior and outdoor visual design as a whole vehicle.

F-MAX: 2019 International Truck of the Year

In 2018, Ford Otosan launched its new truck F-MAX, designed by 1,200 R&D employees, with 500 PS power, 2.5-meter cab width, and advanced technologies. Developed to operate in tough conditions as following a five-year study, F-MAX was tested in 11 countries across four continents with 5 million kilometers of on-road testing. F-MAX won the International Truck of the Year Award at the IAA Commercial Vehicles Fair 2018 in Hannover, where it premiered for the world. Developed by Turkish engineers with a focus on the future technologies, F-MAX is Ford's first heavy-duty commercial vehicle to be connected with its ConnecTruck feature. It offers customers many conveniences, including map-supported speed control, remote diagnostics and software updates.

Ford Otosan's R&D engineers are continuing work on Turkey's first locally developed gearbox, which will be installed in Ford Trucks in 2020.

In 2018, Ford Otosan signed a collaboration agreement with AVL List GmbH to develop autonomous convoy technology to be used in the F-MAX trucks. The technology to be developed within as part of this cooperation aims to reduce fuel consumption and carbon dioxide emissions and to increase driving safety in heavy-duty commercial vehicles for intercity transportation.

Another first from Ford Otosan: technology and engineering exports to China

In 2013, Ford Otosan initiated another important first by signing a technology license agreement with China's Jiangling Motors Corporation Limited (JMC). This agreement allows production of Ecotorq engines whose intellectual property rights belong to Ford Otosan by JMC in China (the world's largest truck market). In July 2014, another license agreement was signed with the same company for the technology used in the chassis, cabin, and components of the current truck models. This agreement enables Ford Otosan to export engineering services to China in addition to generating license revenues. Ford Otosan engineers work with engineers from JMC to localize existing parts, adapt these to Chinese market conditions, and then deploy them. The launch of "JMC Weilong" trucks was completed in 2017 in China which is the world's largest truck market. Trucks were designed by Ford Otosan via the technology license agreement with the JMC Company for the production of trucks. Those trucks were developed entirely by Turkish engineers. Moreover, the vehicle was awarded the "Truck of the Year" in China

R&D Projects Supported by International Funds

Ford Otosan is a project partner to many European Union-funded research projects, particularly the Horizon 2020 program funding. Together with leading teams of the industry and related technological fields, Ford Otosan teams continue their R&D activities areas in the fields of software innovations, development of control systems for optimum emissions in heavy-duty service vehicles, exploration of recycling opportunities for the precious metals used in the automotive industry, modeling and testing of electric vehicles and their components, development of autonomous vehicles, development of programmable systems for smart vehicles, automotive applications of visible light communication, and 5G technologies for assisted, connected and autonomous mobility.

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A pioneering development center in the Ford Motor Company universe

An Engineering Hub For Heavy Commercial Vehicles and Their Diesel Engines

2002
Cargo

2007
Cargo

2012
Cargo

2016
Cargo- New Platform / New Engine

2018
F-MAX

Light Commercial Vehicle Design and Engineering Hub

2002
Connect

2009
North America Connect

2013
New Connect

2014
Courier

Diesel Engine Design and Engineering Center

Lion V6
3.0L 210 PS
Land Rover, Jaguar, PSA

Lion V8
4.4L 313 PS
Land Rover

DV5 14
1.5L 120 PS
Fiesta, Focus, C-Max, Kuga

DW10F14
2.0L 210PS
Mondeo, Edge, S-Max, Galaxy

2010 | 2011 | 2012 | 2013 | 2014 | 2016 | 2018

Lion V6
2.7L 190 PS
Land Rover

Lion V8
4.4L 333 PS
Land Rover

Puma Global Upgrade
Transit, Custom, Ranger, Everest

Puma 14
2.2 L 160PS
Transit, Custom, Ranger, Everest

Ecotorq
EU6

EcoBlue

R&D CENTERS AND TEST CENTERS

Gölcük

Engine and vehicle test facilities and an exhaust gas filtration systems laboratory are available. Light and medium commercial vehicle and engine systems are under development.

Sancaktepe

Turkey's largest automotive R&D center. There exists engine and vehicle development teams, a design studio, cave automatic virtual environment (CAVE), Hardware-in-the-loop (HIL) simulation and software development.

İnönü

Offers an engine test center, prototyping workshop, a Ford Cargo special vehicle engineering center, and heavy commercial vehicle and engine development sections.

Inönü Test Center

Engine Test Center

2015

The Engine Test Center provides services to the global Ford organization and performs development and strength tests on Ecotorq engines, which meet Euro 6 standards in 5 different classes. Besides engine tests, assessments of vehicle exhaust and urea systems can be carried out. This center can also evaluate vehicle-level exhaust gas filtering systems, as it has closed circuit cooling towers for productivity and sustainability.

Exhaust Emission Systems Test Center

2016

Thanks to this center, all vehicle road tests that require a special test track can be carried out in-house. There is a special section reserved for testing smart drive support systems.

Vehicle and System Testing Center

2016

This 1,250 m² area was designed to service nine heavy commercial vehicles at the same time.

Gölcük Test Center

Engine Test Center

2013

Received the Automotive Testing Technology International Magazine's "2013 MOTOR TEST CENTER" award for its innovative approach, superior technology, and efficiency.

2017

Infrastructure updates were completed, and the two engine test cells were tailored for security reasons for gasoline and LNG engine tests.

2018

For the first time in Turkey, the Euro-6D emission accreditation was obtained for commercial vehicles. Energy efficiency was increased with the fully digitized facility infrastructure.

Exhaust Emission Systems Test Center

2014

The first Ford facility of its kind in the world. Ford Otosan engages in R&D studies of the exhaust systems used in its vehicles to help reduce unwanted emissions.

2018

As part of the development efforts for eco-friendly exhaust systems, different exhaust models were created and deposit dosing algorithms were developed.

Vehicle and System Testing Center

2014

Endurance and functionality tests of vehicle parts and systems are carried out according to the scenarios that the customers can experience.

The multi-axis shaking table in the facility simulates the data collected from the road. Tests, such as thermal aging, cold start and life tests of the frame systems, can be conducted in the climatic laboratory, which provides extreme climatic conditions of up to 90 percent humidity between -42/+85 C. Thanks to the embedded electronic control systems infrastructure developed, fatigue cycles of the chassis and frame parts are performed in a dynamically force-controlled manner. Performance tests of mechanical fittings are carried out with a special pneumatic system and software.

İnönü Vehicle Test Track

2016

The 61,365-square meter facility is the first and most comprehensive test track in Turkey. Vehicle endurance tests are carried out on the tracks, which have special surfaces. The tracks are also used for design development activities, which improve vehicle characteristics like vehicle dynamics, driving comfort, and cabin noise levels.

Furthermore, there is a special section reserved for testing smart drive support systems.

Single-Cylinder Research Engine

2016

In the laboratory with two modules including an optical module where a combustion image up to 110 bars of in-cylinder internal combustion pressure can be captured and the high-pressure module where tests up to 310 bar in-cylinder internal combustion pressure can be performed, basic research studies can be carried out for the engines with a 1-2.5 liters/cylinder unit cylinder volume.

The laboratory and the single-cylinder research engine - which allows for the advanced emission measurements of different combustion mechanisms, alternative fuels, and combustion system equipment - were designed and developed by Ford Otosan teams with local cooperation.

INNOVATION

Ford Otosan is adopting Koç Innovation Program with the main objective to "empower all employees to innovate". Trainings and communication activities that support cultural transformation have started in order to determine an innovation strategy. In addition, a digital platform used to monitor the innovation process was launched in 2016.

Digital Transformation, Smart Production, Customer Experience, Connectivity/Telematics Interactive Vehicles, and Autonomous Truck are selected as the main areas of innovation by the Ford Otosan Innovation Committee.

DIGITAL TRANSFORMATION

Digital Transformation is used to create efficiency and value through intelligent and sustainable use of digital tools and methods. It acts as one of the main enablers for the other areas of innovation.

SMART PRODUCTION

Building an agile, high value adding and comprehensive production chain with our skilled team, using adaptable, efficient and self-learning systems at Ford Otosan facilities. It brings together technologies such as "Internet of Things", "Smart Factory", and "Cyber / Physical Systems", and "Industrial Internet".

CUSTOMER EXPERIENCE

Customer attitudes are changing and online communication channels are becoming increasingly popular. Designing innovative products and services that are developed by taking pre, during, and after purchasing processes into consideration leads to applications such as digital dealer and service, use of vehicle data, car and ride sharing.

CONNECTIVITY/TELEMATICS

Interaction of vehicles between themselves and with the infrastructure as part of a wider transportation ecosystem. It contains a variety of inside/outside vehicle connection systems such as navigation, smart powertrain management, integration with mobile communication channels, fleet management systems, and infotainment systems.

AUTONOMOUS TRUCK

Development of advanced-technology products and new solutions to logistics sector such as advanced detection systems, cyber security systems, automatized tests, platooning, and high-def mapping.

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Rezervis: The First Commercialized Project with Ford Otosan's Participation

Rezervis is the first and only project to become a stand-alone venture with Ford Otosan's participation. A harvest of the intrapreneurship program carried out as part of the Smart Mobility theme, Rezervis offers the next generation of employee transportation services. Its shuttle service provides people living and working at the same location with an on-demand route.

Four of our employees volunteered to abandon corporate life and went on this journey to realize the project that had sprouted from within the company. The team started their first operations in May 2018 to actualize the market potential they had identified. As of January 2019, they have reached a total of 14 active routes. Rezervis aims to create new routes and increase the service vehicle occupancy rate in order to meet the ever-rising customer demand.

The Road to Tomorrow's Factory is Through Technological Innovation!

In 2018, the technology innovation program began with the theme of "Smart Production," which supports Ford Otosan's core business area. Within the scope of the Smart Production Technological Innovation program, the company employees presented their project proposals, which would increase competitiveness, strengthen Ford Otosan's hand in the industry, and utilize employees' know-how with the digital innovation platform "Fikirhane". The 10 prioritized project teams continue to develop their projects for Kocaeli and İnönü plants under the guidance of the Smart Production Technology Department. Today, they continue their efforts to produce high-accuracy lean products.

Innovative production technologies are being developed to serve the vision of "Tomorrow's Factory" as the Commercial Vehicle Production Center for Ford Europe.

SYNC My Fleet—PTT and Türk Telekom pilot projects

Based on the SYNC My Fleet project, this mobile application optimizes fleet routes and facilitates the package distribution process for the driver/fleet manager. The first pilot project was carried out with the PTT in the scenario of use for cargo delivery.

In our study with the PTT, the measurable benefit of route optimization has been tested. According to the results, a maximum of 20% time savings and 26% fuel savings were measured.

In our study with Türk Telekom, the effects of driver behavior on fuel consumption were measured. Additionally, the profits of a business model based on route optimization were also calculated. In driver behavior, an opportunity for an average fuel saving of 18.6% was measured. A fuel saving of about 50% was calculated for a business model based on route optimization.

DIGITAL TRANSFORMATION

Our vision is "Being Turkey's most valuable and most preferred industrial company." We believe that digital transformation is the key to improve our business, create new job opportunities, and achieve our vision. We started out by creating a five-year roadmap by reviewing our existing processes and systems. We then categorized and kick started our digital transformation studies under 5 sections varying from our dealers to customers, suppliers to employees, and design to production. We are intelligently adapting new technologies to our production lines while acknowledging the essential requirements of cost benefits, quality, continuity, and security. It is our longterm mission to safely protect the data, to create a solid communication web within different departments, and to correctly analyze the data in order to make accurate decisions.

2018 was a productive year for Ford Otosan's digital transformation

- Within the scope of the connected production, we have commissioned our big data platform that collects data from all robots and the PLC systems that control the robots at our Gölcük plant. We began estimating maintenance using this data.
- We connected our suppliers to our systems and began viewing their current stocks in real time. We therefore increased the productivity in our production by communicating the changes in production plans to our suppliers instantly.
- As part of the projects to radically change the customer experience, we implemented projects that allow for a confirmation receipt by showing the vehicle parts that require replacing in the service garage. This empowers the field sales employees to instantly demonstrate all stocks to the customer.
- We helped our product development departments centralize the test data used in product design and use it to perform analytical studies.
- We launched a new truck that is fully connected to the internet.
- We enabled the fleet drivers and managers to access all the metrics related to their trucks via the mobile application. We also made the systems for the windows and AC, and so on, fully accessible and controllable remotely.
- As part of our "connected employees" approach, we enabled our employees to carry out their daily tasks (approval, obtaining permission, and so on) via a mobile application. Using the Robotics Process Automation, we reassigned many routine employee tasks to virtual robots. We bundled tasks that our engineers previously monitored over several different systems into a single management panel. This made it easier for them to access information.

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CONNECTED CUSTOMER & DEALER

Analyzing our customers' demands 7/24 and offering customized products.

Connected Dealer: Centralizing all our dealer operations and connecting them to our next generation CRM

Customer Centricity: Capturing Customer Voice Using it in our designs

Field Force Automation: Mobilizing our field sales force

İ-Deal: Reshaping our customer journey

Smart Forecasting: Forecasting our next sales using Machine Learning & Data Analysis

CONNECTED MANUFACTURING

Digitizing our manufacturing around Industry 4.0

Manufacturing Information System: Collecting all our IoT and Machine data into a BIG Data Platform

Predictive Quality: Predicting our quality issues using machine learning. Hence continously increasing our quality

Advanced Production Planning: Dynamically planning our production to adapt instant changes to improve total efficiency

Predictive Maintenance: Acting before a machine gets borken. Predicting failures well in advance

CONNECTED PRODUCT

Transforming our way of designing

Customer Centricity: Capturing Customer Voice Using it in our designs

CIPS: Connecting our vehicles to cloud and providing them value added services

Quality Process Mapping: Digitilazing all our processes amking them lean

Knowledge and Data Management: Making knowledge centralized and easily accessible by all relative parties

CONNECTED EMPLOYEE

Providing digital workspace to our employees

FO-CEP: Allowing all our employees to perform their processes over mobile environments

MOZAIK: Taking talent improvement to a new level

People Analytics: Analyizing our employees and trying to understand their moods and take action using this data

CONNECTED SUPPLY CHAIN

Connecting our suppliers to our central data for just in time ordering and minimum inventory

RFID Implementation: Using RFID methods to track inventory, counting and logistics

Advanced Production Planning: Dynamically planning our production to adapt instant changes to improve total efficiency and plan just in time ordering.

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Sustainability

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SUSTAINABILITY PRINCIPLES

Sustainability reporting

Ford Otosan, the flagship and technological pioneer of the Turkish automotive industry, has been showing strong growth performance as well as taking firm steps towards its target of producing sustainable value for the environment and the society in which it operates. In this context, we present, for the information of our stakeholders, a detailed Sustainability Report in addition to our Annual Report, skillfully balancing the social, environmental, and economic dimensions of the activities we carry out.

Ford Otosan sustainability reports are prepared in accordance with the requirements of the latest global reporting initiative (GRI) G4 reporting principles and standard disclosures. You can access our sustainability reports at www.fordotosan.com.tr.

Sustainability Committee

In 2015, Ford Otosan established a Sustainability Committee in order to undertake the management, consultancy and coordination efforts required by our stakeholders in line with the social, environmental, economic, and ethical responsibilities of our company. The Committee reports to the Board of Directors on the implementation of sustainability measures, areas of opportunity, and the results of activities. The roles and responsibilities of the committee include:

- Preparing Ford Otosan's "sustainability strategy and policy," and taking action on the specific responsibilities assigned to this process;
- Preparing a "sustainability roadmap" that is compliant with the adopted strategy and policy, and all activities necessary to carry this out;
- Ensuring that the sustainability strategy, policy, and objectives are communicated to all stakeholders and the necessary training is provided; checking that all procedures, works, and applications are undertaken as required, and that all relevant data is reported;
- Preparing specific samples of sustainable products and services with consideration of their environmental and social impact and the value creation potential of Ford Otosan's products and services;
- Suggesting improvements on sustainability strategies, policies, and objectives.

As a result of its success in environmental, social, and governance practices, Ford Otosan has been included in the BIST Sustainability Index and as well as FTSE4Good Emerging Markets Index, one of the most important indeces used by responsible investors.

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ENVIRONMENT

We are aware that sustainable growth can only be achieved by reducing environmental impact. In addition to reducing vehicle emissions, we adopt a responsible production approach in our own operations and encourage our suppliers to follow suit. By integrating digitalization and innovation into our business processes, and by investing in projects that will provide efficient and smart production processes, we reduce the environmental impact of both our operations and the vehicles we make.

Detailed information about our Environment and Energy Policy can be accessed by scanning the QR code.

QUALITY

The Total Quality Directorate supports entire process' of the company that start from the customer and end with the customer. Our main philosophy is to improve process that Ford Otosan and its authorized dealers have experienced starting with the purchasing of the product by the customer.

Detailed information about our Quality Policy can be accessed by scanning the QR code.

OCCUPATIONAL HEALTH AND SAFETY

Ford Otosan fulfills all legal and business requirements related to occupational health and safety in the workplace to establish a secure and positive work environment. Ford Otosan detects and defines the risks associated with occupational health and safety, and establishes and reviews objectives and programs associated with these risks.

Detailed information about our Occupational Health and Safety Policy can be accessed by scanning the QR code.

ETHICS

Ford Otosan, in all its business and operations, adopts the principle of observing the laws, the international conventions to which the Republic of Turkey is a party, the United Nations Global Principles (Global Compact), and acts in accordance with the principles of truth, integrity, accountability, and transparency. The implementation of these principles requires the individual commitment and accountability of each member of the Ford Otosan Family to ensure high standards of integrity. These principles, adopted by Ford Otosan since its establishment, were officially announced with the Code of Ethics, which became effective in 2018 following its approval by the Board of Directors. An Ethics Committee, Internal Control and Ethics Committee, and Ethical Evaluation Board were formed within the redesigned management structure to ensure compliance with the Ethics Policy across the Company. In addition, within this restructured process, the chair of Ethics Coordinator was established for effective handling and follow-up of the ethical infringement reports.

Under this chair, all ethical violation reports are centrally coordinated and handled. In addition to the existing reporting channels, an ethical reporting line, an ethical reporting email address and an ethical communication form were introduced. In order to ensure compliance with its Code of Conduct and Code of Ethics, Ford Otosan regularly informs the Ford Otosan Family of the members of the Board of Directors, Ford Otosan Employees and representatives acting on behalf of Ford Otosan about the Code of Conduct and Ethical Principles. Ford Otosan takes all claims of violation very seriously and in the case of a violation, it implements the necessary sanctions, takes corrective actions, makes necessary updates and improvements in the Code of Conduct and the Code of Ethics in accordance with the current requirements.

Detailed information about our Ethics Policy can be accessed by scanning the QR code.

HUMAN RESOURCES

Ford Otosan has a total of 10,598 employees, of which 24% are salaried employees and 76% are hourly employees. In line with a healthy and robust talent management, we aim to attract the right people to the right positions in our company and to unlock their potentials through effective training and development opportunities. In addition, we support our existing talents with the principles of diversity and inclusiveness, which are part of our corporate culture and business conduct.

Detailed information about Human Resources can be accessed by scanning the QR code.

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CORPORATE SOCIAL RESPONSIBILITY

In addition to adopting a corporate citizenship approach, Ford Otosan has launched many social responsibility projects in areas such as education, health, culture and arts, and sports to contribute to efforts to attain national sustainable development objectives.

I support gender equality for my country

The corporate social responsibility (CSR) project entitled "For My Country" enables Koç Group employees and dealers incorporate their individual entrepreneurship tenets into an area of social responsibility. A bridge is formed between the individual, the company, and society while the individual is helped to fulfill their task. Since 2006, a general solutions unit has been launched under the companies of the group.

Ford Otosan generates sustainable solutions for social issues as part of its sustainable social vision together with its employees and dealers. The company also participates in projects that support a local focus on social issues with its staff and dealers within the "For My Country" initiative. To move towards an equal society domestically and globally, the company has mobilized its means and resources.

Equality at work

Committed to uphold the basic principle of equality for all employees, Ford Otosan continues to add individual and social value for its staff through the "Equality At Work" declaration signed in 2013. The company is intent on tackling gender inequality, and continually stresses the importance of equality between men and women at all company activities, including the recruitment process.

Detailed information about Equality at Work Declaration can be accessed by scanning the QR code.

15% Female share in our total workforce

According to our company policy, one of every two new non-manual employees and one or every four new manual employees must be female.

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CORPORATE GOVERNANCE COMPLIENCE REPORT

Section I: Declaration for compliance with the principles of corporate governance

Ford Otosan has adhered to the mandatory Corporate Governance Principles published by the Capital Markets Board within the scope of "II-17.1 Communique on Corporate Governance Principles" in 2018 and compliance for the remaining principles has been mostly attained. Full compliance target has not been achieved yet due to the challenges encountered in the implementation of some principles, the ongoing discussions in Turkey and in the international platform regarding compliance with certain principles and failure of the current structure to meet such principles in a proper fashion. We are working on the principles that have not been put into practice and application is planned for reinforcing efficient management after the completion of administrative, legal and technical infrastructure.

In 2018, Corporate Governance activities were put into practice in line with the Capital Markets Law and related Communiques. Board of Directors and Board Committees have been established in compliance with Corporate Governance Principles. The selection and announcement of independent Board Members to the public were made according to the legislation before general shareholders meeting. The Committees founded in the Board of Directors carried out their activities effectively. Information about preferred shares, shareholder rights, organizational changes, candidate members of the Board, reports for transactions made with related parties were announced three weeks in advance of the general assembly meeting. The Company website and annual report have been reviewed and revised for full compliance with the principles of the Capital Markets Board.

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

According to the Article 6 in the Communique, confirmation for the acceptance of Ford Otosan as a joint venture and determination of the number of independent board members as two was granted by Capital Markets Board and these Board member candidates are also approved in the General Assembly meeting.

Compliance to the Corporate Governance Principles stated below that are not mandatory have not been fulfilled yet due to the reasons explained above. Detailed information about the subject is provided in the relevant sections below.

- Related to 1.4.2 Principle: The issues stated in section 2.4 of this report are regulated in the Articles of Association.
- Related to 1.5.2 Principle: Minority rights have been defined only with the general framework of regulations and not outlined for the shareholders having less than one twentieth of capital in the Articles of Association.
- Related to 4.3.9 Principle: The evaluation studies continue for determining target ratio and timing for woman member proportion in the Board of Directors. The detailed information about the subject is stated in section 5.1 of this report.
- Related to 4.4.5 Principle: Although there is no written regulation related to the convention of Board Meetings, our Company has well established processes about this subject.
- Related to 4.4.7 Principle: As explained in section 5.1, the members of the Board of Directors are not restricted to take on other duties outside the company.
- Related to 4.5.5 Principle: Knowledge and experience of Board Members is taken into consideration for the assignment of committee members who can be employed in more than one committee. The members who work in more than one committee enhance the communication and cooperation between related committees.
- Related to 4.6.1 Principle: There is no specific performance evaluation study at Board of Directors level.
- Related to 4.6.5 Principle: The financial payments to Executive Management are announced as a total figure in the Ordinary Shareholders meeting and financial notes parallel to the general practice.

There is no conflict of interest in our Company due to incompliance of noncompulsory principles. 2018 Corporate Governance Compliance Report and Corporate Governance Data Form which will be prepared with the new formats per CMB's regulation No:2/49 dated 10.01.2019 will be announced in Public Disclosure Platform within the duration specified in the subject regulation.

Section II – Shareholders

2.1 Shareholder Relations Unit

Investor Relations responsibilities which are described in Article 11 of the "Communique" are performed by Investor Relations Manager Aslı Selçuk (aselcuk@ford.com.tr/0216 5647499) and Treasury and Risk Manager Burak Çekmece (bcekmece@ford.com.tr/0216 5647480) who are direct reports to İ.Oğuz Toprakoğlu (otoprako@ford.com.tr/0262 3156900) the Assistant General Manager - Finance (CFO). Burak Çekmece and Aslı Selçuk have Capital Market Board Activities Advanced Level License and Corporate Governance Rating Specialist License which are required in the Communique.

The Investor Relations Team is responsible for informing the shareholders correctly and equally about the company in line with the Corporate Disclosure Policy. For achieving this objective, meetings are organized with the concerned parties, investor conferences and road shows are attended and all incoming telephone or e-mail questions are answered. During the year, the Team attended 19 conference and roadshows and held more than 350 meetings with investors and analysts. Analyst meetings were held with the participation of CFO after quarterly earnings announcements.

Any type of information that may affect the way in which shareholders exercise such rights is presented to shareholders attention in the company website on a regular basis. In addition, updated information is available by means of Investor Relations mobile application.

The report about the Investor Relations activities is submitted to the attention of Board after year end closure.

2.2 Use of Shareholders Rights to Obtain Information

Ford Otosan does not discriminate among shareholders related to their right to obtain and evaluate information. Enquiries directed to Investor Relations, with the exception of information considered confidential or a trade secret, are answered in writing or by phone by the most authorized person concerning that particular issue. The "Investors" section in the company's corporate website (www.fordotosan.com.tr) includes all kind of information and announcements regarding the utilization of rights by shareholders by using electronic tools effectively as explained in Section 3.1 of this report (https://www.fordotosan.com.tr/en/investors/investor-relations-home)

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 relevant provisions of the Turkish Commercial Code will be implemented. There was no request during the period of operation for the appointment of a private auditor. The Company's activities are audited periodically by the Independent Auditor assigned at the general assembly.

2.3 General Shareholders Meetings

During the calendar year of 2018, two General Shareholders' Meetings were held; one ordinary meeting (on March 19th at Divan İstanbul Elmadağ Oteli, Asker Ocağı Caddesi No:1 Şişli / İstanbul) and one extraordinary meeting (on November 16th at Akpınar Mahallesi, Hasan Basri Caddesi No:2 Sancaktepe / İstanbul). Both meetings achieved a participation of on average 92% and convened at sessions that were open to the public. The meetings can be attended by stakeholders and the media. Executive Management and minimum two Board members are present in the General Shareholders' Meetings.
Invitations to the Shareholders' Meetings have been sent out through Public Disclosure Platform, Turkish trade registry gazette, the Company's "e-Şirket" and website 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 Ordinary Shareholders' Meetings; the agenda of the meeting, the power-of-attorney

samples, the Board of Directors' Report, the Auditor's Report, the Independent Auditor's Report, Financial Statements and the Dividend Distribution Proposal are made accessible to all shareholders for examination purposes at the Company's Finance Department and published in the website. In addition, Annual Report including the documents mentioned above and the other information are given out upon request.

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

There is no related party or significant transaction in 2018 that needs General Assembly approval due to the disapproval of independent board members.

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

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

Donations and support made in 2017 were subject to a separate agenda item in 2018 Ordinary General Assembly Meeting and donation amount was limited to 0.2% of previous year's revenue. There was no change in the donation policy.

Some members of the Executive Management and their relatives up to second degree can be Board Members of certain Koç Group companies including those with similar operations. There was no transaction in 2018 which could result in conflict of interest per Principle 1.3.6 of Corporate Governance Communique between subject people and listed companies.

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

2.4 Voting Rights and Minority Rights

The distribution of the shares representing the issued capital according to the share groups (A,B and C group) is explained in the Article 6 (Capital) of Company's Articles of Association.

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

- The quorum for Shareholders' meeting is 60% of Company's total shares and decisions are taken with affirmative vote of 60% of total share representatives. 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. One of the candidates representing Group B and Group C shares must have independent member qualifications stated in Capital Market Board legislation.

There are no companies that are reciprocal shareholders.

Minority rights have been defined only with the general framework of regulations and not outlined for the shareholders having less than one twentieth of capital in the Articles of Association.

2.5 Dividend Right

There are no dividend privileged rights in shares.

Our Company conducts a dividend policy within the framework of the provisions of the Turkish Commercial Code, Capital Markets Legislation, Tax Regulations and other relevant legislation as well as the provisions of the Articles of Association governing the distribution of profits. In distribution of profit, a consistent and balanced policy is followed between shareholders and Company requirements in line with Corporate Governance Principles. Dividend Policy is explained in Financial Reports section in the Annual Report which is available in Company website.

In principle, subject to be covered by the resources existing in legal records, and subject to the decision of the Ordinary or Extraordinary General Assembly Meeting, excluding periods of large investment or severe economic downturn, by taking into consideration other legislation, financial and market conditions, long-term strategy, investment and financing policies, profitability and cash position, minimum 50% of the distributable profit for the period calculated within the framework of the Capital Markets Legislation is distributed in the form of cash or stock.

The dividend distribution date is determined by General Assembly and targeted to be within one month after General or Extraordinary Assembly Meeting date. General Assembly, or if authorized Board of Directors, could decide to pay dividend in installments within the framework of Capital Markets Legislation.

According to Company's Articles of Association, Board of Directors can distribute advance dividend with the condition of being authorized and compliant with Capital Markets Legislation.

TL 800.074.800 gross dividend was paid on April 2, 2018 and TL 403.546.500 gross dividend was paid on November 20, 2018.

2.6 Transfer of Shares

The restrictions for share transfers are stated in Article 8 of the Company's Articles of Incorporation that is also available in the Company website. But there are no constraints or similar clauses for Group A shares regarding free transfer between shareholders.

Section III - Public disclosure and transparency

3.1 The Company's Website and Its Content

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

As explained thoroughly in the company's Corporate Disclosure Policy; "Corporate", "Investors" and "Sustainability" sections of the website encompass Vision, Mission and Strategies, Policies, the latest Shareholder and Management structure, the Company's Articles of Incorporation, Independent Auditor, Stock Information, Board Committees, Annual and Quarterly reports, periodical Financial Statements and Reports, Material Disclosures, Agendas, Attendee List and meeting minutes of the General Shareholders' Meetings, Independent Auditors' Reports, Investor and Analyst presentations, Corporate Governance Principles Compliance Report, Sustainability Approach and Reports, Standards of Corporate Conduct, Announcements made by the company, Awards, Memberships, Contact Information and all related data.

3.2 Annual Report

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

Section IV - Stakeholders

4.1 Disclosure to Stakeholders

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

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

Stakeholders can report practices which violate regulations and ethically inappropriate transactions by a specific line presented in Company website to the Internal Control Department to be communicated to the Audit Committee. Additionally, Ethical Policy and Ethics Committee were established in 2018. The working principles of subject committee are finalized with connection to the Discipline Committee and announced to the employee.

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

4.2 Stakeholders Participation in the Company Management

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

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

Additionally, labor union and working representatives are included in the decisions taken by participating monthly to Health & Safety Council.

During a year, several meetings are held with the local suppliers to review quality, project monitoring, delivery, cost reduction topics and methods for maintaining efficiency and sustainability in supply chain at both sides. A supplier summit is organized annually where high performer mass production suppliers are awarded. The trends affecting the sector are reviewed with global and country outlook in this summit and strategic briefing is made about company priorities.

In a similar manner, the participations of local suppliers to Ford of Europe supplier summit organization are essential to improve their potential by looking at the world and Ford through broader perspective. Ford's Q1 award confirming institutionalisation of sustainable procedures is given to suppliers that have completed necessary work with the support of Ford Otosan specialists. It is also important that certification of local suppliers is made by third parties in terms of Working Conditions and Environmental status.

Detailed feedback workshops are set up by Automotive Manufacturers Association for developing action plans based on supplier engagement survey results. Training participation fees of suppliers' attendance to technical trainings organized about quality and procurement management during a year are returned with collective social responsibility projects carried out on behalf of Ford Otosan and its suppliers.

The best example of this is the "Journey to Hope Mobile Cafe" Project realized in collaboration with KAÇUV (Hope Foundation of Cancer Children's) to support the treatment of children with cancer. Besides, joint activities are carried out with the suppliers in order to extend social responsibility projects to the supplier network. Another best example of such recent activity is "Chairman's Leadership Award for Diversity" (CLAD) prize given by Ford for expanding social gender equality awareness trainings among the suppliers through our Purchasing Specialist volunteers.

The "Recycling Heroes" project that was led by the Purchasing Specialist volunteers have provided awareness trainings about the importance of recycling to primary school students in Kocaeli, Gölcük.

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Additionally, Supplier Application Portal project is an on-line platform in Ford Otosan website where companies wishing to become Ford Otosan supplier can apply equally and easily. Common Culture Management project which was initiated in 2017 is now called as "Dynamic Balance Culture" in Ford Otosan. The ultimate goal of Dynamic Balance Culture which stands on common values and cultural principles is to develop a culture enabling to reach its vision and support sustainability. Ford Otosan launched "Common Culture Project for Stakeholders" at 2018 year-end since our suppliers are the main stakeholders within interaction region.

Dealers' participation in management is achieved through the "Dealers Council," which was formed many years ago. This Council, made up of representatives elected by dealers, meets regularly and develops suggestions concerning company sales, after sales and marketing activities together with management representatives. There is also a Dealers Meeting organized every year with the attendance of all dealers. A regional manager is appointed to each region and meetings are being organized for regional requirements and assessment.

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 program has been exercised to measure dealer satisfaction numerically. In the light of the results of these studies and in consideration of customer demands, our activity plans are mapped out to increase product and service quality and consequently customer satisfaction.

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

4.3 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 set forth in line with HR policies is to make Ford Otosan the most preferred company with high employee engagement by means of innovative HR activities.

The mission is to develop and apply HR systems which are focused on people, equal opportunities, respect diversity and ethical values leading to high performance.

Our Human Resources Management strategies are: To be HR brand leader in Turkey by applying sustainable and innovative applications; To be amongst the top 10 preferred companies; To be amongst the top 10 companies regarding Employee Engagement Survey; To respect diversity and ethics in all HR applications by keeping equal opportunities for people; To design and implement integrated HR applications by using technology effectively and ensure sustainability.

Progress towards generating distinction will be achieved by Ford Otosan Human Resources Directorate with the support of new applications as well as sincerity, transparency and effective communication.

The Company principle of announcing job descriptions and performance evaluation criteria is applied. The principles for employee recruitment are documented. The "Employee Engagement Survey" distributed every year measures employee satisfaction, loyalty and pinpoint areas for development, facilitating steps for improvement.

The company is a party to the Collective Labor Agreement made with field employee through Turkish Employers' Association of Metal Industries (MESS). Current agreement is valid until August 31, 2019 and negotiations for new Collective Labor Agreement will be carried out per legal procedure.

"Equality and Diversity Strategy" in Ford Otosan focuses on fair and unbiased treatment of employee, stakeholders and suppliers as well as protection of human dignity. A constructive and inclusive approach is followed which doesn't create discrimination in the relationship with customers, stakeholders and suppliers.

"Declaration on Equality at Work" which summarizes female participation in work ensures equality among women and men in Ford Otosan within the "Equality and Diversity Strategy".

4.4 Ethical Rules and Social Responsibility

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

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

Company's social responsibility projects and activities are explained separately in the related sections of the Annual Report and Sustainability Reports.

Ford Otosan obtained the right to enter "BIST Sustainability" and "FTSE4Good Emerging" Indices after the success in environmental, social and management areas, which are followed by investors responsive to these topics.

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Section V – Board of directors

5.1 The Structure and Formation of the Board of Directors

Except General Manager Haydar Yenigün and Deputy General Manager Lisa K. King, twelve of fourteen members of the Board of Directors are non-executives as stated in Capital Market's Board Corporate Governance Principles. The resumes of the Board members are available on pages 36 to 40.

The list of the Board of Directors as of 31.12.2018 is presented below.

BOD Member Name - Surname	Independent	Appointment Date	Duration	Membership in Committees	Duties Outside Company
Rahmi M. Koç	No	19.03.2018	12 Months		Koç H. Honorary Chairman
Ali Y. Koç	No	19.03.2018	12 Months		Koç Holding Vice Chairman
Steven R. Armstrong	No	19.03.2018	12 Months	Remuneration Committee	Ford Motor Company Man.
Birgit Annelies Behrendt	No	19.03.2018	12 Months		Ford Motor Company Man.
William R. Periam	No	19.03.2018	12 Months	Corporate Governance Committee / Risk Committee	Ford Motor Company Man.
Joseph Bakaj	No	19.03.2018	12 Months		Ford Motor Company Man.
Roelant C. de Waard	No	19.03.2018	12 Months		Ford Motor Company Man.
O. Turgay Durak	No	19.03.2018	12 Months		-
İ. Cenk Çimen	No	19.03.2018	12 Months	Risk Committee / Remuneration Committee	Koç Holding Man.
Ali İhsan İlkbahar	No	19.03.2018	12 Months	Corporate Governance Committee	-
Haydar Yenigün	No	19.03.2018	12 Months		-
Lisa K. King	No	19.03.2018	12 Months		-
Fatma Füsun Akkal Bozok	Yes	19.03.2018	12 Months	Risk. Comm. Pres. / Remun. Comm. Pres. / Audit Comm.	-
Leonard Meany	Yes	19.03.2018	12 Months	Corp. Gov. Committee Pres. / Audit Comiittee	-

The Chairman of the Board and General Manager are different people. Care is shown by the Board members to spare sufficient time for company matters and there is no restriction for duties outside Company. Especially the contribution of independent members as a result of their experiences does not oblige such restriction. The resumes and duties outside company are announced to shareholders before general assembly meeting. The Board members resumes are present in the relevant section of the Annual Report.

It is considered that diversity in knowledge, experience and vision of Board Members will contribute to the Company's operations and Board of Director's efficiency. There are already three women members in the Board of Directors.

The responsibilities of Nomination Committee are carried out by Corporate Governance Committee.

The candidate declarations and resumes of two independent members are evaluated in Corporate Governance Committee and Board of Directors meetings dated 15.01.2018 and 16.01.2018 respectively. All the independent board members have submitted their independence declarations to Corporate Governance Committee and no condition which cancels the independency has been observed in 2018.

5.2 Board of Directors Operating Principles

The principles of activity of the Board of Directors have been set out in Articles 10,11 and 12 of the Articles of Incorporation. In summary, according to the Turkish Commercial Code and the provisions of the Articles of Incorporation, the Board of Directors is authorized to take all decisions other than those procedures that are required to be taken at the General Shareholders' Meeting.

The Board of Directors meets regularly at least three or four times during the year with the participation of all of its members. At these meetings, all the activities of the company are reviewed and decisions are taken on important matters. In addition to these regular meetings, the Board of Directors may meet to take decisions on matters deemed necessary with a simple majority of members or in accordance with Article 390/4 of the Turkish Commercial Code the Board may take a decision without actually convening. According to the provisions of the Articles of Incorporation, members representing more than half of B and C group shares who are not independent must have cast an affirmative vote in the meeting for the resolutions. In the calendar year of 2018, twenty-seven Board of Directors' resolutions are taken, none of them being circular type BOD resolutions.

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

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

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

Board Members and Senior Executives have "Directors and Officers Liability Insurance".

Board of Directors foresee the probability of conflict of interest and if exist, assess the relevant consequences and take necessary actions for the benefit of the Company during its operations.

The Board of Directors evaluates the compliance to the regulations and potential fraud risks in the related party transactions prudently.

5.3 Number, Structure and Independence of Committees established by the Board of Directors

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

Corporate Governance Committee, which aims to enhance corporate governance activities and carry out Nomination Committee responsibilities, consists of four members, Leonard Martin Meany as President, Ali İhsan İlkbahar, William Richard Periam and İ.Oğuz Toprakoğlu as members.

Early Determination and Management of Risk Committee, which aims to establish risk management system, consists of three members, Fatma Füsun Akkal Bozok as President, İsmail Cenk Çimen and William Richard Periam as members.

Remuneration Committee, which aims to determine benefits provided to executive management, consists of three members; Fatma Füsun Akkal Bozok as President, İ.Cenk Çimen and Steven Robert Armstrong as members.

The members, working principles and responsibilities of the established committees are announced as Special Case Disclosure to the public and published in company website.

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

5.4 Risk Management and Internal Control Mechanism

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

5.5 Strategic Objectives of the Company

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

5.6 Financial Rights

The remuneration criteria of the Executive Management and Board members is announced in the "Information Document" three weeks prior to General Assembly meeting dated 19 March 2018 and put into practice afterwards. The total payments to Board members and Executive Management within scope of remuneration policy are evaluated by Remuneration Committee and Board of Directors annually and announced to the public in the footnotes of our financial statements. The company has not lent any amounts to any of the members of its Board of Directors nor to its executives, nor has it extended credit to them, nor offered any guarantees in their favor that might lead to conflict of interest.

RISK MANAGEMENT AND INTERNAL CONTROL

a. Risk Management

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

Risk Management section which has been established under Treasury Department, led the establishment of cross functional ERM (Enterprise Risk Management) team. In 2018, spreading Risk Management culture from executive management to every single employee in the Company was targeted. In this context, ERM team consisting of department representatives and coordinators defined the department risks, identified, measured, prioritized and managed them with support from their upper management. By achieving this, executive management had an active role in risk management. Risk files and meeting minutes were recorded and uploaded to the Company servers. "Corporate Risk Management Working Group" consisting of ERM representatives and coordinators gathered bimonthly to discuss Ford Otosan's financial, operational, strategic and legal risks interactively and developed action plans.
"Impact and Probability Chart" is used to measure the risks; "Impact Severity Classification Chart" is utilized for impact severity. Risk Management section is responsible for reporting ERM studies to Ford Otosan Executive Management and to "Early Determination of Risk Committee".

The company monitors the risk management under four categories.

Financial Risks

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

Liquidity risk:
Ford Otosan keeps cash, credit commitment and factoring capacity to maintain 21 days' cash outflow for managing the liquidity risk. Within this context, Euro 100 million credit commitment and Euro 120 million equivalent factoring agreements are established with financial institutions if required. As of December 31, 2018 net financial debt is TL 3.090 million.

Interest rate risk:
The policy objective is to balance the maturities of interest bearing assets and liabilities. Interest bearing assets are directed to short term financial investments. Split between fixed and variable interest rate for long term credits is targeted as %50 / %50.

Foreign exchange risk:
The ratio of the net foreign exchange position (after natural hedge) to Equity is targeted within +/- 10% in the Balance Sheet. Natural hedge calculation involves addition of FX denominated inventory to the assets and exclusion of loans subject to capitalization and hedge from FX denominated liabilities. As of December 31, 2018 net FX position is TL 16 Million. Total export and import amounts are TL 27.303 million and TL 15.237 million respectively in 2018.

Capital risk:
Ford Otosan's objectives when managing capital are to continue providing maximum returns for shareholders, maintain an optimal capital structure to reduce the cost of capital and ensure sustainability. The Company monitors the capital on the basis of "net total financial debt to tangible net worth" ratio which is targeted to be less than 1.25.

The explanations about Company's indebtedness and capital structure are presented in the relevant sections of Annual Report.

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

Another main risk management tool related to operational process is Business Continuity Plan (BCP) which enables critical operations or products to be continuously delivered as a consequence of business interruptions ranging from catastrophic natural disasters to equipment breakdowns. It is a set of predefined strategies and procedures for responding to and recovering from a disaster.

All departments prepared their own BCP's based on agreed procedures and defined forms. After they were completed, all white collared personnel have been trained for awareness and BCP teams are trained for their functions and roles in the plan. Information Technology Department has reviewed and approved all of them. BCP's have been tested for validation under the leadership of managers responsible for BCP's internally and cross tested between departments for four different disaster scenarios by Risk Manager for final validation. Finally they have been uploaded to Ford Otosan ISO system and printed copies are now kept in and outside the company. The BCP's up–to-dateness is ensured by department tests performed internally and tested by Risk Manager annually with a drill based on a disaster scenario.

Furthermore, emergency action plans which describe the implementation of necessary steps in cases of explosion or natural disaster are prepared, ensuring operability through regular trainings and tests.

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

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

b. Early Determination and Management of Risk Committee Activities

Early Determination and Management of Risk Committee has been founded with the purpose of early determination and managing of risk which may jeopardize the Company's existence, development, sustainability and establishing an effective risk management system. The Committee is being led by an independent Board Member Mrs. Füsun Akkal Bozok. The Committee's other members are Mr. İ.Cenk Çimen and Mr. William R. Periam who are also Board Members.

The Committee had six meetings in 2018. Risk reporting activities and the Committee evaluations are periodically submitted to the attention of Board of Directors.

c. Internal Control System and Internal Audit

Policies, procedure and instructions included in process flows are important part of the internal control system. In addition to these, Ford Otosan applies an internal control plan annually which covers all company operations. With this structure, over three thousand control points are being tested as an assurance to the Board of Directors and shareholders related to the accuracy of Company's operations.

The Audit Committee periodically monitors internal control and internal audit activities, reviews and approves annual audit plans as a subcommittee of Board of Directors. The Audit Committee provides opinion on the financial reports for the approval of Board of Directors and provides recommendations to BOD where required.

Koc Holding, Ford Motor Company and Internal Control Department perform regular audits in the Company on an annual basis. Ford Otosan authorized dealers and services are also audited for their transactions with Ford Otosan periodically by dealer audit function, present in internal control department. All denunciations and complaints about Ford Otosan related operations are reviewed, investigated and finalized by internal control department. All control issues identified during the internal control, internal audit or external audit processes are evaluated, corrective actions are planned and tracked for implementation to improve internal control systems by internal control department. Results of these reports are presented to The Audit Committee regularly which consists of independent Board members.

LEGAL DISCLOSURES

a. Capital

Paid-in / Issued Capital: 350.910.000 TL
Authorized Capital: 500.000.000 TL

b. Shareholder Structure

Title of Shareholder	Group	Number of Share	Total (TL)	Share in Capital (%)	Type of Privilage	Publicly Traded
Vehbi Koç Foundation	A	355.844.870	3.558.449	%1,0	-	No
Koç Holding Retirement and Charity Fund	A	325.920.231	3.259.202	%0,9	-	No
Other Shareholders	A	6.278.607.009	62.786.070	%17,9	-	No
A GROUP TOTAL		**6.960.372.110**	**69.603.721**	**%19,8**	**-**	
Koç Holding A.Ş.	B	13.495.335.714	134.953.357	%38,5	Management Privileged	No
Temel Ticaret ve Yatırım A.Ş.	B	235.588.500	2.355.885	%0,7	Management Privileged	No
B GROUP TOTAL		**13.730.924.214**	**137.309.242**	**%39,2**		
Ford Motor Company	C	14.399.703.676	143.997.037	%41,0	Management Privileged	No
C GROUP TOTAL		**14.399.703.676**	**143.997.037**	**%41,0**		
TOTAL		**35.091.000.000**	**350.910.000**	**%100**		

c. Share Information

Current List of Other Exchanges or Organized Markets where the Company's Capital Market Instruments are Listed or Traded

Title of Holder	First Trade Date	Country	Exchange	Market	ABCD Group
Stock	13/01/1986	Turkey	Borsa İstanbul	BIST Stars	A

Ford Otosan Shares are Traded in the Following Market and Included in the Following Indices:
BIST KOCAELI / BIST METAL PRODUCTS, MACH. / BIST 30 / BIST 100 / BIST 50 / BIST INDUSTRIALS / BIST ALL SHARES / BIST STARS / BIST DIVIDEND / BIST DIVIDEND 25 / BIST SUSTAINABILITY INDEX

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D. Information on the extraordinary assembly meeting held in the year

Ford Otomotiv Sanayi A.Ş.'s Extraordinary General Assembly Meeting was held on November 16, 2018 at 11:00 to review and resolve the agenda specified below at Company Headquarters located at "Akpınar Mahallesi, Hasan Basri Caddesi No:2, Sancaktepe / İstanbul (Tel: +90 216 564 71 00, Faks: +90 216 564 73 85)". Following decisions have been made:

Approval or approval with amendments or refusal of the Board of Directors' proposal will be discussed by taking into consideration, the Company's Dividend Distribution Policy, long-term strategy, investment and financing policies, profitability and cash position. According to the Dividend Communiqué numbered II-19.1, TL 403.546.500,00 to be paid to shareholders as dividend in cash, out of TL 403.546.500,00 which is subject to distribution according to the records prepared in accordance with Tax Procedure Law, TL 394.388.607,56 to be covered from extraordinary reserves ,TL 2.192.856,99 to be covered from legal reserves, TL 6.965.035,45 to be covered from other reserves, and out of TL 40.354.650,00 second rank legal reserve, which will be allocated: TL 39.438.860,75 to be covered from extraordinary reserves, TL 219.285,70 to be covered from legal reserves, TL 696.503,55 to be covered from other reserves. In accordance with the financial statements prepared within the framework of Capital Markets Board regulations, out of TL 403.546.500,00 proposed to be paid as dividend in cash, TL 401.353.643,01 to be covered from extraordinary reserves and TL 2.192.856,99 to be covered from legal reserves; out of TL40.354.650,00 second rank legal reserve, which will be allocated: TL 40.135.364,30 to be covered from extraordinary reserves and TL 219.285,70 to be covered from legal reserves. Based on the calculations made in accordance with the tax regulations, TL 403.546.500,00 dividend to be distributed by paying gross Kr 115,00 (%115,00) and net Kr 97,75 (%97,75) for each share with a nominal value of 1-TL. To make the dividend distribution in accordance with the dematerialization regulations of Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency Corporation) starting from November 20, 2018. The decision is accepted by unanimity with acceptance votes corresponding to TL 322.582.476,91.

E. Organizational changes during the year

Whereas there has not been any change in the Board of Directors during the year, following his latest assignment as the Industrial Relations and Manufacturing Human Resources Senior Manager, Ali Rıza Aksoy was appointed as Human Resources Director on 30th March 2018.

REPORT ON RELATED PARTY TRANSACTIONS FOR 2018

Ford Otomotiv Sanayi A.Ş. Board of Directors 2018 report on related party transactions prepared as per article 199 Of the turkish commercial code

The Result

Pursuant to Article 199 of the Turkish Commercial Code No. 6102 ("TCC"), which went into effect on July 1, 2012, Ford Otomotiv Sanayi A.Ş. Board of Directors is obliged to annually prepare an affiliation report stating the relationship between the company and the parent company and other subsidiaries of that parent company in the first quarter of the year. The necessary explanations about all of the transactions of Ford Otomotiv Sanayi A.Ş., made with the relevant parties, are cited in footnote number 26 in the financial report.
It is stated in the Report prepared by Ford Otomotiv Sanayi A.Ş. Board of Directors on February 21, 2019 that, "In all transactions made between Ford Otomotiv Sanayi A.Ş. and the parent company and other subsidiaries of that parent company in 2018, it is precipitated that, in the event that the transactions were made, or the measures were taken or not taken, a counter action was applied to each transaction. There were no measures taken or not taken which cause losses to the company, and there were no transactions made or measures taken that require compensation within this frame".

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STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTOR'S RESOLUTION REGARDING THE ANNUAL REPORT
Resolution Date : 21/02/2019
Resolution Number : 2019/07

As per CMB regulations; attached Annual Report for 2018 , prepared by Company management and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. , that has been prepared under Turkish Code of Commerce and CMB's Communiqué Series No: II.14.1 "Communique On Principles of Financial Reporting in Capital Markets" ("Communique") and the Annual Report for 2018 has included the Corporate Governance Principles Compliance Report in compliance with the formats determined in 2014 by the CMB in accordance with the principles dated 10.01.2019.

- Has been analysed,
- To the best of our knowledge and inline with our Company roles and responsibilities, in all material respects, does not contain any untrue representations or any omissions that would lead to misleading conclusions as at disclosure date,
- To the best of our knowledge and inline with our Company roles and responsibilities, the Annual report prepared in line with the Communique, fairly reflect the Company's progress and performance, financial position and possible significant risk and uncertainity,

and we hereby represent and state that we are responsible over the disclosures.

Best Regards,
FORD OTOMOTİV SANAYİ A.Ş.

Fatma Füsun Akkal Bozok
Audit Committee Member

Leonard Martin Meany Audit
Committee Member

Oğuz Toprakoğlu
Assistant General Manager -CFO

DECLARATION FOR INDEPENDENCY

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Ford Otomotiv Sanayi A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in Capital Markets Board's Communiqué on Corporate Governance. In that regard I also confirm that;

a. In the last five years, there has not been any recruitment relationship between the Company, the partnerships (which possess the Company's managerial control or have substantial influence therein), the partners (who possess the Company's managerial control or have substantial influence therein), the legal entities (managerial control of which is possessed by the aforesaid partners), and me, my spouse, and my relatives by blood/marriage descending down to second degree for managerial positions, having been established so to assume significant duties and responsibilities, that no more than 5% of the capital, or voting rights, or preferential rights has been possessed collectively, or individually, that no other commercial relationship with similar features has also been established,

b. I have not become the partner of (by 5% and above), worked in a managerial position (to assume significant duties and responsibilities) within, or become the board member of the companies (from which the Company purchases/sells substantial goods or services under respective agreements), particularly for corporate auditing (tax, legal, internal audits included), rating, and consultation during the periods, when the aforementioned goods or services are purchased/sold,

c. I have skills, knowledge and expertise to fulfill my duties as an independent board member of the Company,

d. I am not going to work full-time in public institutions and corporations (except academic membership), as being stipulated in the respective regulations, after I will be elected as member,

e. I have strong ethic standards, professional reputation and expertise to make effective contributions to the business of the Company, make objective business decisions in case of conflict of interest between the shareholders of the Company and protect the rights of the stakeholders of the Company.

f. In the last 10 years, I have not served as the Independent Board Member of Ford Otomotiv Sanayi A.Ş. more than 6 years.

g. I do not serve as an independent board member in more than three companies (managerial control of which is held by the Company, or by the partners who hold the managerial

h. control of the Company), and as a whole in five companies being traded in the stock exchange,

i. I have not been registered, and announced in the name of the legal entity, which is elected as the board member.

Leonard Martin Meany

DECLARATION FOR INDEPENDENCY

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Ford Otomotiv Sanayi A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in Capital Markets Board's Communiqué on Corporate Governance. In that regard I also confirm that;

a. In the last five years, there has not been any recruitment relationship between the Company, the partnerships (which possess the Company's managerial control or have substantial influence therein), the partners (who possess the Company's managerial control or have substantial influence therein), the legal entities (managerial control of which is possessed by the aforesaid partners), and me, my spouse, and my relatives by blood/marriage descending down to second degree for managerial positions, having been established so to assume significant duties and responsibilities, that no more than 5% of the capital, or voting rights, or preferential rights has been possessed collectively, or individually, that no other commercial relationship with similar features has also been established,

b. I have not become the partner of (by 5% and above), worked in a managerial position (to assume significant duties and responsibilities) within, or become the board member of the companies (from which the Company purchases/sells substantial goods or services under respective agreements), particularly for corporate auditing (tax, legal, internal audits included), rating, and consultation during the periods, when the aforementioned goods or services are purchased/sold,

c. I have skills, knowledge and expertise to fulfill my duties as an independent board member of the Company,

ç. I am not going to work full-time in public institutions and corporations (except academic membership), as being stipulated in the respective regulations, after I will be elected as member,

d. I am a resident in Turkey under the Revenue Tax Law No.193 ("RTL") dated December 31, 1960.

e. I have strong ethic standards, professional reputation and expertise to make effective contributions to the business of the Company, make objective business decisions in case of conflict of interest between the shareholders of the Company and protect the rights of the stakeholders of the Company.

f. I am going to devote my time to fulfill my duties in full extent and keep track of the activities of the Company.

g. In the last 10 years, I have not served as the Independent Board Member of Ford Otomotiv Sanayi A.Ş. more than 6 years.

ğ. I do not serve as an independent board member in more than three companies (managerial control of which is held by the Company, or by the partners who hold the managerial control of the Company), and as a whole in five companies being traded in the stock exchange,

h. I have not been registered, and announced in the name of the legal entity, which is elected as the board member.
beyan ederim.

Fatma Füsun Akkal Bozok

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FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Ford Otomotiv Sanayi A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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T: +90 212 326 6060 F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız 0-1460-0224-0500015

Key Audit Matters	How our audit addressed the Key Audit Matter
Cash Flow Hedge Accounting (Notes 2 and 28)	
Based on the manufacturing agreements with Ford Motor Company, the Company associates sales of specific models of commercial vehicles subject to export by the end of 2024 with long term loans denominated in Euros, borrowed for the investments related to manufacturing of such vehicles. Sales subject to the agreement are denominated in Euro and are affected by the TRY/EUR exchange rate fluctuations. The Company hedges the foreign exchange rate risk with the borrowings obtained in the same currency. We focused on this matter during our audit for the reasons below: The cash flow hedge losses which are classified under equity as of 31 December 2018 amount to TRY794,287 thousand. This amount is material in terms of the financial statements. Cash flow hedge accounting is structurally complex and its audit requires professional expertise. Mistakes that might occur when calculating and accounting for this subject may affect the financial statements significantly.	- We tested the official definition and documentation of risk management's target and strategy, which causes the Company to hedge against cash flow risk. We also tested the completeness and accuracy of data and the assumptions used in the hedge accounting work with the support of our subject matter experts. - We reviewed the effectiveness of the cash flow hedge. We tested whether the range of increase/decrease in the fair value of the revenue planned for in future and the increase/decrease in fair value of the borrowings are between 80% and 120%. - We checked the agreements related to the vehicle sales and whether sales volumes and prices of the vehicles subject to cash flow hedging agree with the budget approved by management. We checked whether methods used for calculating vehicle costs comply with the agreement. - We reviewed repayment plans for the borrowings denominated in Euro by reviewing the loan agreements and obtaining bank confirmations. We checked to what extent monthly borrowing payments cover monthly sales. - We checked the mathematical accuracy of the accounting bookings related to this subject. - We assessed the sufficiency of the financial statement disclosures related to the cash flow hedge accounting.

Key Audit Matters	How our audit addressed the Key Audit Matter
Warranty Provisions (Notes 2 and 13)	
The Company has warranty provisions amounting to TRY194,326 thousand as of 31 December 2018. We focused on this matter during our audit for the reasons below: The warranty provision of TRY194,326 thousand is a liability in the statements. The amount of the warranty provision is material. The Company provides a standard warranty service and optional roadside assistance, extended warranty and spare part warranty services for any vehicle sold domestically. The Company calculates the current period warranty provision based on the actual warranty expense per vehicle in the previous period. The warranty cost per vehicle is approved twice a year by management and is calculated for each vehicle model, based on the technical department's experience and warranty claims in the past also complying with the instructions of Ford Motor Company. Since the warranty cost per vehicle is determined in Euro, foreign exchange rate estimation is also included in the calculation. Fluctuation of the foreign exchange rates may affect the financial statements materially. Warranty provision calculation is determined to be a Key Audit Matter since it involves estimations bearing an inherent risk of misstatement.	- When calculating the warranty provision, the management makes assumptions based on the number of vehicles subject to warranty, the length of the warranty period, and the warranty claims in the previous periods. We tested the effectiveness of the controls during the estimation process. - We confirmed that unit managers approve the unit cost estimations per vehicle. We tested unit costs through sampling by detailed tests. - To test the data on which the estimations are based, the number of vehicles sold were agreed to the sales reports. Sales reports were reconciled to the sale accounts. - Foreign exchange rates are considered when estimating the warranty cost per vehicle. We confirmed that the foreign exchange rate, which is a forward-looking estimate used when calculating the warranty provision, is the same foreign exchange rate used in the budget approved by the management. We also evaluated the reasonableness of the warranty provision considering the fluctuations of the foreign exchange rate. - We tested the actual warranty expenses realised in the current period on a sampling basis based on the movements of the warranty provision amounting to TRY194,326 thousand. - We tested the reasonableness of the actual warranty expenses with the warranty provisions set aside in previous periods. - Warranty provisions are calculated based on cost per vehicle estimations, considering the actual claims in the past and also technically and financially planned developments. We performed a sensitivity analysis on these estimations and assessed their impact. - We assessed the sufficiency of the financial statement disclosures related to warranty expenses.

4. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 12 February 2019.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Beste Ortaç, SMMM
Partner
Istanbul, 12 February 2019

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Ford Otomotiv Sanayi A.Ş.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Current period audited 31 December 2018	Previous period audited 31 December 2017
Assets			
Current assets		**7,395,461**	**6,827,040**
Cash and cash equivalents	4	1,392,772	1,805,945
Trade receivables			
- Due from related parties	26	2,082,263	2,057,267
- Due from third parties	7	1,058,926	1,299,746
Other receivables			
- Due from third parties	8	2,788	521
Inventories	9	1,864,645	1,152,490
Prepaid expenses	12	74,375	101,979
Other current assets	16	919,692	404,561
Derivative financial assets	28	-	4,531
Non-current assets		**5,788,979**	**5,184,700**
Financial assets	5	12,408	17,406
Trade receivables			
- Due from third parties	7	2,954	3,002
Property, plant and equipment	10	3,922,747	3,536,220
Intangible assets	11	823,342	690,337
Prepaid expenses	12	382,420	311,292
Deferred tax assets	24	644,175	626,443
Investments accounted for by the equity method	32	933	-
Total assets		**13,184,440**	**12,011,740**

Financial statements for the period ended 1 January - 31 December 2018 were approved for issue by the Board of Directors on 12 February 2019.

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

Ford Otomotiv Sanayi A.Ş.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Current period audited 31 December 2018	Previous period audited 31 December 2017
Liabilities			
Current liabilities		**7,219,612**	**6,049,677**
Short-term borrowings			
- Bank borrowings	6	2,030,806	1,061,621
Short-term portion of long-term borrowings			
- Bank borrowings	6	773,457	722,259
Trade payables			
- Due to related parties	26	703,567	895,559
- Due to third parties	7	3,319,120	2,921,390
Other payables			
- Due to related parties	26	31,321	31,438
- Due to third parties	8	34,661	56,385
Deferred income	30	13,219	10,929
Short-term provisions			
- Other provisions	13	155,227	159,614
Employee benefit liabilities	15	149,611	184,092
Current tax liabilities	24	8,530	6,390
Derivative financial liabilities	28	93	-
Non-current liabilities		**2,071,589**	**2,266,204**
Long-term borrowings			
- Bank borrowings	6	1,678,554	1,820,167
Long-term provisions			
- Provision for employment termination benefits	15	196,368	153,484
- Other provisions	13	136,680	169,285
Deferred income	30	7,479	7,450
Other non-current liabilities	31	52,508	115,631
Derivative financial liabilities	28	-	187
Equity	**17**	**3,893,239**	**3,695,859**
Paid-in capital		350,910	350,910
Inflation adjustments on capital		27,920	27,920
Share premium		8	8
Other comprehensive income / (loss) not to be reclassified under profit or loss			
- Losses on remeasurements of defined benefit plans		(279)	(14,001)
- Gains from financial assets measured at fair value through other comprehensive income		10,859	15,608
Other comprehensive income / (loss) to be reclassified in profit or loss			
- Losses on cash flow hedges		(794,287)	(503,120)
Restricted reserves		370,599	254,404
Retained earnings		2,244,313	2,074,147
Net profit for the period		1,683,196	1,489,983
Total liabilities and equity		**13,184,440**	**12,011,740**

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

Ford Otomotiv Sanayi A.Ş.

STATEMENTS OF PROFIT OR LOSS FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Current period audited 1 January - 31 December 2018	Previous period audited 1 January - 31 December 2017
Continuing operations			
Revenue	18	33,292,030	25,341,290
Cost of sales	18	(29,833,459)	(22,704,095)
Gross profit		**3,458,571**	**2,637,195**
Marketing expenses	19	(507,218)	(544,303)
General administrative expenses	19	(312,143)	(249,480)
Research and development expenses	19	(368,568)	(317,192)
Other income from operating activities	21	581,129	460,462
Other expenses from operating activities	21	(566,898)	(278,508)
Profit from operating activities		**2,284,873**	**1,708,174**
Income from investing activities	29	410	363
Expenses from investing activities	29	(3,855)	(3,407)
Share of profit/(loss) of investments accounted for by the equity method	32	(94)	-
Operating income before financial income /(expense)		**2,281,334**	**1,705,130**
Financial income	22	1,981,623	562,262
Financial expenses	23	(2,501,845)	(786,231)
Profit from continuing operations before tax		**1,761,112**	**1,481,161**
Tax income/(expense) from continuing operations		**(77,916)**	**8,822**
Tax expenses for the period	24	(16,969)	(19,511)
Deferred tax (expense) / income	24	(60,947)	28,333
Net profit		**1,683,196**	**1,489,983**
Earnings per share with a nominal value Kr	25	**4.80 Kr**	**4.25 Kr**

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

Ford Otomotiv Sanayi A.Ş.

STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Current period audited 1 January - 31 December 2018	Previous period audited 1 January - 31 December 2017
Net profit		**1,683,196**	**1,489,983**
Other comprehensive income/(expense)			
Other comprehensive income not to be reclassified to profit or loss			
(Losses)/gains on remeasurements of defined benefit plans	17	17,153	23
Gains/(losses) from financial assets measured at fair value through other comprehensive income	17	(4,998)	(1,350)
Other comprehensive income taxes not to be reclassified to profit or loss			
Taxes relating to remeasurements of defined benefit plans	17	(3,431)	(5)
Taxes relating to gains/(losses) from financial assets measured at fair value through other comprehensive income	17	249	68
Other comprehensive income to be reclassified to profit or loss			
Other comprehensive income relating to cash flow hedges	17	(373,028)	(208,664)
Other comprehensive income taxes to be reclassified to profit or loss			
Taxes relating to cash flow hedges	17	81,861	41,733
Other comprehensive (loss)		**(282,194)**	**(168,195)**
Total comprehensive income		**1,401,002**	**1,321,788**

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

Ford Otomotiv Sanayi A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Paid in capital	Inflation adjustments on capital	Share premium	Other comprehensive income not to be reclassified in profit or loss: Gain / (losses) from financial assets measured at fair value through other comprehensive income	Other comprehensive income not to be reclassified in profit or loss: Gains / (losses) on remeasurements defined benefit plans	Other comprehensive income to be reclassified profit or loss: Cash flow hedge reserve	Retained earnings: Restricted reserves	Retained earnings: Accumulated profit	Retained earnings: Net profit	Total equity
Balances at 1 January 2017	**350,910**	**27,920**	**8**	**16,890**	**(14,019)**	**(336,189)**	**284,207**	**1,878,584**	**955,308**	**3,163,619**
Profit for the period	-	-	-	-	-	-	-	-	1,489,983	1,489,983
Other comprehensive income/ (loss)	-	-	-	(1,282)	18	(166,931)	-	-	-	(168,195)
Total comprehensive income	-	-	-	(1,282)	18	(166,931)	-	-	1,489,983	1,321,788
Transfers	-	-	-	-	-	-	77,200	878,108	(955,308)	-
Dividends (Note 17)	-	-	-	-	-	-	(107,003)	(682,545)	-	(789,548)
Balances at 31 December 2017	**350,910**	**27,920**	**8**	**15,608**	**(14,001)**	**(503,120)**	**254,404**	**2,074,147**	**1,489,983**	**3,695,859**
Balances at 1 January 2018	**350,910**	**27,920**	**8**	**15,608**	**(14,001)**	**(503,120)**	**254,404**	**2,074,147**	**1,489,983**	**3,695,859**
Profit for the period	-	-	-	-	-	-	-	-	1,683,196	1,683,196
Other comprehensive income/ (loss)	-	-	-	(4,749)	13,722	(291,167)	-	-	-	(282,194)
Total comprehensive income	-	-	-	(4,749)	13,722	(291,167)	-	-	1,683,196	1,401,002
Transfers	-	-	-	-	-	-	118,608	1,371,375	(1,489,983)	-
Dividends (Note 17)	-	-	-	-	-	-	(2,413)	(1,201,209)	-	(1,203,622)
Balances at 31 December 2018	**350,910**	**27,920**	**8**	**10,859**	**(279)**	**(794,287)**	**370,599**	**2,244,313**	**1,683,196**	**3,893,239**

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

Ford Otomotiv Sanayi A.Ş.

STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Current period audited 1 January - 31 December 2018	Previous period audited 1 January - 31 December 2017
Cash flows generated from/(used in) operating activities		**2,176,407**	**2,158,569**
Net profit for the period		1,683,196	1,489,983
Adjustments to reconcile profit or loss		**1,718,170**	**1,176,370**
Adjustments for depreciation and amortisation expense	10,11	569,203	473,624
Adjustments for impairment loss of inventories	9	18,941	(1,326)
Adjustments for provisions related with employee benefits		40,816	115,416
Adjustments for lawsuit and/or penalty provisions	13	11,084	12,706
Adjustments for warranty provisions	13	106,426	188,087
Adjustments for other provisions		(3,459)	8,041
Adjustments for dividend income	29	(410)	(351)
Adjustments for interest income	22	(104,777)	(74,896)
Adjustments for interest expense	23	52,952	42,394
Adjustments for tax expenses	24	77,916	(8,822)
Adjustments for unearned financing income	21	(185,498)	(139,378)
Adjustments for deferred financing expense	21	341,463	177,790
Adjustments for loss on sales of property, plant and equipment	29	3,855	3,395
Other adjustments for which cash effects are investing or financing cash flow		789,564	379,690
Undistributed profits of investments accounted for by the equity method	32	94	-
Changes in working capital		**(876,546)**	**(332,578)**
Decrease/(increase) in trade receivable		200,967	(1,213,698)
(Increase)/decrease in inventories		(734,965)	(129,440)
(Increase)/decrease in prepaid expenses		21,099	(42,968)
Increase/(decrease) in trade payable		231,959	1,211,171
(Increase)/decrease in other assets		(512,961)	(195,396)
Increase/(decrease) in other liabilities		(82,645)	37,753
Cash flows generated from operations		**2,524,820**	**2,333,775**
Interest paid		(326,558)	(164,923)
Interest received		159,277	127,813
Payments related with provisions for employee benefits	15	(15,260)	(10,442)
Payments related with other provisions		(151,043)	(116,290)
Taxes paid		(14,829)	(11,364)
Cash flows used in investing activities		**(1,144,606)**	**(938,317)**
Proceeds from sales of property, plant and equipment		46,090	571
Purchase of property, plant and equipment		(889,983)	(590,897)
Purchase of intangible assets		(235,473)	(215,383)
Cash advances given and payables		(64,623)	(132,959)
Dividends received	29	410	351
Cash outflows from acquisition or share or debt instruments of other enitities		(1,027)	-
Cash flows (used in)/generated from financing activities		**(1,443,697)**	**(605,875)**
Proceeds from borrowings		2,759,195	2,304,890
Repayment of borrowings		(3,051,482)	(2,141,327)
Dividends paid	17	(1,203,622)	(789,548)
Interest paid		(53,842)	(52,251)
Interest received		106,054	72,361
Net (decrease)/increase in cash and cash equivalents		**(411,896)**	**614,377**
Cash and cash equivalents at the beginning of the period		**1,802,917**	**1,188,540**
Cash and cash equivalents at the end of the period	**4**	**1,391,021**	**1,802,917**

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

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

1. ORGANIZATION AND NATURE OF THE OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the Borsa İstanbul ("BIST") where 17.89% of its shares are currently quoted. The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

In its Kocaeli compound; the Company has a Gölcük plant in which the Transit and Transit Custom vehicles are manufactured and a Yeniköy plant in which the Transit Courier vehicle is manufactured and in its Eskişehir İnönü compound; a truck plant and engines and powertrain plant which manufactures for trucks and Transit vehicles.

Additionally, the Company has a spare part distribution warehouse, sales and marketing departments and a research and development (R&D) centre located in Sancaktepe, İstanbul.

The number of the personnel employed with respect to categories by the Company as of period ends are as follows:

	Average		Period End	
	2018 December	2017 December	2018 December	2017 December
Hourly	8,383	8,172	**8,086**	8,847
Salaried	2,584	2,663	**2,512**	2,654
	10,967	**10,835**	**10,598**	**11,501**

Research and development operations which are also subject to service export is conducted with 1,078 employees in Sancaktepe branch, conducted with 224 employees in R&D centre in Kocaeli plant, and conducted with 111 employees in R&D centre in Eskişehir İnönü plant, totally 1,413 employees as of 31 December 2018 (31 December 2017: 1,508).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The Company maintain its legal books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation.

The financial statements of the Company have been prepared in accordance with the Turkish Financial Reporting Standards, ("TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676.

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

The financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

Except for the financial assets and derivative instruments measured at fair value through other comprehensive income, the financial statements are prepared on a historical cost basis.

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

Going concern

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

Comparatives of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at 31 December 2018 has been provided with the comparative financial information of 31 December 2017 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the interim period between 1 January and 31 December 2018 have been provided with the comparative financial information, for the period between 1 January 2017 and 31 December 2017.

2.2 Amendments and interpretations in the standards

The new standards, amendments and interpretations

The Company has applied the new and revised standards and interpretations issued by the KGK as of 1 January 2018 and related to its own activity.

(a) The new standards, amendments and interpretations which are effective as at 31 December 2018 are as follows:

- TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The effects of the amendment are explained in the related notes and accounting policies.

- TFRS 15, 'Revenue from contracts with customers'; Effective for annual reporting periods beginning on or after 1 January 2018. The compliance effort with Accepted Accounting Standards in the United States was intended to provide financial reporting of the resulting new standard revenue and comparability of the total income of the financial statements on a worldwide basis. The effects of the amendment are explained in the related notes and accounting policies.

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- Amendment to TFRS 15, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The effects of the amendment are explained in the related notes and accounting policies.

- Amendment to TAS 40, "Investment property" relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Amendments to TFRS 2, "Share based payments" on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

- TFRS 1, "First-time adoption of TFRS"; regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10 effective 1 January 2018.

- TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

The amendments do not have an impact on the financial position or performance of the Company.

- TFRS 22, "Foreign currency transactions and advance consideration", effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The amendments will not have an impact on the financial position or performance of the Company.

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

(b) The new standards, amendments and interpretations which are not yet effective as at 31 December 2018 are as follows:

- Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

- Amendment to TAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

- TFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As of the report date, the Company's studies on the impact of TFRS 16 on financial statements are ongoing. The Company's activities as a lessor are not material.

- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37, 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- TFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Company is in the process of assessing the impact of the standard on its financial position and performance.

- Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Company is in the process of assessing the impact of the standard on its financial position and performance.

- Effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements'and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs.

i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting.
ii) clarify the explanation of the definition of material; and
iii) incorporate some of the guidance in TAS 1 about immaterial information.

- Amendments to TFRS 3 - definition of a business; Effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies

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

Cash and cash equivalents

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

Trade receivables, impairment loss and expected credit losses

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

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

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

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

The Company measures the allowance for trade receivables at an amount equal to the "expected life-time credit losses" (except for realized impairment losses) where the trade receivables are not impaired for some reason. Expected credit losses are a weighted estimate of the likelihood of credit losses over the expected life of a financial instrument. In the calculation of expected credit losses, the Company takes into account future credit loss experience as well as forecasts for the future.

The Company uses a provisioning matrix to measure the expected credit losses on trade receivables. Depending on the number of days the maturities of trade receivables are exceeded, certain maturity ratios are calculated and these ratios are reviewed at each reporting period and revised where necessary. Expected credit losses are accounted for under "other income / expense from operating activities" in the income statement.

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Inventories

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

Trade payables

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

Property, plant and equipment

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

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

Land improvements	14,5 - 30 year
Buildings	14,5 - 36 year
Machinery and equipment	5 - 25 year
Moulds and models	Project lifetime
Furniture and fixtures	4 - 14,5 year
Motor vehicles	9 - 15 year

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

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

Intangible assets

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

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period depending on the project's lifetime. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2 Research and development expenses (Note 11).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

The estimated useful lifetimes of such assets are as follows:

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

Impairment of long-lived assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of profit or loss. Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Financial assets

Classification and Measurement

The Company classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though other comprehensive income, financial assets carried at fair value though profit of loss, Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

"Financial assets carried at amortized cost", assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. The aforementioned assets are initially measured at fair values and measured at amortized cost using the effective interest rate method in subsequent reporting Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

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BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

"Financial assets carried at fair value through profit or loss", they consist of financial assets that are measured at amortized cost and whose fair value changes are reflected in other comprehensive income. Gains and losses arising from the valuation of such assets are recognized in the income statement.

"Financial assets carried at fair value through other comprehensive income", are the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on the related financial assets are recognized in other comprehensive income, except for impairment losses or gains or losses. If the assets whose fair value difference is recognised under consolidated other comprehensive income statement are sold, valuation differences classified under consolidated other comprehensive income statement are classified under "Retained Earnings/(Losses)".

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument. If an entity makes the election, it shall recognise in profit or loss dividends from that investment.

Share premium

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

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Notes 17 and 29).

Taxes on income

Taxes include current period income taxes and deferred taxes.

Current period income tax

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

Deferred tax

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

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BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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

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

Current and deferred tax

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

Revenue recognition

The Company adopted TFRS 15 " Revenue From Contracts with Customers" from 1 January 2018 which proposes a five step model framework mentioned below for recognizing the revenue.

- Identification of customer contracts,
- Identification of performance obligations
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

The Company recognized revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Company can identify each party's rights regarding the goods or services to be transferred,
- Company can identify the payment terms for the goods or services to be transferred,
- The contract has commercial susbtance,
- It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer

Goods & services sales

Revenue comprises the invoiced value for the sale of goods and services. Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. But if the Company makes a sales agreement with buyback commitment, which shall most likely be applied, the sales made in this scope are not recognized as revenue and monitored under "Other Non-Current Liabilities" (Note 31). Sales, which are subject to buyback commitment, are evaluated as operating lease and monitored as deferred income through allocating the difference between the price paid by the customers and their buyback price to leasing period. (Note 30). The revenue recognised on lease revenue for the periods over 1 year is recognized as "Long term deferred revenue" (Note 30). The vehicles with repurchase commitments are classified in tangible assets (Note 10). The vehicles are amortised during the repurchase commitment period. For export sales significant risk and rewards are transferred to the buyer on FAS, "Final Assignment to Ship" terms. Exported service sales are recorded when the service is delivered and the amount of revenue can be measured reliably.

Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on an accrual basis (Notes 18 and 21).

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The Company is a principal if it controls a promised good or service before the Company transfers the good or service to a customer. When a Company that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

The Company pays customer premiums to its dealers based on their performance results. Amounts calculated as of the balance sheet date are recognized in other payables in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss

The Company provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 2-3-4 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold.

Revenue from extended warranty and maintenance package

The Company sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty and maintenance package are determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, the Company treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

The Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. The Company delivers the control of services related to the sale of extended warranty and maintenance packages over time and it fulfills the performance obligation of those over time. Therefore, Company measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Dividend and interest income

Dividend income from the stock investments are recorded when the stockholders become entitled to receive a dividend. Interest income is realized on a time period basis and the accrued income is determined by taking into account the valid interest rate and the interest rate that is to be effective until its maturity date.

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the Central Bank of Turkey exchange rates prevailing at the statement of the financial position dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized under the other operating income/expenses and financial income/expense in the statement of profit or loss (Notes 21, 22, 23 and 27).

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

	TRY/USD	TRY/EUR	TRY/GBP
31 December 2018	**5,2609**	**6,0280**	**6,6528**
31 December 2017	3,7719	4,5155	5,0803

Financial instruments and financial risk management

Credit risk

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

Bank letters of collaterals received from dealers for the exceeding part of DDS limit, regarding domestic vehicle sales and spare part sales is another method in the management of the credit risk (Note 7).

Conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company and its subsidiaries are collected in 14 days for export vehicle sales regularly. Receivables from Ford Motor Company and its subsidiaries, except vehicle sales, are collected in 45 days in average. The collection of receivables resulting from export sales to customers other than Ford Motor Company is secured with letter of credit, letter of guarantee or cash payment.

Price risk

The Company is exposed to equity securities price risk because of investments classified on the statement of financial position as financial assets at fair value through other comprehensive income. The Company limits the financial assets at fair value through other comprehensive income in order to manage the price risk arising from investments in equity securities.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 100 million and factoring agreement amounting to Euro 120 million in case a requirement for use arises.

Interest rate risk

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

Funding risk

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

Foreign exchange risk

The Company is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities into TRY. This risk is monitored by key management personnel through Early Determination of Risk and Management Committee and regular Board of Director's meetings.

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

Capital risk management

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

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

The Company monitors capital on the basis of the "net financial debt to tangible capital ratio". This ratio is calculated as net financial debt divided by tangible capital. Net financial debt is calculated as total short and long term borrowings minus cash and cash equivalents, whereas tangible equity is calculated as equity, as shown in the statement of financial position minus intangible assets. According to the decision of Company management, this ratio is expected not to exceed 1.25. Due to fluctuation in exchange rates, the ratio exceeded 1.25 in 2018 and the Company's management continues to work on different methods to monitor the capital structure as well as the cash generation capacity of the Company (Note 13).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

	31 December 2018	31 December 2017
Net financial debt	3,090,045	1,798,102
Total tangible equity	3,069,897	3,005,522
Net financial debt / tangible equity ratio	**1.01**	**0.60**

Fair value of financial instruments

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

- In the principal market for the asset or liability, or

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

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

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

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

Financial assets

Foreign currency balances are translated into TL at the exchange rates prevailing at the balance sheet date. These balances are estimated to be close to the book value. Certain financial assets, including cash and cash equivalents, are carried at cost and 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 uncollectibility are estimated to be their fair values.

Financial liabilities

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

Cash flow hedge accounting

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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

Derivative financial instruments are initially recognized at the transaction cost reflecting the fair value at the date of the contract is entered into and are subsequently measured at fair value. Derivative financial instruments are recognized as assets if the fair value is positive and as liabilities when the fair value is negative. The fair value differences of the Company are reflected in derivative financial instruments and consist of forward foreign currency purchase and sale contracts. Fair value is determined using valuation methods based on observable market data.

Investments accounted for by the equity method

Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of the acquisition. The investor's share of profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount are necessary for the change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such adjustments include revaluation of property, plant and equipment or foreign currency translation differences. The investor's proportionate interest in the investee arising from changes are accounted in the investee's other comprehensive income.

Borrowings and borrowing costs

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Provision for employee benefits

a) Defined benefit plan

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

b) Defined contribution plan

The Company is obliged to pay social insurance contributions to the Social Security Institution. No other obligation exists as long as the Company pays these premiums. These premiums are reflected to the personnel expenses when they are accrued (Note 15).

c) Other employee benefits

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

Provisions

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

Provisions for sales premium

Provision for dealer stock sales premium expenses is accounted based on the last approved sales premium programme (Note 13).

Warranty expenses provision

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Research and development expenses

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

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

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

Leasing - the Company as the lessee

Operating leases

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

Leasing - the Company as the lessor

Operational leasing

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Related parties

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

(a) A person or close member of thats person's familiy is related to a reporting entity:

If that person,

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

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

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

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

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

Earnings per share

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Reporting of cash flows

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

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

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

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

Contingent assets and liabilities

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

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the statement of financial position date and the date when the statement of financial position is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the statement of financial position date, the Company makes the necessary corrections on the financial statements (Note 33).

Offsetting

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

Government grants and incentives

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Accounting policies, changes in accounting estimates and errors

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

The Company applied first time application requirements of TFRS 15 "Revenue From Contracts with Customers" and "TFRS 9 Financial Assets" out of the new standards, amendments and interpretations effective from 1 January 2018 in line with the requirement of transition of the related standards.

The accounting policy changes and the impact of first time application of the standard is as follows:

2.4.1 TFRS 15 "Revenue From Contracts with Customers"

Revenue recognition

Transition to TFRS 15 "Revenue from contracts with customers

The Company assessed the cumulative effect of initial application of TFRS 15 "Revenue From Contracts with Customers" which replaced "TAS 18 Revenue" retrospectively ("cumulative effect approach") as of the date of first time adoption which is 1 January 2018 and concluded that the standard does not have a significant retrospective effect.

2.4.2 TFRS 9 "Financial Instruments"

The changes in the classification of financial assets and liabilities in accordance with TFRS 9 is explained below. Those reclassification differences do not have any impact of the measurement of financial instruments asset for financial assets.

Financial assets	Classification in accordance with TAS 39	New classification in accordance with TFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cos
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Financial assets	Available for sale	Fair value through other comprehensive income

Financial liabilities	Classification in accordance with TAS 39	New classification in accordance with TFRS 9
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Accounting policies, changes in accounting estimates and errors (Continued)

2.4.2 TFRS 9 "Financial Instruments" (Continued)

First time adoption of TFRS 9 "Financial assets"

The Company assessed the cumulative effect of initial application of TFRS 9 "Financial Instruments" which replaced "TAS 39 Financial Instruments:Recognition and Measurement" retrospectively within the scope of exception explained in the paragraph of 7.2.15 of the standard as of the date of first time adoption which is 1 January 2018 and concluded that the standard does not have a significant retrospective effect.

2.5 Significant accounting estimates and decisions

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

(a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15).
(b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7).
(c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9).
(d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counsellor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.
(e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).
(f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of 31 December 2018 and 31 December 2017 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 24).
(g) The Company recognizes depreciation and amortization for its property, plant and equipment and intangibles by taking into account their useful lives that are stated in Note 2 (Notes 10 and 11).
(h) Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of 31 December 2018 and 31 December 2017, there is no impairment determined related to development costs in progress (Note 11).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
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3. SEGMENT REPORTING

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

4. CASH AND CASH EQUIVALENTS

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for foreign currency denominated time deposits is 1.85% (31 December 2017: 2.24%) and the weighted average interest rate for the TRY time deposits is 23.48% (31 December 2017: 14.91%).

	31 December 2018	31 December 2017
Banks - TRY time deposits	875,225	724,578
Banks - foreign currency time deposits	486,369	1,039,955
Banks - TRY demand deposits	27,296	35,399
Banks - foreign currency demand deposits	2,131	2,985
Cash and cash equivalents in the cash flow statement	**1,391,021**	**1,802,917**
Interest income accrual	1,751	3,028
	1,392,772	**1,805,945**

5. FINANCIAL ASSETS

	31 December 2018		31 December 2017	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Financial assets at fair value through other comprehensive income				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	12,408	0.59	17,406
		12,408		**17,406**

(*) The Company's shareholding in Otokar was stated at market value at 31 December 2018 and 31 December 2017 which is assumed to approximate its fair value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
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6. FINANCIAL LIABILITIES

Short - term borrowings	31 December 2018		31 December 2017	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- Euro	0.74	2,020,474	0.84	910,746
- TRY	-	10,332	-	-
- USD	-	-	2.41	150,875
		2,030,806		**1,061,621**
Short - term portion of long - term borrowings				
- Euro	1.61	773,457	1.80	722,259
		773,457		**722,259**
Total short - term borrowings		**2,804,263**		**1,783,880**

Long - term borrowings	31 December 2018		31 December 2017	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- Euro	1.61	1,678,554	1.62	1,820,167
		1,678,554		**1,820,167**

The payment schedules of long - term bank borrowings as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Payment period		
2019	-	551,302
2020	670,934	489,827
2021	486,232	366,299
2022	243,671	186,965
2023	186,997	150,517
2024	90,720	75,257
	1,678,554	**1,820,167**

The letters of bank guarantee given to financial institutions in connection with borrowings amounting to TRY2,201,762 (31 December 2017: TRY1,432,410) (Note 13).

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6. FINANCIAL LIABILITIES (Continued)

The movement of financial liabilities as of 31 December 2018 and 2017 is as follows:

	2018	2017
1 January	3,604,047	2,852,130
Effect of cash flows	(292,287)	163,283
Unrealised foreign exchange differences	1,171,947	588,355
Change in accrual of interest	(890)	279
31 December	**4,482,817**	**3,604,047**

7. TRADE RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
Short - term trade receivables		
Trade receivables	1,086,298	1,317,031
Doubtful receivables	4,533	4,533
Less: Unearned credit finance income	(27,372)	(17,285)
	1,063,459	**1,304,279**
Less: Provision for doubtful receivables	(4,533)	(4,533)
	1,058,926	**1,299,746**

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days (31 December 2017: 25 days), domestic sales of spare parts turnover is 70 days (31 December 2017: 70 days) and discounted by 2.23% monthly effective interest rate (31 December 2017: 1.32%).

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

	31 December 2018	31 December 2017
Long - term trade receivables		
Deposits and guarantees given	2,954	3,002
	2,954	**3,002**

	31 December 2018	31 December 2017
Trade payables		
Trade payables	3,364,101	2,941,886
Less: Unearned credit finance expense	(44,981)	(20,496)
	3,319,120	**2,921,390**

The average turnover of trade payables is 60 days (31 December 2017: 60 days) and discounted by 2.23% monthly effective interest rate (31 December 2017: 1.32%).

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Company to credit risk as of 31 December 2018 and 31 December 2017 is as follows:

	Trade receivables		Other receivables		
31 December 2018	Related party	Other	Related party	Other	Deposit in bank
The maximum of credit risk exposed at the reporting date (Note 26, 7, 8, 4)	2,082,263	1,058,926	-	2,788	1,391,021
- The maximum of credit risk covered by guarantees	225,000	1.057.997	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	2,020,642	1.050.204	-	2,788	1,391,021
Net book value of financial assets that are overdue but not impaired	61,621	8,722	-	-	-
- Amount of risk covered by guarantees	-	7,793	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533	-	-	-
- Provision for impairment (-)	-	(4,533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

	Trade receivables		Other receivables		
31 December 2017	Related party	Other	Related party	Other	Deposit in bank
The maximum of credit risk exposed at the reporting date (Note 26, 7, 8, 4)	2,057,267	1,299,746	-	521	1,802,917
- The maximum of credit risk covered by guarantees	160,000	1,298,956	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	2,010,378	1,298,698	-	521	1,802,917
Net book value of financial assets that are overdue but not impaired	46,889	1,048	-	-	-
- Amount of risk covered by guarantees	-	258	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533	-	-	-
- Provision for impairment (-)		(4,533)			
- Amount of risk covered by guarantees	-	-	-	-	-

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

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

	Trade receivables	
31 December 2018	Related party	Other
1-30 days overdue	18,203	4,204
1-3 months overdue	4,812	2,360
3-12 months overdue	31,540	2,121
1-5 years overdue	7,066	37
	61,621	**8,722**
Risk covered by guarantees	-	7,793

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

	Trade receivables	
31 December 2017	Related party	Other
1-30 days overdue	37,591	261
1-3 months overdue	6,493	464
3-12 months overdue	2,440	308
1-5 years overdue	365	15
	46,889	**1,048**
Risk covered by guarantees	-	258

8. OTHER RECEIVABLES AND PAYABLES

Other receivables	31 December 2018	31 December 2017
Other miscellaneous receivables	2,788	521
	2,788	**521**

Other payables	31 December 2018	31 December 2017
Taxes and funds payable	19,624	42,234
Sales premium accruals	8,033	8,359
Other	7,004	5,792
	34,661	**56,385**

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9. INVENTORIES

	31 December 2018	31 December 2017
Raw materials	638,408	410,330
Finished goods	412,139	214,519
Goods in transit	328,890	189,613
Import vehicles	90,427	114,479
Vehicle spare parts	277,117	169,971
Spare parts	40,682	25,014
Other	99,829	32,470
	1,887,492	**1,156,396**
Less: Provision for impairment of finished goods and vehicle spare parts	(22,847)	(3,906)
	1,864,645	**1,152,490**

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

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

	2018	2017
1 January	**3,906**	**5,232**
Change within the period	18,941	(1,326)
31 December	**22,847**	**3,906**

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

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10. PROPERTY, PLANT AND EQUIPMENT

1 January 2018	Land improvements	Buildings	Machine & equipment	Models & moulds	Fixture & furniture	Vehicles (*)	Construction in progress	Total
Cost	12,269	977,033	2,600,505	2,386,432	407,829	123,031	114,972	6,785,782
Accumulated depreciation	-	(401,565)	(1,270,803)	(1,226,214)	(251,898)	(21,916)	-	(3,249,562)
Net book value	**12,269**	**575,468**	**1,329,702**	**1,160,218**	**155,931**	**101,115**	**114,972**	**3,536,220**
For the period ended 31 December 2018								
Opening net book value	12,269	575,468	1,329,702	1,160,218	155,931	101,115	114,972	3,536,220
Additions	-	14,836	239,836	490,413	39,792	9,162	98,573	903,207
Transfers	-	9,521	33,518	16,975	3,342	3,532	(81,495)	-
Disposals	-	(767)	(10,524)	(3,618)	(1,612)	(67,499)	-	(84,029)
Depreciation charge	-	(31,468)	(151,109)	(234,985)	(32,982)	(9,886)	-	(466,735)
Disposals from Accumulated depreciation	-	767	10,185	1,825	1,315	19,983	-	34,084
Closing net book value	**12,269**	**568,357**	**1,451,608**	**1,430,828**	**165,786**	**56,407**	**132,050**	**3,922,747**
31 December 2018								
Cost	12,269	1,000,623	2,863,335	2,890,202	449,351	68,226	132,050	7,604,960
Accumulated depreciation	-	(432,266)	(1,411,727)	(1,459,374)	(283,565)	(11,819)	-	(3,682,213)
Net book value	**12,269**	**568,357**	**1,451,608**	**1,430,828**	**165,786**	**56,407**	**132,050**	**3,922,747**

The Company compared the borrowing cost of investment loans in foreign currency to the market loan interest denominated in TRY and foreign exchange differences and interest costs equal to an amount of TRY9,355 (31 December 2017: TRY9,857) has been recognized under property, plant and equipment according to the cumulative approach within the context of TAS 23 as of 31 December 2018

There is no collateral, pledge or mortgage on tangible assets as of 31 December 2018 and 2017.

(*) The Company makes a part of its truck sales with buyback commitment and trucks sold in this scope are monitored in "Vehicles" under Property, Plant and Equipment and their cost value amounts to TRY46,359 (31 December 2017: TRY103,636).

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10. PROPERTY, PLANT AND EQUIPMENT (Continued)

1 January 2017	Land	Land improvements	Buildings	Machine & equipment	Models & moulds	Fixture & furniture	Vehicles	Contsruction in progress	Total
Cost	12,269	155,317	938,595	2,406,475	2,097,201	382,723	91,150	93,680	6,177,410
Accumulated depreciation	-	(71,313)	(370,831)	(1,145,067)	(1,053,373)	(219,873)	(14,208)	-	(2,874,665)
Net book value	**12,269**	**84,004**	**567,764**	**1,261,408**	**1,043,828**	**162,850**	**76,942**	**93,680**	**3,302,745**
For the period ended 31 December 2017									
Opening net book value	12,269	84,004	567,764	1,261,408	1,043,828	162,850	76,942	93,680	3,302,745
Additions	-	8,346	14,953	179,274	282,925	25,754	31,467	90,737	633,456
Transfers	-	48	24,209	30,378	8,505	176	6,129	(69,445)	-
Disposals	-	-	(724)	(15,622)	(2,199)	(824)	(5,715)	-	(25,084)
Depreciation charge	-	(5,853)	(31,458)	(140,655)	(175,000)	(32,667)	(10,382)	-	(396,015)
Disposals from accumulated depreciation	-	-	724	14,919	2,159	642	2,674	-	21,118
Closing net book value	**12,269**	**86,545**	**575,468**	**1,329,702**	**1,160,218**	**155,931**	**101,115**	**114,972**	**3,536,220**
31 December 2017									
Cost	12,269	163,711	977,033	2,600,505	2,386,432	407,829	123,031	114,972	6,785,782
Accumulated depreciation	-	(77,166)	(401,565)	(1,270,803)	(1,226,214)	(251,898)	(21,916)	-	(3,249,562)
Net book value	**12,269**	**86,545**	**575,468**	**1,329,702**	**1,160,218**	**155,931**	**101,115**	**114,972**	**3,536,220**

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10. PROPERTY, PLANT AND EQUIPMENT (Continued)

The allocation of depreciation expense as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Cost of production (Note 18)	431,261	367,067
Research and development expenses (Note 19)	17,817	16,328
General administrative expenses (Note 19)	9,387	8,221
Marketing expenses (Note 19)	3,028	2,971
Associated with construction in progress	5,242	1,428
	466,735	**396,015**

11. INTANGIBLE ASSETS

1 January 2018	Rights	Development cost	Development cost in progress	Other	Total
Cost	55,093	652,389	330,166	7,556	1,045,204
Accumulated amortisation	(45,405)	(303,302)	-	(6,160)	(354,867)
Net book value	**9,688**	**349,087**	**330,166**	**1,396**	**690,337**
For the period ended 31 December 2018					
Opening net book value	9,688	349,087	330,166	1,396	690,337
Additions	17,137	121,323	96,747	266	235,473
Transfers	-	264,136	(264,136)	-	-
Amortisation charge	(11,848)	(90,320)	-	(300)	(102,468)
Closing net book value	**14,977**	**644,226**	**162,777**	**1,362**	**823,342**
31 December 2018					
Cost	72,230	1,037,848	162,777	7,822	1,280,677
Accumulated amortisation	(57,253)	(393,622)	-	(6,460)	(457,335)
Net book value	**14,977**	**644,226**	**162,777**	**1,362**	**823,342**

There is no fully depreciated intangible assets as of 31 December 2018. As of 31 December 2018, there is no capitalized interest costs and foreign exchange differences in accordance with TAS 23 (31 December 2017: None).

1 January 2017	Rights	Development cost	Development cost in progress	Other	Total
Cost	40,352	653,879	129,107	6,483	829,821
Accumulated amortisation	(36,497)	(235,286)	-	(5,475)	(277,258)
Net book value	**3,855**	**418,593**	**129,107**	**1,008**	**552,563**
For the period ended 31 December 2017					
Opening net book value	3,855	418,593	129,107	1,008	552,563
Additions	14,741	(1,490)	201,059	1,073	215,383
Amortisation charge	(8,908)	(68,016)	-	(685)	(77,609)
Closing net book value	**9,688**	**349,087**	**330,166**	**1,396**	**690,337**
31 December 2017					
Cost	55,093	652,389	330,166	7,556	1,045,204
Accumulated amortisation	(45,405)	(303,302)	-	(6,160)	(354,867)
Net book value	**9,688**	**349,087**	**330,166**	**1,396**	**690,337**

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11. INTANGIBLE ASSETS (Continued)

The allocation of amortisation charges of intangible assets relating to 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Cost of production (Note 18)	92,758	69,734
General administrative expenses (Note 19)	6,236	4,502
Research and development expenses (Note 19)	2,798	2,804
Marketing expenses (Note 19)	653	472
Associated with construction in progress	23	97
	102,468	**77,609**

12. PREPAID EXPENSES

Short - term prepaid expenses

	31 December 2018	31 December 2017
Advances given for inventories	52,664	86,338
Other prepaid expenses	21,711	15,641
	74,375	**101,979**

Long - term prepaid expenses

	31 December 2018	31 December 2017
Advances given for investments (*)	365,428	300,805
Other prepaid expenses	16,992	10,487
	382,420	**311,292**

(*) Advances given for investments are related to the Company's new vehicle investments. TRY250,412 (31 December 2017: TRY244,988) is given to domestic vendors as mould advances and TRY115,016 (31 December 2017: TRY55,817) is given for the new project investments.

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13. PROVISION, CONTINGENT ASSETS AND LIABILITIES

The Company recognizes 2, 3 and 4 years of warranty provision for the vehicles sold by dealers for malfunctions described in the sales agreements. Warranty expense provision is estimated by considering vehicles under warranty as of the balance sheet date and warranty claims of vehicles sold in previous years on a model basis.

Short - term provisions

	31 December 2018	31 December 2017
Warranty expense provision	107,972	108,900
Provisions for sales premium (*)	47,255	50,714
	155,227	**159,614**

(*) Provisions for sales premium is composed of expense accruals related with dealer vehicle stock at the reporting date (Note 2).

Long - term provisions

	31 December 2018	31 December 2017
Warranty expense provision	86,354	122,625
Provisions for lawsuits	50,326	46,660
	136,680	**169,285**

The movement of provisions for lawsuits during the period is as follows:

	2018	2017
1 January	**46,660**	**39,295**
Paid during the period	(7,418)	(5,341)
Additions during the period	11,084	12,706
31 December	**50,326**	**46,660**

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

	2018	2017
1 January	**231,525**	**154,387**
Paid during the period	(143,625)	(110,949)
Additions during the period (Note 19)	106,426	188,087
31 December	**194,326**	**231,525**

Letters of guarantee and letters of credit

	31 December 2018	31 December 2017
Letters of guarantee given to financial institutions due to bank loans	2,201,762	1,432,410
Letters of guarantee given to customs	64,871	49,762
Letters of guarantees given to other parties	15,110	14,102
	2,281,743	**1,496,274**

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13. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

Letters of guarantee given

	31 December 2018		31 December 2017	
	Original currency	TRY amount	Original currency	TRY amount
Euro	375,527	2,263,678	293,866	1,326,954
USD	13	68	40,013	150,925
TRY	17,997	17,997	18,395	18,395
		2,281,743		**1,496,274**

The allocation of collaterals, pledges and mortgages as of 31 December 2018 and 31 December 2017 as follows:

Collaterals, pledges and mortgages given by the Company

	31 December 2018	31 December 2017
A. Total amount of collaterals/pledges/mortages given for its own legal entity	2,281,743	1,496,274
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	-	-
D. Total amount of other collaterals/pledges/mortgages given	-	-
i. Total amount of collaterals/pledges/mortgages given for the parent company	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortages given for third parties that do not fall into C section	-	-
	2,281,743	**1,496,274**

As of 31 December 2018 and 31 December 2017, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows:

Letters of guarantee received

	31 December 2018		31 December 2017	
	Original currency	TRY amount	Original currency	TRY amount
TRY	99,778	99,778	213,657	213,657
Euro	12,955	78,093	13,358	60,318
USD	251	1,320	4,602	17,358
		179,191		**291,333**

Other

The long-term bank borrowing agreements related to the investments require the Company to comply with certain financial ratios. Such financial ratios are met by the Company as of 31 December 2017. As of 31 December 2018, due to the high depreciation of the Turkish Lira, this rate has been above the specified limits and the Company has submitted a waiver request from the related institutions for long-term credit agreements and received positive turn. In the case of a high devaluation environment, the ratios to be calculated on the cash generation capacity of the Company are being discussed instead of the financial ratios based on the Turkish Lira denominated equity.

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14. COMMITMENTS

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

a) Based on the one year credit agreements made in 2018, amounting to Euro 40,000,000 with Yapı Kredi and amounting to Euro 60,000,000 with İş Bankası A.Ş., totally Euro 100,000,000, the Company is required to ensure that its export proceeds up to an amount equal to Euro 80,000,000 is transacted through Yapı Kredi and Euro 120,000,000 is transacted through İş Bankası, totalling Euro 200,000,000 for the year 2018. As of 31 December 2018, these commitments have been fulfilled.

b) The Company, also committed to Türkiye İhracat Kredi Bankası A.Ş (Eximbank);

- With 8 months term credit amounting to Euro 40,000,000 used in May 2018 an export amount of Euro 40,000,000,
- With 8 months term credit amounting to Euro 30,000,000 used in June 2018 an export amount of Euro 30,000,000,
- With 8 months term credit amounting to Euro 40,000,000 used in July 2018 an export amount of Euro 40,000,000,
- With 8 months term credit amounting to Euro 70,000,000 used in August 2018 an export amount of Euro 70,000,000,
- With 8 months term credit amounting to Euro 35,000,000 used in September 2018 an export amount of Euro 35,000,000,
- With 8 months term credit amounting to Euro 50,000,000 used in October 2018 an export amount of Euro 50,000,000,
- With 8 months term credit amounting to Euro 40,000,000 used in November 2018 an export amount of Euro 40,000,000,

Operational lease commitments

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

	31 December 2018	31 December 2017
Within 1 year	18,471	8,282
Between 1 year to 5 years	24,071	10,053
	42,542	**18,335**

15. EMPLOYEE BENEFITS

Liabilities for employee benefit obligations

	31 December 2018	31 December 2017
Salaries and social charges payable	72,350	110,644
Withholding income tax payable	38,877	30,298
Social security premiums payable	34,523	40,402
Other	3,861	2,748
	149,611	**184,092**

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15. EMPLOYEE BENEFITS (Continued)

Provision for employee benefits

	31 December 2018	31 December 2017
Provision for employment termination benefits	170,925	131,726
Provision for unused vacation pay liability	25,443	21,758
	196,368	**153,484**

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).

The amount payable consists of one month's salary limited to a maximum of full TRY6,017.60 for each year of service as of 1 January 2019 (1 January 2018: Full TRY5,001.76).

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

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

	31 December 2018	31 December 2017
Net discount rate	5.65	4.95
Turnover rate to estimate the probability of retirement (%)	96.05	95.96

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits once a year, the maximum amount of full TRY6,017.60 which was effective as of January 1, 2019 (1 January 2018: Full TRY5,001.76) has been used in the calculations.

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15. EMPLOYEE BENEFITS (Continued)

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

	2018	2017
1 January	**131,726**	**110,025**
Interest cost	15,504	11,850
Current year service cost	56,108	20,316
Paid during the period	(15,260)	(10,442)
Actuarial gains	(17,153)	(23)
31 December	**170,925**	**131,726**

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 31 December 2018 is below:

	Net discount rate		Turnover rate related to the probability of retirement	
Sensitivity level	0.5% baz decrease	0.5% baz increase	0.5% baz decrease	0.5% baz increase
Rate (%)	(5.1)	(6.1)	95.5	96.5
Change in provision for employee benefits	8,156	(7,542)	(6,146)	6,718

16. OTHER CURRENT ASSETS

	31 December 2018	31 December 2017
VAT to be deducted (*)	890,731	371,827
Prepaid taxes and withholding	15,643	12,682
Other	13,318	20,052
	919,692	**404,561**

(*) VAT to be deducted includes export VAT receivables related to November and December 2018. VAT return for November 2018 amounting to TRY276,794 has been collected in January 2019.

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17. EQUITY

The composition of the Company's paid-in capital as of 31 December 2018 and 31 December 2017 is as follows:

Shareholders	Share group	31 December 2018	Shareholders percentage (%)	31 December 2017	Shareholders percentage(%)
Koç Holding A.Ş.	B	134,953	38.46	134,953	38.46
Temel Ticaret ve Yatırım A.Ş.	B	2,356	0.67	2,356	0.67
Ford Motor Company	C	143,997	41.04	143,997	41.04
Vehbi Koç Vakfı	A	3,559	1.01	3,559	1.01
Koç Holding Emekli ve Yardım Sandığı Vakfı	A	3,259	0.93	3,259	0.93
Other (Publicly traded)	A	62,786	17.89	62,786	17.89
		350,910	**100**	**350,910**	**100**
Inflation adjustment to share capital		**27,920**		**27,920**	
Inflation adjusted paid in capital		**378,830**		**378,830**	

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

There are 35,091,000,000 unit of shares (31 December 2017: 35,091,000,000 unit) with a nominal value of Kr 1 each.

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

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned reserves under "Restricted reserves", the amount of restricted reserves is TRY370,599 as of 31 December 2018 (31 December 2017: TRY254,404).

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

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

Other equity items shall be carried at the amounts calculated based on TAS. Adjustment to share capital has no use other than being transferred to paid-in share capital.

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17. EQUITY (Continued)

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

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

In accordance with the Ordinary General Assembly Meeting dated as of March 19, 2018, the Company has decided to distribute dividends at the rate of 228% gross (net 193.80), with a total amount of TRY800,075 as full TRY2.28 gross (Kr 193.80 net) for each share with a value of full TRY1. The Company made the dividend payment in April 2018 and in accordance with the Ordinary General Assembly Meeting dated as of November 16, 2018, the Company has decided to distribute dividends at the rate of 115% gross (net 97.75), with a total amount of TRY403,547 as full TRY1.15 gross (Kr 97.75 net) for each share with a value of full TRY1. The Company made the dividend payment in November 2018 (In April 2017, 114% of the gross TRY1 share (TRY 96.90 Kr) will be TRY400,037 and in November 2017, the full TRY1 share will be TRY1.11 gross (net 94.35 Kr) amounting to TRY389,511; a total of TRY789,548 cash dividend was distributed).

In accordance with Communiqué No: II-14,1, "Communiqué on the Principles of Financial Reporting In Capital Markets", equity schedule at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Issued capital	350,910	350,910
Inflation adjustments on capital	27,920	27,920
Share premium	8	8
Gains from financial assets measured at fair value through other comprehensive income	10,859	15,608
Losses on cash flow hedge	(794,287)	(503,120)
Losses on remeasurements of defined benefit plans	(279)	(14,001)
Restricted reserves	***370,599***	***254,404***
-Legal reserves	370,599	254,404
Retained earnings	***2,244,313***	***2,074,147***
-Inflation adjustment to equity	428,301	428,301
-Extraordinary reserves	1,816,012	1,645,846
Net income for the period	**1,683,196**	**1,489,983**
Total equity	**3,893,239**	**3,695,859**

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17. EQUITY (Continued)

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended 31 December 2018 and 31 December 2017 are as follows:

31 December 2018	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	370,599	429,352	58,753
Extraordinary reserves	1,816,012	2,185,157	369,145
Share premium	8	361	353
Other reserves	-	50	50
	2,537,529	**2,993,750**	**456,221**

31 December 2017	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	254,404	313,157	58,753
Extraordinary reserves	1,645,846	2,014,991	369,145
Share premium	8	361	353
Other reserves	-	50	50
	2,251,168	**2,707,389**	**456,221**

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

Otokar shares which are publicly traded in BIST are valued at their closing price as of 31 December 2018 and 31 December 2017. As of 31 December 2018, fair value change (negative) amounting to TRY(4,749) net of deferred tax, (31 December 2017: TRY(1,282)) is shown in statement of comprehensive income.

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

	2018	2017
1 January	**(501,513)**	**(333,318)**
(Losses) from financial assets measured at fair value through other comprehensive income	(4,749)	(1,282)
Actuarial gains/(losses)	13,722	18
Losses on cash flow hedges	(291,167)	(166,931)
31 December	**(783,707)**	**(501,513)**

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18. REVENUE AND COST OF SALES

	2018	2017
Export sales	27,303,441	17,830,091
Domestic sales	6,686,164	8,272,097
Other sales	178,762	124,762
Less: Discounts	(876,337)	(885,660)
	33,292,030	**25,341,290**

Units of vehicle sales

	2018			2017		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	4,690	168,174	172,864	7,642	157,502	165,144
Transit	16,350	120,154	136,504	29,080	100,181	129,261
Transit Courier	19,659	38,553	58,212	35,549	37,864	73,413
Passenger vehicles	18,987	160	19,147	33,543	482	34,025
Ford Trucks	3,526	1,817	5,343	5,190	1,309	6,499
Ranger	1,496	34	1,530	2,711	32	2,743
New Transit Connect	1,060	-	1,060	1,747	26	1,773
	65,768	**328,892**	**394,660**	**115,462**	**297,396**	**412,858**

Summaries of cost of production as of 31 December 2018 and 2017 are as follows:

	2018	2017
Raw material cost	(25,007,429)	(17,893,433)
Production overhead costs	(1,478,408)	(1,249,605)
Amortization expenses (Note 10 & 11)	(524,019)	(436,801)
Changes in finished goods	178,679	(73,211)
Total production cost	**(26,831,177)**	**(19,653,050)**
Cost of trade goods sold	(3,002,282)	(3,051,045)
Total cost of sales	**(29,833,459)**	**(22,704,095)**

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19. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	2018	2017
Marketing expenses		
Advertising expenses	(113,153)	(90,695)
Warranty expenses (Note 13)	(106,426)	(188,087)
Personnel expenses	(105,385)	(83,242)
Vehicle transportation expenses	(47,590)	(59,350)
Spare parts transportation and packaging expenses	(34,020)	(25,237)
Export expenses	(20,206)	(19,333)
Dealer and service development expenses	(10,579)	(10,501)
Depreciation and amortization expenses (Note 10 & 11)	(3,681)	(3,443)
Other	(66,178)	(64,415)
	(507,218)	**(544,303)**

	2018	2017
General administrative expenses		
Personnel expenses	(123,324)	(103,730)
Grants and donations	(41,750)	(27,374)
Legal, consulting and auditing expenses	(37,315)	(34,798)
New project administrative expenses	(22,854)	(12,349)
Organization expenses	(21,995)	(14,220)
Depreciation and amortization expenses (Note 10 & 11)	(15,623)	(12,723)
Transportation and travel expenses	(6,825)	(7,011)
Repair, maintenance and energy expenses	(5,687)	(4,659)
Duties, taxes and levies	(3,601)	(4,038)
Other	(33,169)	(28,578)
	(312,143)	**(249,480)**

	2018	2017
Research and development expenses		
Personnel expenses	(172,800)	(153,748)
Project costs	(122,119)	(108,297)
Mechanization expenses	(40,315)	(24,378)
Depreciation and amortization expenses (Note 10 & 11)	(20,615)	(19,132)
Other	(12,719)	(11,637)
	(368,568)	**(317,192)**

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20. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 31 December 2018 and 2017 is as follows:

	2018	2017
Raw material cost	(25,007,429)	(17,893,433)
Cost of trade goods sold	(3,002,282)	(3,051,045)
Financial expenses	(2,501,845)	(786,231)
Personnel expenses	(1,238,444)	(1,004,888)
Other operational expenses	(746,500)	(734,956)
Other overhead costs	(641,474)	(585,438)
Other expenses from operating activities	(566,898)	(278,508)
Depreciation and amortization expenses	(563,938)	(472,099)
Expenses from investing activities	(3,855)	(3,407)
Expense from investment accounted for by equity method	(94)	-
Changes in inventories	178,679	(73,211)
Total expenses	**(34,094,080)**	**(24,883,216)**

21. OTHER OPERATING INCOME / EXPENSES

	2018	2017
Other operating income		
Foreign exchange gains related to trade receivables and payables	304,957	212,701
Unearned financial income	185,498	139,378
License income	18,554	15,481
Price difference and claim recovery	10,527	10,877
Rent income	8,222	5,368
Commission income	4,653	7,057
Previous period corporate tax corrections	-	3,302
Provisions no longer required	-	14,047
Other	48,718	52,251
	581,129	**460,462**

	2018	2017
Other operating expenses		
Unearned financial expense	(341,463)	(177,790)
Foreign exchange losses related to trade receivables and payables	(223,322)	(95,109)
Other	(2,113)	(5,609)
	(566,898)	**(278,508)**

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22. FINANCIAL INCOME

	2018	2017
Foreign exchange gains	1,876,846	482,835
Interest income	104,777	74,896
Derivative financial instruments income	-	4,531
	1,981,623	**562,262**

23. FINANCIAL EXPENSES

	2018	2017
Foreign exchange losses	(2,420,188)	(722,396)
Interest expenses	(52,952)	(42,394)
Other	(28,705)	(21,441)
	(2,501,845)	**(786,231)**

24. TAX ASSETS AND LIABILITIES

Corporate Tax Law was amended by the Law No, 5520 dated June 13, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from January 1, 2006. Accordingly, the corporate tax rate for the fiscal year 2018 is 22% (31 December 2017: 20%). Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc.) and corporate income tax deductions (e.g. research and development expenditures deduction). No further tax is payable unless the profit is distributed.

15% withholding tax rate applies to dividends distributed by resident corporations resident real persons except for, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated over the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

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

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

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24. TAX ASSETS AND LIABILITIES (Continued)

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 exceptions to the Institutions Tax Law. These exceptions to the Company are explained below:

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

The Company capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code.

As of 31 December 2018, the Company utilised R&D incentive exemption amounting of TRY554,087
(31 December 2017: TRY518,523) in return for the legal tax.

Within the scope of the 2009/15199 Decree of the Council of Ministers on State Aid for Investments, the Company has received a Large-Scale Investment Incentive Certificate with an investment contribution rate of 30% for investments in the New Generation Transit and new product Transit Custom model. The total investment amount is TRY559,295 investment expenditures have been made, the document closed in 2013.

Within the scope of the "Decree of the Council of Ministers on State Aids in Investments" number 2012/3305 re-arranging the investment incentive system;

- In the Kocaeli Gölcük Plant, for the New Generation Transit expenditures, amounting to TRY1,194,398 in 2013 (with the investment expenditure of TRY1,300,573 in 2017, the document was closed in 2018),

- In Kocaeli Yeniköy Plant, for the new model Transit Courier investment, amounting to TRY697,394 in 2013 (completed with investment expenditures of TRY798,311 in 2016 and the document was closed in 2018),

- For the production of new 6 and 4-cylinder engines for use in Ford Truck and Ford Transit vehicles at the Eskişehir İnönü Plant, in 2013 amounting to TRY187,379,

- In Eskisehir Inonu Plant, for Euro 6 emission truck manufacturing expense investment amounting to TRY331,362 in 2014,

- For the renewal and factory modernization investments of Ford Transit, Ford Transit Courier and Ford Transit Custom models, which are still in production at Kocaeli Plant, in 2016 amounting to TRY849,160,

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24. TAX ASSETS AND LIABILITIES (Continued)

Priority Investment Incentive Certificates were received. These investments have an investment contribution rate of 40% and the investment of Kocaeli Gölcük Plant, which exceeds 1 billion TRY, benefits from the contribution rate of 10% additional investment. With the Decision of Council of Ministers dated 13.02.2017 numbered 2017/9917; 15 points have been added to the investment contribution rate for the investment expenditures to be realized between 01.01.2017 - 31.12.2017. This period has been extended until 31.12.2018 with the decision of the Council of Ministers dated 25.12.2017 numbered 2017/11175.

As of the date of the balance sheet, the investment expenditures amounting to TRY3,560,573 (31 December 2017: TRY2,814,923) was made in the framework of the related new investment incentive certificates.

The Company utilized discounted corporate taxation amounting to TRY137,870 (31 December 2017: TRY167,371) in the current year and this amount has been deducted from the total deferred tax asset.

The Company's net tax position as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Current year corporate tax expense	(16,969)	(19,511)
Prepaid tax and withholding	8,439	13,121
Current years' profit tax liability	**(8,530)**	**(6,390)**

The taxation on income for the periods ended 31 December 2018 and 2017 are as follows;

	2018	2017
Current year corporate tax expense	(16,969)	(19,511)
Current year tax effect of cash flow hedge (*)	(81,861)	(41,733)
Other deferred tax	20,914	70,066
Deferred tax (expense) / income	(60,947)	28,333
Continuing operations tax (expense)/income	**(77,916)**	**8,822**

(*) The amount represents the tax effect of the reclassisfication made between the statement of income and other comprehensive income relating to the cash flow hedge transactions.

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24. TAX ASSETS AND LIABILITIES (Continued)

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at 31 December 2018 and 2017 and current tax ratio based on income before tax is as follows:

	2018	2017
Income before tax:	1,761,112	1,481,161
Effective tax rate	22%	20%
Current year tax expense	(387,445)	(296,232)
Research and development deductions	121,899	103,705
Investment incentive exemption	193,221	192,295
Other	(5,591)	9,054
	(77,916)	**8,822**

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 31 December 2018 and 31 December 2017 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred tax assets				
Investment incentive tax asset	4,190,692	4,037,011	820,314	764,963
Expense accruals and other provisions	283,018	398,708	60,838	86,416
Employee benefits provision	170,925	131,726	34,185	26,345
Warranty expense provision	194,326	231,525	41,961	50,520
Inventories	79,505	26,380	17,491	5,803
	4,918,466	**4,825,350**	**974,789**	**934,047**
Deferred tax liabilities				
Tangibles and intangibles	1,563,960	1,459,592	(312,792)	(291,918)
Income accruals and other	81,744	72,168	(17,822)	(15,686)
	1,645,704	**1,531,760**	**(330,614)**	**(307,604)**
Net deferred tax asset			**644,175**	**626,443**

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24. TAX ASSETS AND LIABILITIES (Continued)

The deferred tax movement table is presented below:

	1 January 2018	Charged to Statement or profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	31 December 2018
Deferred tax liabilities				
Tangible and intangible assets	(291,918)	(20,874)	-	(312,792)
Income accruals and other	(15,686)	(2,385)	249	(17,822)
Deferred tax assets				
Investment incentive tax asset	764,963	55,351	-	820,314
Expense accruals and other	86,416	(25,578)	-	60,838
Provision for employee benefits	26,345	11,271	(3,431)	34,185
Warranty expense provision	50,520	(8,559)	-	41,961
Inventories	5,803	11,688	-	17,491
Deferred tax asset, net	**626,443**	**20,914**	**(3,182)**	**644,175**

	1 January 2017	Charged to Statement or profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	31 December 2017
Deferred tax liabilities				
Tangible and intangible assets	(286,054)	(5,864)	-	(291,918)
Income accruals and other	(18,440)	2,686	68	(15,686)
Deferred tax assets				
Investment incentive tax asset	740,039	24,924	-	764,963
Expense accruals and other	61,211	25,205	-	86,416
Provision for employee benefits	22,004	4,346	(5)	26,345
Warranty expense provision	30,878	19,642	-	50,520
Inventories	6,676	(873)	-	5,803
Deferred tax asset, net	**556,314**	**70,066**	**63**	**626,443**

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25. EARNINGS PER SHARE

	2018	2017
Net profit for the year	1,683,196	1,489,983
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000
Earnings per share with nominal value of Kr 1 each	**4.80 Kr**	**4.25 Kr**

26. RELATED PARTY DISCLOSURES

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

The related party balances at 31 December 2018 and 31 December 2017 and the transactions with related parties during the year are as follows:

a) Receivables from related parties

i) Trade receivable from related parties

	31 December 2018	31 December 2017
Due from shareholders		
Ford Motor Company and its subsidiaries	1,580,589	1,444,291
	1,580,589	**1,444,291**
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	513,489	619,403
Other	1,166	1,736
	514,655	**621,139**
Less: Unearned credit finance income	(12,981)	(8,163)
	2,082,263	**2,057,267**

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

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

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company's vehicle sales receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 25 days on average and sales of spare parts is due in 70 days on average.

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26. RELATED PARTY DISCLOSURES (Continued)

b) Payables to related parties

i) Trade payables to related parties

	31 December 2018	31 December 2017
Due to shareholders		
Ford Motor Company and its subsidiaries	513,781	760,742
	513,781	**760,742**
Trade payables due to related parties (*)		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	72,532	56,218
Ram Dış Ticaret A.Ş.	47,228	45,224
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	24,669	14,058
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	19,261	3,029
Setur Servis Turistik A.Ş.	14,714	4,464
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	3,873	3,403
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	2,763	3,193
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1,507	1,960
Ram Sigorta Aracılık Hizmetleri A.Ş.	93	97
Other	5,907	4,196
	192,547	**135,842**
Less: Unearned credit finance expense	(2,761)	(1,025)
	703,567	**895,559**

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

ii) Other payables to related parties

	31 December 2018	31 December 2017
Koç Holding A.Ş.	13,220	10,458
Koç Finansman A.Ş.	9,676	13,277
Yapı ve Kredi Bankası A.Ş.	8,425	7,703
	31,321	**31,438**

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26. RELATED PARTY DISCLOSURES (Continued)

c) Sales to related parties

	2018	2017
Ford Motor Company (*)	26,673,909	17,461,276
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	1,618,047	2,098,534
Other	603	172
	28,292,559	**19,559,982**
Less: Financial income from credit sales	(51,681)	(39,602)
	28,240,878	**19,520,380**

(*) The Company, exports vehicle, spare parts and engineering service to Ford Motor Company.
(**) The Company has a vehicle and spare parts trade in accordance with domestic dealer agreement with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

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

	2018			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	28,140	308,865	789	337,794
Ram Dış Ticaret A.Ş.	171,415	-	-	171,415
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	32,809	21,470	54,279
Setur Servis Turistik A.Ş.	-	50,988	-	50,988
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	811	33,108	33,919
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	24,495	-	-	24,495
Koç Holding A.Ş. (*)	-	24,100	-	24,100
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	16,695	-	-	16,695
Koçtaş Yapı Marketleri Ticaret A.Ş.	13,245	-	55	13,300
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	12,722	-	12,722
Opet Petrolcülük A.Ş.	6,148	-	-	6,148
Tanı Pazarlama İlet. Hiz. A.Ş.	-	2,166	-	2,166
Other	2,259	20,694	11,706	34,659
	262,397	**453,155**	**67,128**	**782,680**
Less: Financial expense from credit purchases	(7,392)	-	-	(7,392)
	255,005	**453,155**	**67,128**	**775,288**

(*) It includes service costs that are based on finance, law, planning, tax and management provided by Koç Holding A.Ş. to the companies within the group organisation, invoiced to the company within the context of "11-Intra-group Services" in numbered 1 General Communique about concealed Gain Distribution by Transfer Pricing.
(**) Contains paid and accrued premium amounts for the period ended 31 December 2018 and period ended 2017 within the context of insurance policies signed with insurance companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

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26. RELATED PARTY DISCLOSURES (Continued)

d) Material, service and fixed asset purchases from related parties (Continued)

	2018			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	21,117	273,877	205	295,199
Ram Dış Ticaret A.Ş.	136,008	-	-	136,008
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	19,250	13,272	32,522
Setur Servis Turistik A.Ş.	-	30,250	-	30,250
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	17,485	9,915	27,400
Koç Holding A.Ş. (*)	-	20,510	-	20,510
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	19,951	-	-	19,951
Koçtaş Yapı Marketleri Ticaret A.Ş.	11,903	-	31	11,934
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	11,532	-	-	11,532
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	9,620	-	9,620
Opet Petrolcülük A.Ş.	5,215	-	-	5,215
Tanı Pazarlama İlet. Hiz. A.Ş.	-	2,270	-	2,270
Other	312	6,416	223	6,951
	206,038	**379,678**	**23,646**	**609,362**
Less: Financial expense from credit purchases	(4,072)	-	-	(4,072)
	201,966	**379,678**	**23,646**	**605,290**

Material, vehicle and service purchases from abroad

	2018	2017
Ford Motor Company and subsidiaries	13,929,034	11,019,457

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

2018	2017
110,504	148,358

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

2018	2017
18,554	15,481

g) Donations to related parties, establishments and foundations, included in general administrative expenses

2018	2017
40,223	26,369

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26. RELATED PARTY DISCLOSURES (Continued)

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

Deposits in related banks

	31 December 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş.		
- TRY time deposits	401,422	105,630
- Foreign currency time deposits	14,468	-
- TRY demand deposits	10,713	8,005
- Foreign currency demand deposits	992	2,561
	427,595	**116,196**

i) Loans from related banks

	31 December 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş.	10,331	-
	10,331	**-**

j) Commission income

	2018	2017
Koç Finansman A.Ş	2,822	4,272
Yapı ve Kredi Bankası A.Ş.	1,831	2,785
	4,653	**7,057**

k) Commission expense

	2018	2017
Koç Finansman A.Ş.	75,577	113,572
Yapı ve Kredi Bankası A.Ş.	46,018	57,716
	121,595	**171,288**

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

l) Interest income

2018	2017
15,706	10,484

m) Dividend income

2018	2017
410	351

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26. RELATED PARTY DISCLOSURES (Continued)

n) Compensation of key management personnel

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

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

The total amount of compensation given to key management personnel of the Company as of 31 December 2018 is TRY35,263 (31 December 2017: TRY33,611).

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 31 December 2018 and 31 December 2017. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

31 December 2018

	TRY (Functional currency)	USD	EUR	Other
1. Trade receivables	1,786,228	12,648	285,283	-
2. Monetary financials assets (including cash and cash equivalents)	488,525	196	80,724	634
3. Other	338,156	8,400	48,767	-
4. Current assets (1 + 2 + 3)	**2,612,909**	**21,244**	**414,774**	**634**
5. Monetary financial assets	-	-	-	-
6. Non-current assets (5)	**-**	**-**	**-**	**-**
7. Total assets (4 + 6)	**2,612,909**	**21,244**	**414,774**	**634**
8. Trade payables	754,269	16,366	108,289	10,778
9. Financial liabilities (*)	2,793,931	-	463,493	-
10. Other monetary liabilities	5,871	-	974	-
11. Short term liabilities (8 + 9 + 10)	**3,554,071**	**16,366**	**572,756**	**10,778**
12. Financial liabilities (*)	1,678,554	-	278,460	-
13. Other	29,341	-	4,867	-
14. Long term liabilities (12+13)	**1,707,895**	**-**	**283,327**	**-**
15. Total liabilities (11 + 14)	**5,261,966**	**16,366**	**856,083**	**10,778**
16. Net foreign currency (liabilities)/assets position (7 - 15)	**(2,649,057)**	**4,878**	**(441,309)**	**(10,144)**
17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	**(2,957,872)**	**(3,522)**	**(485,209)**	**(10,144)**

(*) The Company's net foreign exchange position is mainly due to long - term Euro denominated loans obtained to fund its investments. The Company is hedging for the foreign currency exchange risk arising from its Euro denominated long-term loans with export agreements signed with Ford Motor Company. The TRY equivalent of such loans amount to TRY2,632,800 as of 31 December 2018 (31 December 2017: TRY1,862,921). As of 31 December 2018, the Company has a total of TRY84,935 (31 December 2017: TRY69,802) of the product to be issued.

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2017

	TRY (Functional currency)	USD	EUR	Other
1. Trade receivables	1,667,304	32,001	342,509	-
2. Monetary financials assets (including cash and cash equivalents)	1,043,634	40,104	197,508	102
3. Other	215,695	7,702	41,334	-
4. Current assets (1 + 2 + 3)	**2,926,633**	**79,807**	**581,351**	**102**
5. Monetary financial assets	-	-	-	-
6. Non-current assets (5)	**-**	**-**	**-**	**-**
7. Total assets (4 + 6)	**2,926,633**	**79,807**	**581,351**	**102**
8. Trade payables	964,733	25,331	190,882	1,429
9. Financial liabilities (*)	1,783,879	40,000	361,644	-
10. Other monetary liabilities	5,256	-	651	456
11. Short term liabilities (8 + 9 + 10)	**2,753,868**	**65,331**	**553,177**	**1,885**
12. Financial liabilities (*)	1,820,166	-	403,093	-
13. Other	102,204	-	22,634	-
14. Long term liabilities (12+13)	**1,922,370**	**-**	**425,727**	**-**
15. Total liabilities (11 + 14)	**4,676,238**	**65,331**	**978,904**	**1,885**
16. Net foreign currency (liabilities)/assets position (7 - 15)	**(1,749,605)**	**14,476**	**(397,553)**	**(1,783)**
17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	**(1,863,096)**	**6,774**	**(416,253)**	**(1,783)**

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk primarily against Euro and partly against USD. The foreign exchange risk of the Company arises from long-term Euro investments.

31 December 2018

	Profit/(loss) before taxation	
Appreciation/depreciation in foreign currency		
	Increase by 10%	Decrease by 10%
Change in USD against TRY		
USD net assets/(liabilities)	2,566	(2,566)
USD net hedged amount	-	-
USD net- gain/(loss)	**2,566**	**(2,566)**
Change in EUR against TRY		
EUR net (liabilities)/assets	(266,021)	266,021
EUR net hedged amount	263,280	(263,280)
EUR net- gain/(loss)	**(2,741)**	**2,741**
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(1,452)	1,452
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	**(1,452)**	**1,452**

31 December 2017

	Profit/(loss) before taxation	
Appreciation/depreciation in foreign currency		
	Increase by 10%	Decrease by 10%
Change in USD against TRY		
USD net assets/(liabilities)	5,460	(5,460)
USD net hedged amount	-	-
USD net- gain/(loss)	**5,460**	**(5,460)**
Change in EUR against TRY		
EUR net (liabilities)/assets	(179,515)	179,515
EUR net hedged amount	186,292	(186,292)
EUR net- gain/(loss)	**6,777**	**(6,777)**
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(906)	906
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	**(906)**	**906**

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the year ended 31 December 2018 and 2017 are as follows:

	2018	2017
Total export amount	27,303,441	17,830,091
Total import amount	15,236,754	11,791,955

The Company's net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk, the Company follows a balanced foreign currency position policy. The foreign currency exposure arising from foreign currency denominated borrowings and trade payables is managed through assets denominated in foreign currency.

Interest rate risk

The Company's interest rate sensitive financial instruments are as follows:

	31 December 2018	31 December 2017
Fixed interest rate financial instruments		
Financial assets	1,361,594	1,764,533
Financial liabilities	2,967,869	1,885,646
Floating interest rate financial instruments		
Financial liabilities	1,514,948	1,718,401

If the interest rates of floating interest-bearing Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TRY2,016 at 31 December 2018 (31 December 2017: TRY2,495) due to higher/lower interest expense.

Liquidity risk

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

31 December 2018	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	4,482,817	4,576,740	799,078	2,011,021	1,665,184	101,457
Trade payables						
-Related party	703,567	706,328	706,328	-	-	-
-Other	3,319,120	3,364,101	3,364,101	-	-	-
Other liabilities						
-Related party	31,321	31,321	31,321	-	-	-
-Other	34,661	34,661	34,661	-	-	-
Derivative financial liabilities						
Derivative financial instruments	93	93	-	93	-	-

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2017	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	3,604,047	3,702,568	485,287	1,310,866	1,830,415	76,000
Trade payables						
-Related party	895,559	896,585	896,585	-	-	-
-Other	2,921,390	2,941,886	2,941,886	-	-	-
Other liabilities						
-Related party	31,438	31,438	31,438	-	-	-
-Other	56,385	56,385	56,385	-	-	-
Derivative financial liabilities						
Derivative financial instruments	187	187	-	-	187	-

Fair value hierarchy table

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

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

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

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

As of 31 December 2018 and 31 December 2017, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

31 December 2018	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	-	-
Financial asset available-for-sale - Otokar	12,408	-	-
Total assets	**12,408**	**-**	**-**
Liabilities at fair value	-	-	-
Derivative financial liabilities	-	93	-
Total liabilities	**-**	**93**	**-**

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

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2017	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	4,531	-
Financial asset available-for-sale - Otokar	17,406	-	-
Total assets	**17,406**	**4,531**	**-**
Liabilities at fair value			
Derivative financial liabilities	-	187	-
Total liabilities	**-**	**187**	**-**

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

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses long term floating rate foreign currency loans from international markets. The Company hedges interest rate risk by securing a portion of the floating rate loans from international markets through long term swap transactions.

The Company hedged the interest rate risk arising from cash flows related to the borrowing used as of 31 December 2018 with the maturity of 3 November 2019 amounting to Euro 25,714,286 with interest rate swapping. The critical conditions of the settlement contract such as maturity, payment, interest rate change dates are in line with the critical conditions of the foreign currency borrowing, which is the subject of financial hedge as of 31 December 2018. The fair value of the interest rate swap transaction calculated as of 31 December 2018 is TRY93 and it is classified as short - term liabilities.

Derivative financial instruments

	31 December 2018	31 December 2017
Derivative financial liabilities	93	187
	93	**187**

In July 2018, the Company applied foreign currency forward as part of the loan balances in order to hedge exchange rate risk on the repayment of some of the loans denominated in Euro, which will be floated in July 2018. This currency forward transaction was realized in July 2018.

	31 December 2018	31 December 2017
Derivative financial assets	-	4,531
	-	**4,531**

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
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28. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

There is an effective foreign currency cash flow hedge relationship between foreign currency long-term financial borrowings related with investment expenditures (non-derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Company will associate a portion of estimated export revenue from 1 April 2013 to June 2024 with long- term financial borrowings.

	31 December 2018	31 December 2017
Cash flow hedge reserve		
Amount recognized in other comprehensive income	788,991	392,450
Amount recycled from other comprehensive income to statement of profit or loss	(415,963)	(183,786)
	373,028	**208,664**

29. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	2018	2017
Income from investing activities		
Dividend income	410	351
Gain on sale of property, plant and equipment	-	12
	410	**363**

	2018	2017
Expense from investing activities		
Loss on sale of property, plant and equipment	(3,855)	(3,407)
	(3,855)	**(3,407)**

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
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30. DEFERRED REVENUE

	31 December 2018	31 December 2017
Short-term deferred revenue	6,704	2,932
Advances received	6,515	7,997
	13,219	**10,929**

	31 December 2018	31 December 2017
Long-term deferred revenue	7,479	7,450
	7,479	**7,450**

31. OTHER NON CURRENT LIABILITIES

	31 December 2018	31 December 2017
Other non-current liabilities (*)	52,508	115,631
	52,508	**115,631**

(*) The Company makes a part of its fleet truck with buyback commitments and sales made within this scope are followed under "Other Non-Current Liabilities". The buyback commitments are 3 years on average.

32. INVESTMENTS VALUED BY EQUITY METHOD

The Company has a 25% share in Rezervis Mobil Teknoloji A.Ş., which was established for the purpose of developing, improving and acquiring the algorithmic based application that remodeling the individual and collective use of the means of transportation within the scope of supporting innovation.

a) The details of the investments valued by the equity method are as follows:

	31 December 2018		31 December 2017	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Rezervis Mobil Teknoloji A.Ş.	25	933	-	-
		933		**-**

b) Movements in the provision for investments valued by the equity method during the year are as follows:

	2018	2017
1 January	**1,027**	**-**
Profit/(losses) share	(94)	-
31 December	**933**	**-**

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33. GOVERNMENT INCENTIVES AND GRANTS

Within the scope of the 2009/15199 Decree of the Council of Ministers on State Aid for Investments, the Company has received a Large-Scale Investment Incentive Certificate with an investment contribution rate of 30% for investments in the New Generation Transit and new product Transit Custom model. The total investment amount is TRY559,295 investment expenditures have been made, the document closed in 2013.

Within the scope of the "Decree of the Council of Ministers on State Aids in Investments" number 2012/3305 re-arranging the investment incentive system;

- In the Kocaeli Gölcük Plant, for the New Generation Transit expenditures, amounting to TRY1,194,398 in 2013 (completed with investment expenditures of TRY1,300,573 in 2017, the document was closed in 2018),

- In Kocaeli Yeniköy Plant, for the new model Transit Courier investment, amounting to TRY697,394 in 2013 (completed with investment expenditures of TRY798,311 in 2016 and the document was closed in 2018),

- For the production of new 6 and 4-cylinder engines for use in Ford Truck and Ford Transit vehicles at the Eskişehir İnönü Plant, in 2013 amounting to TRY187,379,

- In Eskisehir Inonu Plant, for Euro 6 emission truck manufacturing expense investment amounting to TRY331,362 in 2014,

- For the renewal and factory modernization investments of Ford Transit, Ford Transit Courier and Ford Transit Custom models, which are still in production at Kocaeli Plant, in 2016 amounting to TRY849,160, Priority Investment Incentive Certificates. These investments have an investment contribution rate of 40% and the investment of Kocaeli Gölcük Plant, which exceeds 1 billion TRY, benefits from the contribution rate of 10% additional investment. With the Decision of Council of Ministers dated 13.02.2017 numbered 2017/9917; 15 points have been added to the investment contribution rate for the investment expenditures to be realized between 01.01.2017 - 31.12.2017. This period has been extended until 31.12.2018 with the decision of the Council of Ministers dated 25.12.2017 numbered 2017/11175.

Ford Otomotiv Sanayi A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018
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34. SUBSEQUENT EVENTS

None.

35. DISCLOSURE OF OTHER MATTERS

None.

FORD OTOMOTİV SANAYİ A.Ş. INFORMATION DOCUMENT FOR THE 15 MARCH 2019 ORDINARY GENERAL ASSEMBLY TO REVIEW FINANCIAL YEAR 2018

1. Invitation to the 15 March 2019 Ordinary General Assembly Meeting

Ford Otomotiv Sanayi A.Ş.'s Ordinary General Assembly Meeting shall be convened on 15 March 2019 Friday at 14:00 at the address of "Divan Istanbul Hotel - Asker Ocağı Caddesi No:1 34367 Şişli / İstanbul (Tel: +90 212 315 55 00, Faks: +90 212 315 55 15)". At the meeting, the activities of the Company for the fiscal year 2018 will be reviewed, the following agenda will be discussed, and a resolution regarding the agenda will be reached.

In accordance with the legal requirements, 2018 Financial Statements, the Independent Auditor's Report, the Corporate Governance Compliance Report, and the Board of Directors' Annual Report, including the dividend distribution proposal of the Board of Directors, along with the following agenda and the Memorandum containing the information required by Capital Markets Board regulations shall be made available to the shareholders at Company Headquarters in Sancaktepe İstanbul, Kocaeli Gölcük Plant, İnönü Plant, on the Company's corporate website at www.fordotosan.com.tr, and in the Electronic General Meeting System of the Central Registry Agency (CRA) three weeks prior to the meeting. Shareholders unable to attend the meeting in person, save for the rights and obligations of the ones participating electronically via the Electronic General Assembly System, shall prepare their proxy documents as per the legislation, or shall obtain a proxy sample form from Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Plaza / Levent-Istanbul), our Company, or from the corporate website at www.fordotosan.com.tr and shall submit to the Company the notarized proxy documents issued in accordance with the requirements of the Communiqué No. II-30.1, Use of Proxy Vote and Proxy Collection through Invitation, enacted on 24 December 2013 and published in Official Gazette No. 28861. A proxy document is not required from a proxy appointed electronically through the Electronic General Meeting System. The proxy documents which do not comply with the requirements of the aforementioned Communiqué, and the sample form attached within the invitation to the general assembly meeting document shall not be accepted, given our legal liability.

Shareholders intending to vote via the Electronic General Meeting System are requested to obtain information from the Central Registry Agency,our Company's website at www.fordotosan.com.tr or from the Company Headquarters (Tel: 0 216 564 71 00) to ensure that they comply with the provisions of the by-laws for the Electronic Shareholders Meeting.

Pursuant to Paragraph 4 of Article 415 of Turkish Commercial Code No. 6102 and Paragraph 1 of Article 30 of the Capital Markets Law, the right to attend the General Assembly and voting rights shall not be conditional on depositing the share certificates. Accordingly, shareholders participating in the General Assembly do not need to block their shares.

At the Ordinary General Assembly Meeting, the voters shall use open voting system by raising hands, without prejudice to the provisions of electronic voting regarding the voting of each item on the agenda.

In accordance to the Law No.6698 on Protection of Personal Data, you can access detailed on processing information of your personal data by our Company in Ford Otomotiv Sanayi A.Ş. Policy on the Protection and Processing of Personal Data published at www.fordotosan.com.tr. All right holders and stakeholders as well as the press are invited to the General Assembly Meeting.

Pursuant to the Capital Markets Law, shareholders holding registered shares that are traded on the stock exchange will not receive a separate registered invitation letter for the meeting.

It is submitted to the shareholders with due respect.

FORD OTOMOTİV SANAYİ A.Ş. BOARD OF DIRECTORS
Company Address: Akpınar Mah. Hasan Basri Cad. No:2 34885 Sancaktepe /İstanbul
Trade Registry and Number: İstanbul Ticaret Sicil Müdürlüğü / 73232
Mersis ID Number : 0649002036300014

2. Additional explanations in view of CMB regulations

The additional explanations required pursuant to Capital Markets Board (CMB) Corporate Governance Communiqué No. II-17.1, enacted 3 January 2014, are made in the related articles of the agenda below. Other mandatory general explanations are provided in this section.

2.1. Capital Structure and Voting Rights:

There is no privilege in Company's Articles of Incorporation regarding voting rights. Share group B and C have privilege for Board of Directors membership election. The voting rights of our shareholders, are provided in the following table:

Shareholding Structure	Share Group	Amount of Share (TL)	Percentage of Share (%)	Vote	Percentage of Vote (%)
Koç Holding A.Ş.	B	134.953.357	38.46	13.495.335.714	38.46
Temel Ticaret ve Yatırım A.Ş.	B	2.355.885	0.67	235.588.500	0.67
Vehbi Koç Foundation	A	3.558.449	1.01	355.844.870	1.01
Koç Holding Pension and Assistance Foundation	A	3.259.202	0.93	325.920.231	0.93
Ford Motor Company	C	143.997.037	41.04	14.399.703.676	41.04
Publicly Held	A	62.786.070	17.89	6.278.607.009	17.89
Total		350.910.000	100.00	35.091.000.000	100.00

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2.2. Managerial and Operational Changes in Our Company or our Subsidiaries' which may Significantly Affect the Activities of our Company:
There are no managerial or operational changes that has or that will substantially affect the Company's activities in the previous accounting period, or planned for the upcoming accounting periods.

2.3. Information regarding demands of shareholders for placing an article on the agenda:
No such request is made for the Ordinary General Assembly Meeting for 2018 activities.

3. Announcements pertaining to the agenda articles of the ordinary general assembly meeting dated 15 March 2019

1. Opening and election of Chairmanship Panel,
Within the framework of the provisions of "Turkish Commercial Code (TCC) no. 6102" and "The Regulation of the Ministry of Customs and Commerce regarding Principles and Procedures of General Assembly Meetings of Joint Stock Companies and Representatives of the Ministry of Customs and Commerce to be Present in these Meetings" ("Regulation" or "General Assembly Regulation"), and General Assembly Principles Article 7, a Chairman shall be elected to chair the General Assembly meeting.
Within the framework of the General Assembly Principles, at least one person will be appointed as Secretary.
The Chairman may also appoint adequate number of vote-collectors.

2. Reading, discussion and approval of the Annual Report of year 2018 prepared by the Board of Directors,
There are no managerial or operational changes that has or that will substantially affect the Company's activities in the previous accounting period, or planned for the upcoming accounting periods.

Within the framework of the TCC, the Regulation and the Capital Markets Law and related regulations, information shall be given on the 2018 Annual Report that includes the Corporate Governance Compliance Report, which has been announced at the Headquarters of our Company, on the Electronic General Assembly portal of the Central Registry Agency and on the corporate website of the Company at www.fordotosan.com.tr for review of our shareholders three weeks before the General Assembly meeting and it shall be presented for perusal and approval of our shareholders.

3. Reading of the summary report of the Independent Audit Firm of 2018 Fiscal Period,
Independent Audit Report created as per TCC, Regulation and Capital Markets Board legislation and made available at Company Headquarters, Electronic General Assembly Portal of the CRA and Company website www.fordotosan.com.tr, three weeks prior to the General Assembly meeting, will be submitted to the information of our shareholders in General Assembly meeting.

4. Reading, discussion and approval of the Financial Statements of 2018 Fiscal Period,
Information about our financial statements and legal statutory accounts, which, pursuant to the TCC, bylaws and Capital Markets Law are posted three weeks prior to the General Assembly meeting at our Company Headquarters, on the Electronic General Assembly Portal of the CRA, and on the Company website www.fordotosan.com.tr for review of our shareholders, shall be provided to our shareholders for their evaluation and approval.

5. Release of the members of the Board of Directors separately for year 2018 activities,
Pursuant to the TCC and Bylaws, the release of our Board of Directors members for the activities, transactions and accounts for the year 2018 shall be submitted to the General Assembly for its approval.

6. Approval, or approval with amendments or refusal of the Board of Directors' proposal for profit distribution for the year 2018 and the distribution date which prepared in accordance with the Company's Profit Distribution Policy,
According to our financial statements, prepared by our Company within the framework of the Turkish Commercial Code and Capital Markets Law and related regulations in compliance with Turkish Financial Reporting Standards and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi covering the accounting period between 01.01.2018 – 31.12.2018; net profit amount of TL 1.683.196.018 has been obtained. The dividend payment proposal drawn up in accordance with the Dividend Distribution Table format provided in the Dividend Communiqué numbered II-19.1 and the Dividend Manual announced in accordance with the said Communiqué, and taking into account the Company's Dividend Distribution Policy, long-term strategy, investment and financing policies, profitability and liquidity, is provided on page 27.

7. Determination of the number and the term of duty of the members of the Board of Directors and election of the members based on the determined number, election of the Independent Board Members,
The number of members on the Board of Directors and their terms of office shall be designated in accordance with CMB regulations, TCC and Bylaws and the principles governing the selection of members of the Board of Directors in the Articles of Incorporation. New members will be elected to replace Board members whose terms of office have expired. In addition, Independent Members of the Board of Directors shall be elected in compliance with the CMB's Corporate Governance Communiqué No. II-17.1. According to Article 10 of the Company's Articles of Incorporation, Company is managed by a Board of Directors with an even number of members and consisting of at least 8 members, elected by the General Assembly for a 3 year period in line with the TCC regulations. General Assembly may decide on the renewal of the Board of Directors even if their terms of office have not expired. 2 of the elected Board members are required to meet the independence criteria as defined in the CMB's mandatory Corporate Governance Principles.

The Board of Directors, upon receipt of the proposal of Corporate Governance Committee, has designated Mr. Leonard Martin Meany and Mrs. Fatma Füsun Akkal Bozok as the Independent Members of the Board of Directors by Board of Directors' resolution and has submitted to the approval of CMB on 24 January 2019. The CVs and Independence Declarations of Board of Directors candidates are provided from pages 36 to 40 and on pages 98-99.

8. As per the Corporate Governance Principles, informing the shareholders regarding the "Remuneration Policy" for members of the Board of Directors and the senior executives and payments made under this policy and approval of the "Remuneration Policy" and related payments,
According to CMB's mandatory Corporate Governance Principle No. 4.6.2, the principles for the remuneration of Board of Directors' members and senior management shall be made available in writing and included as a separate article on the General Assembly Meeting agenda to enable the shareholders to share their opinions on the same. Remuneration Policy created for this purpose is attached as Appendix 3. As specified by footnote No. 26 of 2018 Financial Statements, TL 35.262.844 - of benefits were provided for senior management of Ford Otomotiv Sanayi A.Ş. in 2018.

9. Determination of the annual gross fees to be paid to the members of the Board of Directors,
The annual gross remuneration to be paid to the members of the Board of Directors in 2019 shall be determined by the shareholders as per our Remuneration Policy submitted for the approval the shareholders as per item 8 of the agenda.

10. As per the regulations of the Turkish Commercial Code and Capital Markets Board, approval of the Board of Directors' election for the Independent Audit Firm,
In accordance with the Turkish Commercial Code and Capital Markets Board regulations, and taking into consideration the opinion of the Audit Committee, the Board of Directors resolved at their 07.02.2018 meeting to have PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi serve as the independent auditors of the Company's financial reports for the financial year 2019 and to let it conduct the other activities that fall within its purview within the context of the regulations. This decision shall be submitted to the General Assembly for ratification.

11. Giving information to the shareholders regarding the donations made by the Company in 2018 and determination of a upper limit for donations to be made in 2019,
Pursuant to Article 6 of the CMB's Communiqué on Dividends No. II-19.1, the limit of donations to be made must be determined by the General Assembly, in cases not specified in the Articles of Incorporation, and information concerning the donations and payments made must be provided to shareholders at the General Assembly. Donations totaling TL 41.749.634 were made to foundations and associations in 2018. The upper limit of donations to be made in 2019 shall be decided by the General Assembly.

12. Under Articles 395 and 396 of the Turkish Commercial Code, authorizing: shareholders with management control, members of the Board of Directors, senior executives and their spouses and relatives related by blood or affinity up to the second degree; and also informing the shareholders regarding the transactions made in this extent in 2018 pursuant to the Capital Markets Board's Communiqué on Corporate Governance,

The members of the Board of Directors can do business only with the approval of the General Assembly, as stipulated in the first subsection of Articles 395 and 396 of the TCC entitled Competition Ban and Ban on doing Business with the Company and Borrowing for the Company.

Pursuant to the Capital Markets Board Mandatory Corporate Governance Principles No. 1.3.6, the General Assembly shall be informed in the event that shareholders having managerial control, shareholder board members, senior management and relatives up to the second degree of blood or affinity engaged in a significant business transaction creating a conflict of interest with the Company or its subsidiaries, competed with the company in the same line of business on their own behalf or on the behalf of others, or was involved in the same business as that of the Company as unlimited partner in another company.

Information about said transactions must be included as a separate article on the agenda and recorded into the minutes of the General Assembly. To fulfill the requirements of these regulations, permission shall be sought from the shareholders at the General Assembly and the shareholders shall be informed that no such transaction took place in 2018 in this respect.

13. Wishes and opinions.

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DEVELOPMENTS FOLLOWING THE REPORT DATE

Ms. Saibe Gül Ertuğ, who has been acting as Business Strategies Finance Senior Manager, is assigned as Innovation & New Ventures Director effective from February 1, 2019.

FORD OTOSAN

Trade Name
Ford Otomotiv Sanayi A.Ş.

Trade Registry Number
73232

Central Registration System Number (MERSIS)
0649002036300014

Authorized Capital
500.000.000 TL

Paid-in Capital
350.910.000 TL

Centers

Kocaeli Plants
Denizevler Mah. Ali Uçar Cad. No:53
Gölcük/Kocaeli
T: 0262 315 50 00

İnönü Plant
Bozüyük-Kütahya Yolu Üzeri 8.km
26670 İnönü/Eskişehir
T: 0222 213 20 20

Sancaktepe Spare Parts Distribution Center
Akpınar Mah. Hasan Basri Cad. No:2
34885 Sancaktepe/İstanbul
T: 0216 564 71 00

Sancaktepe Engineering Center
Akpınar Mah. Hasan Basri Cad. No:2
34885 Sancaktepe/İstanbul
T: 0216 664 90 90

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Website

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Investor Relations Mobile Applications

This Annual Report ("Report"), including the Board of Directors' Report about the operations and financials of 2018, Auditors' Report, Financial Statements and the Independent Audit Report, was prepared in compliance with the legal regulations in force, to be presented to the Ordinary General Assembly of Ford Otosan A.Ş. (Company) to take place on the 15th of March 2019 Friday at 14.00 in Divan Hotel Istanbul, Elmadağ at the address Asker Ocağı Caddesi No. 1, 34367 Şişli, Istanbul. The Report was written only to inform the shareholders, and does not serve the purpose to lay the ground for any investment decision. The opinions stated in the Report regarding the future and projections reflect the Company Management's view on the future situation; their materialization may differ depending on the variables and assumptions that yield the projections. Accordingly, the Company or Members of the Board of Directors, advisors or employees cannot be held liable for any information or communication conveyed as part of this Report or for any direct or indirect loss and damages that may be incurred on any individual because of information based on/omitted from the content of this report. It is believed that all information in the Report was accurate at the time of preparation. The Company rejects any responsibility for errors that may occur during writing or printing.