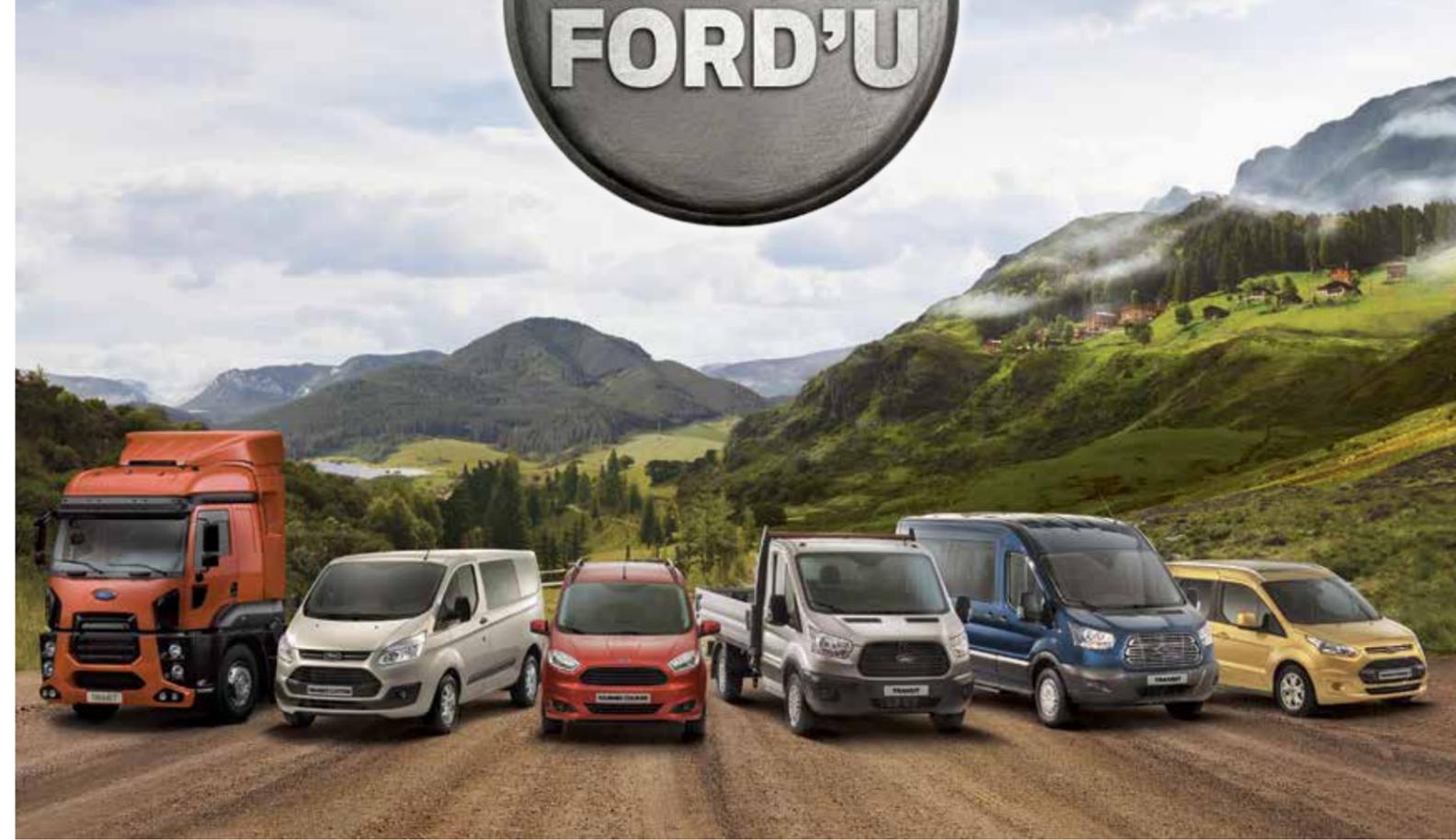


**FORD OTOSAN**



# Taking firm strides towards the future

At Ford Otosan, we made the biggest investment in the Turkish automotive industry, with capital expenditure exceeding US\$ 1.6 billion in the last 4 years.

As the pioneering force of the Turkish automotive industry, we continue to steadily create value for our country, our shareholders and all other stakeholders, and take firm steps towards the future on our 55<sup>th</sup> anniversary.

## Contents

### 4 Ford Otosan at a Glance

- 4 Summary Results
- 5 Main Indicators
- 6 Vision, Mission and Strategies
- 7 Our Values

### 8 Management and Assessments

- 8 Chairman's Statement
- 12 Board of Directors
- 20 Executive Management

### 24 Ford Otosan in 2014

- 24 Awards
- 26 Investor Relations
- 28 The Turkish Automotive Industry and Ford Otosan
- 30 Exports
- 32 Production and Capacity
- 34 Vehicles We Produce
- 38 Extensive Product Range
- 40 Plants
- 44 R&D

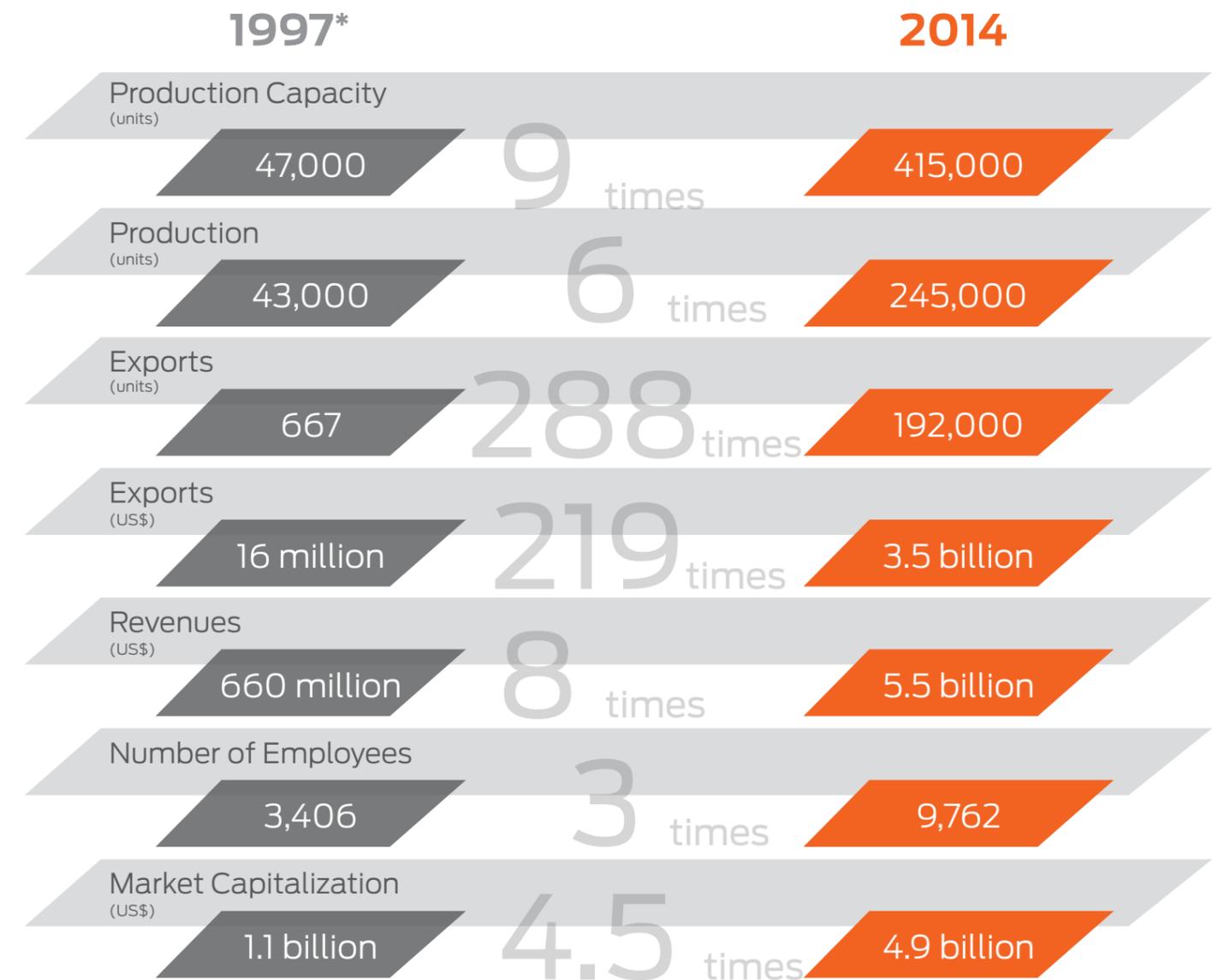
### 48 Sustainability

- 48 Quality
- 49 Occupational Health and Safety
- 50 Human Resources
- 52 Environment
- 56 Corporate Social Responsibility

### 59 Reports

- 59 Agenda of the Ordinary General Assembly
- 60 Board of Directors' Report
- 68 Dividend Distribution Proposal
- 69 Corporate Governance Compliance Report
- 77 Risk Management and Report on the Activities of the Early Determination and Management of Risk Committee
- 79 Legal Disclosures
- 80 Report on Related Party Transactions for 2014
- 81 Remuneration Policy for the Board of Directors and Senior Executives
- 82 Independent Auditor's Report on Annual Report
- 83 Independent Auditor's Report and Financial Statements as of December 31, 2014

# Ford Otosan from Past to Present



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



### About the cover page

"Türkiye'nin Ford'u" is the motto used in Ford Otosan's current advertising campaign and means "Turkey's Ford".

We completed the biggest investment in the Turkish automotive industry, reaching the highest installed manufacturing capacity

we grow



#### Yeniköy Plant

Yeniköy Plant, which is the world's only manufacturing center of Ford's new light commercial vehicle, Courier, was constructed in 16 months. The plant was designed to be fully 'disabled friendly', and was opened on May 22, 2014. Among Ford's foremost light commercial vehicle manufacturing bases worldwide, Yeniköy has a manufacturing capacity of 110,000 units per annum. The Plant is equipped with advanced technology and environment friendly applications.



#### Gölcük Plant

Upon completion of the US\$ 850 million investment in the Gölcük Plant in 2014, and opening of the Yeniköy Plant, the total capacity of Kocaeli Plants rose to 400,000 units from 320,000 units (290,000 units in Gölcük and 110,000 units in Yeniköy).

#### İnönü Test Center

Our test center is the first plant in Turkey capable of testing engines over 13 liters.

#### Gölcük Test Center

Ford Otosan, the R&D leader of the automotive industry in Turkey, opened the Exhaust Emission Systems Test Center in the Gölcük Plant. This is Ford's first plant in the entire world to provide service in this area.



İnönü Test Center Opening Ceremony

We launched Turkey's newest commercial vehicle range

we change



#### Ford Transit

Ford Transit has sold more than 7 million units since its launch in 1965. The all-new Transit is manufactured only in the Ford Otosan Gölcük Plant in Europe, and was launched in March for global markets.



#### Ford Courier

Ford Courier, the design and development process of which was conducted by Ford Otosan was launched in May.

#### Ford Custom

Exports of Ford Custom, which was launched at the end of 2012, maintained robust progress in 2014, growing by 106% per annum and reaching 109,000 units.



#### Ford Connect

New Transit Connect and Tourneo Connect, the tophat engineering of which were conducted by Ford Otosan engineers, was launched in November.



#### Ford Cargo

Ford Cargo 1846T, our first product within the scope of the Global Cargo program, was launched in 2013.



We created new opportunities  
to support our future  
profitable growth

# we develop



## Engine, cabin and chassis agreement with JMC

By means of an agreement signed with Chinese JMC in 2013, Ford Otosan agreed upon the production of Ecotorq engines, the intellectual property rights of which are wholly owned by Ford Otosan, to be used in JMC branded vehicles in the world's largest truck market, China. Another achievement was obtained in July 2014 by signing a license agreement with the same company regarding the technology for the chassis, cabin and parts of our Cargo trucks.

## Truck manufacturing agreement with Avtotor in Russia

A Memorandum of Understanding was signed with Avtotor Holding for the manufacturing of Ford Trucks in Russia.



## Sancaktepe Engineering Center

Ford Otosan R&D Department exports engineering with more than 1,350 engineers, and is the biggest R&D organization in the Turkish automotive sector. Our Sancaktepe R&D Center, which became operational with TL 70 million investment, is Turkey's biggest R&D center at a single location. As the global engineering center for Ford's heavy trucks and related diesel engine and engine systems, Ford Otosan also serves as the support center for the development of Ford's light commercial vehicles.



## Ford Trucks dealer network

Ford Otosan strengthened its dealer network through its new Middle East office, and new Ford Trucks showrooms that it opened in the within the scope of its growth strategy.

We have been the leader  
and pioneering force of the  
Turkish automotive industry since  
our establishment

## Ford Otosan's FIRSTs

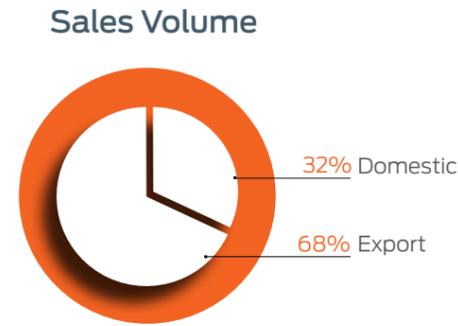
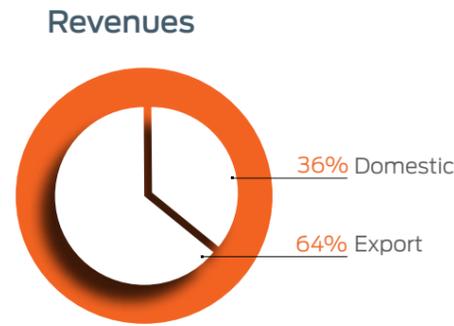
1961 – First private R&D center in Turkish automotive  
1966 – First domestic passenger car, Anadol  
1986 – First domestic diesel engine, Erk  
2009 – First automotive export to the USA  
2013 – Technology export to China

## Ford Otosan's TOPs

Turkey's 2<sup>nd</sup> biggest industrial enterprise  
Turkish Automotive Industry's:  
Highest installed manufacturing capacity  
Highest employment  
Most extensive product range  
Biggest R&D center  
Patent champion  
Export champion  
R&D leader

## Summary Results

Financial Highlights	2014	2013	2012	2011	2010
Revenues (Million TL)	11,925	11,405	9,768	10,445	7,649
Domestic Revenues	4,238	4,106	3,832	4,591	3,544
Export Revenues	7,687	7,299	5,936	5,854	4,105
Gross Profit (Million TL)	1,131	1,128	1,087	1,202	985
Operating Profit (Million TL)	541	670	631	729	610
EBITDA (Million TL)	846	856	772	875	785
Profit Before Tax (Million TL)	390	452	654	800	619
Net Profit (Million TL)	595	641	685	662	505
Capex (Million TL)	858	1,312	935	377	85
Financial Debt (Million TL)	2,350	2,291	1,260	877	528
Net Debt (Million TL)	(1,773)	(2,053)	(958)	(68)	(7)
Net Financial Debt / Tangible Equity	0.79	1.13	0.55	0.04	0
Gross Margin	9.5%	9.9%	11.1%	11.5%	12.9%
EBITDA Margin	7.1%	7.5%	7.9%	8.4%	10.3%
Operating Margin	4.5%	5.9%	6.5%	7.0%	8.0%
Net Profit Margin	5.0%	5.6%	7.0%	6.3%	6.6%
Return on Equity	21.6%	28.7%	34.3%	34.9%	28.8%
Dividend Payment (Million TL)	175	300	579	519	400
Year-End Market Cap. (Billion US\$)	4.9	3.7	4.2	2.8	3.0



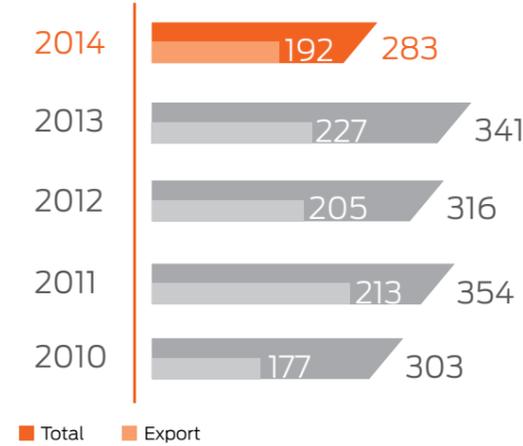
### Ford Otosan Market Shares

Segments	Turkish Automotive Industry	Ford Otosan Retail Volume	Market Share (%)	Ranking
Passenger Cars	587,331	37,292	6.3	6
Light Commercial Vehicles	95,798	22,703	23.7	2
Medium Commercial Vehicles	84,552	26,838	31.7	1
Trucks	31,063	6,761	21.8	2
Total	803,089*	93,594	11.7	3

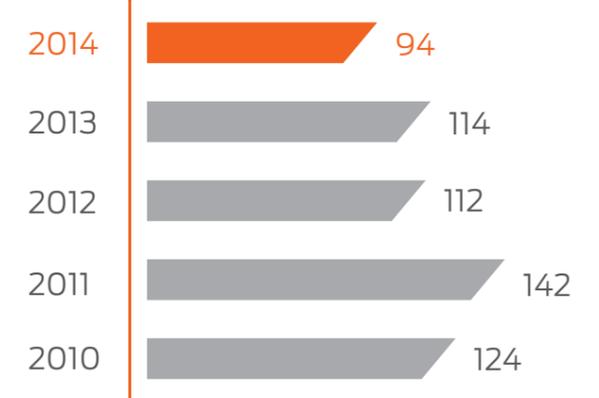
\* Covers all heavy commercial vehicles excluding buses and midibuses.

## Main Indicators

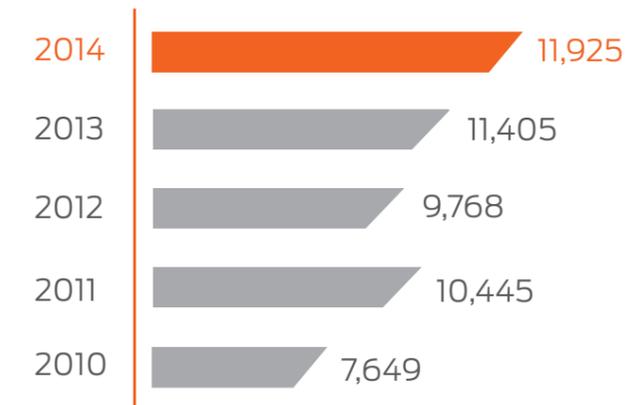
### Total Sales (1000 Units)



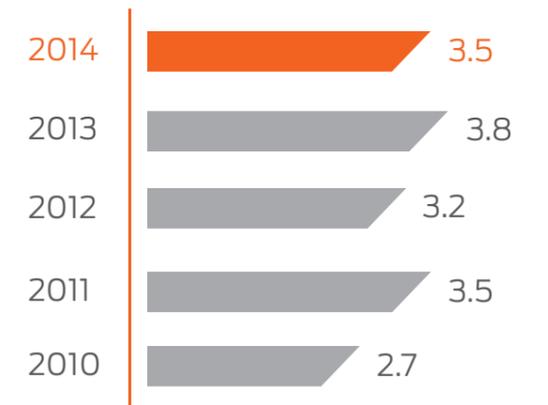
### Retail Sales (1000 Units)



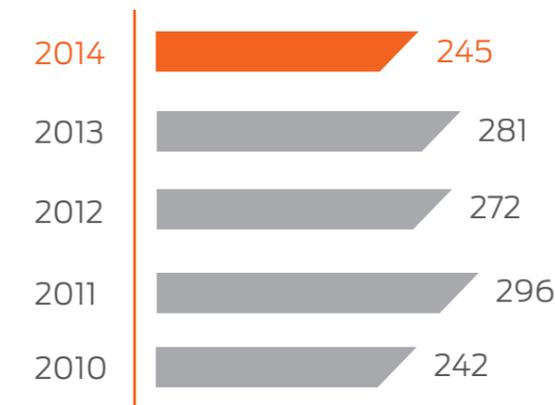
### Revenues (Million TL)



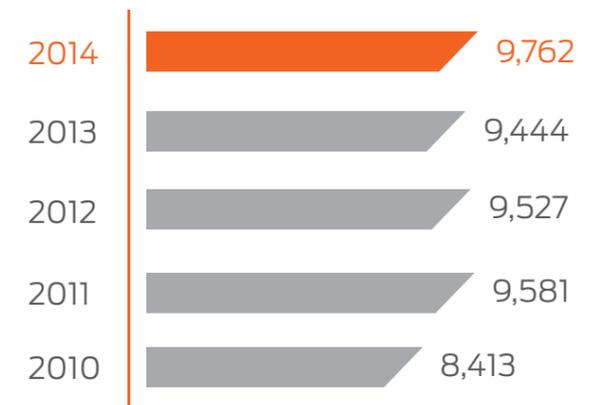
### Export Revenues (Billion US\$)



### Production (1000 Units)



### Employment



## Vision, Mission And Strategies



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

### Rahmi M. Koç

#### Vision

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

#### Mission

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



#### Strategies

1. To generate superior returns for our shareholders
2. To raise the perception of our brand and create customer loyalty
3. To improve our quality, costs and processes
4. To make the right decisions at the right time with our visionary management team
5. To demonstrate strong corporate citizenship

## Our Values

### 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 Products and Services: Are the upshots of our efforts.

The more our customers appreciate our products and services, the higher our value will rise.

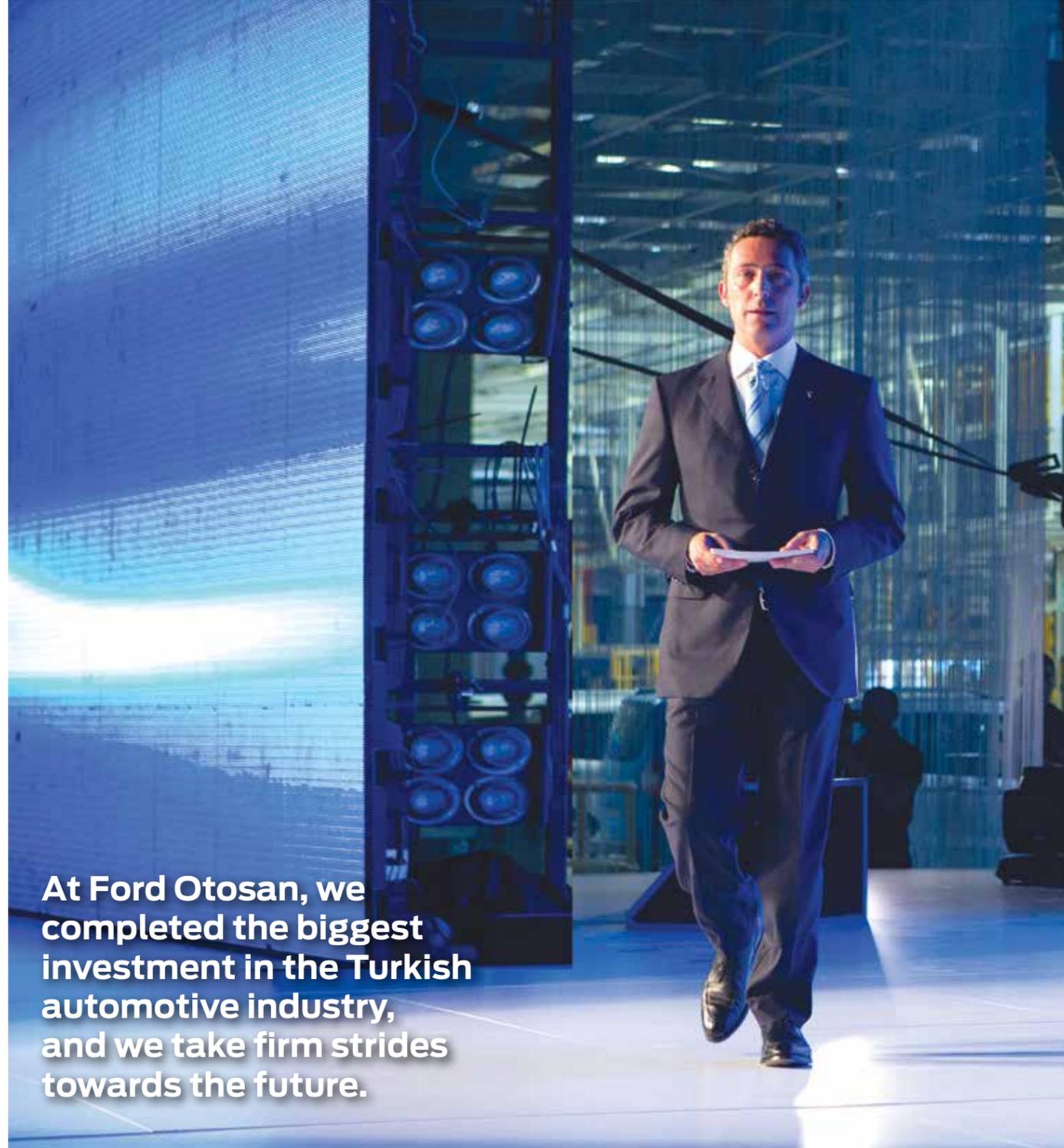
### Our Earnings: Are an indication of the extent to which our products and services meet customer expectations.

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



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

## Chairman's Statement



**At Ford Otosan, we completed the biggest investment in the Turkish automotive industry, and we take firm strides towards the future.**

Dear shareholders, business partners and employees,

2014 was a significant milestone, and the start of a new era for Ford Otosan. Our Company's journey started with the establishment of the Ankara Ford dealership by the founder of Koç Holding, the late Vehbi Koç, in 1928. Otosan was established in 1959, and we now stand today having completed an investment exceeding US\$ 1.6 billion in the last 4 years, reaching a production capacity of 415,000 units. In the early period of the year, our sales dropped to unusually low levels. However, this recovered swiftly upon the release of new products, and we closed the year with a revenue of TL 12 billion, a record in our history. In spite of the product transitions we managed to complete exports of US\$ 3.5 billion. Furthermore, we have reached almost 10,000 employees, with the additional employment brought by our new plant. According to these figures, Ford Otosan is Turkey's largest automotive company, the export leader of the automotive industry, and the second biggest industrial company in Turkey.

As the Koç Group, what illuminated and led our way is our founder, the late Vehbi Koç's statement, "I exist so long as my country exists", which is also among our fundamental principles when building our present and future. Based on this philosophy that we inherited from our founder, our main principle from day one has been to work hard, make investments, produce, provide employment, and pay taxes for our country. We constantly focus on developing the added value we create through a long-term perspective, and our reliance and belief in Turkey's future. We strive to advance our leading role, and the share we take in Turkey's development, production, exports, R&D works and tax ranking.

### Turkey's commercial power

Ford Otosan completed the biggest investment in the Turkish automotive industry, and is taking firm strides towards the future. We executed Turkey's first automotive plant investment with the Yeniköy Plant, 13 years after the Gölcük Plant, which we opened in 2001. We put our investments into operation on the scheduled dates, with intensive work. In becoming the automotive company with the highest production capacity, at 415,000 vehicles per year, Ford Otosan continues to be Turkey's commercial power.

Our Company assumes the mission and responsibility of being the only production center for both the Transit Courier and the Transit Custom models. With great excitement, we welcomed the achievement of Transit Custom, released in the last quarter of 2012, in doubling its export performance and reaching 109,000 units. Reactions to our Transit Courier model, which is manufactured only in Turkey, and which we plan to export to 46 markets, have been extremely positive, in line with our expectations. Our Courier vehicle, which we launched on the market in mid-May, became the best-selling vehicle in its segment every month from June. Boasting Turkey's youngest commercial vehicle product range, Ford Otosan wields a key competitive edge.

We continued to develop our domestic and foreign dealer base within the scope of Global Cargo growth strategy in the truck business. We now have 23 plazas in total, including the 11 4S plazas that we opened in 2014. We expanded our foreign dealer network, mainly in the Middle East, and raised the number of countries to which we make active sales to 17. In 2013, we signed an engine technology license agreement with JMC in China, the world's largest truck market, and granted the license for the engines developed by Turkish engineers. In 2014, we granted a second license for truck manufacturing. We signed a Memorandum of Understanding with Avtotor in Russia for production of Cargo Trucks. Thus we covered huge ground in carrying our truck business to a global scale, in line with our vision. We will maintain our investments in the upcoming period, and enlarge our truck dealer network.

### R&D leader of the Turkish automotive industry

As the leading corporation in the sector, and a groundbreaking one, we are fully aware of the significance of creating knowledge, as well as being a producer. In addition to our excellence crowned in production, we became an R&D base which grants licenses globally, and conducts exports due to our superior engineering activities. Our R&D journey, which started with 10 engineers in 1961, has reached more than 1,350 R&D engineers today. This team has made 436 patent applications, putting us firmly among Turkey's R&D giants.

## Chairman's Statement



By the end of the year, we opened Turkey's largest R&D center at single location in Sancaktepe, and consolidated our strength in this area.

### The most valuable automotive company listed on Borsa Istanbul

Featuring among Turkey's most valuable 20 companies, Ford Otosan has been listed on Borsa Istanbul's BIST-30 index since August 2014. Our share price gained 45% in value, despite the challenging operational environment, while the BIST-100 gained 28%. The consistent rise in the shares of long-term corporate investors in such an environment is the key indicator of the reliance and confidence our investors have in us. Our Company completed the year with a market capitalization of US\$ 4.9 billion, and maintained its status as the automotive company with the highest market value on Borsa Istanbul.

### 2015 at a Glance

We completed 2014 with a second half during which our businesses started to grow compared to the first half. This came about upon the leveling of exchange rate fluctuations, and a drop in interest rates. 2015 commenced vibrantly within the framework of this optimism. While planning the year, we reflect this optimism all the while remaining on the safe side, as always.

The collapse in oil prices, and the quantitative easing decision taken by the European Central Bank to assist economic recovery in the Euro Zone, would certainly affect our businesses positively. On the other hand, discussions about the Central Bank of Turkey's decision on interest rates, expectations that the Fed might hike interest rates, and upcoming elections in June, are still among the key items on the agenda.

2014 was a year when we completed the investment for our commercial vehicles. 2015 will come to the forefront as the year of the automobile. While we reap the fruits of our investments with Turkey's newest product range, we will scale up our domestic and foreign sales, and accelerate our growth. We will carry out operations in a more efficient and effective manner, and pay close regard to prudent risk management. We apply, and will continue to apply, without compromise, the same cost mitigating policies that we initiated in this period of intensive new product releases.

Established in 1959, Ford Otosan is a 55-year-old company. Our dream is to see Ford Otosan as Turkey's first 100-year-old industrial company. To attain this goal, we will keep working, at full throttle, to provide gains for Turkey, and to create high added value for you, our esteemed investors, under our identity as the pioneering force of Turkish automotive, export champion of the sector, and the second biggest industrial company in Turkey.

I hereby express my sincerest gratitude to all our employees and executives at Ford Otosan, ever by our side to the present day, to our union, dealers, suppliers, business partners, valuable customers and to you, our esteemed shareholders.

I greet all of you with love and respect,

**Ali Y. Koç**

Chairman of the Board of Directors

## Board of Directors



**Rahmi M. Koç**

Honorary Chairman



**Ali Y. Koç**

Chairman



**Stephen T. Odell**

Vice Chairman\*



**John Fleming**

Member - Board of Directors

### Rahmi M. Koç

Honorary Chairman  
Honorary Chairman of Koç Holding A.Ş.

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

Mr. Rahmi M. Koç received Honorary PhDs from; Johns Hopkins University, Eskişehir Anadolu University, İzmir Ege University, Ankara Bilkent University, Constanta Ovidius University and Aydın Adnan Menderes University. Rahmi M. Koç was honored with the "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 Presidency of the Republic of Austria honored him with the Order of Merit and Mr. Rahmi M. Koç was appointed to the rank of (Honorary) Commander of the Most Excellent Order of the British Empire (CBE).

### Ali Y. Koç

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

Mr. Ali Y. Koç capped his undergraduate studies at the Management Faculty of Rice University (USA) with an MBA from Harvard University. He joined the Management Trainee Program of American Express Bank in 1990-1991, and worked as an Investment Analyst at Morgan Stanley Investment Bank from 1992 to 1994. He held senior positions in Koç Holding between 1997 and 2006, such as New Business Development Coordinator and IT Group President. He served as President of Corporate Communication and IT Group of Koç Holding from 2006 to 2010. In 2008, he became a member of the Board of Directors at Koç Holding. Ali Y. Koç has been serving on the Board of Directors of Ford Otosan since 1997, and he was elected as Chairman of the Board of Ford Otosan on 10 December 2012. Ali Y. Koç also serves at 1907 Fenerbahçe Association (Board Chairman), FB Education Institutions (Board Chairman), URAK – National Competition Research Association (Chairman), Endeavor Association (Board Member), DEİK – Foreign Economic Relations Board (Board Member) and TÜSIAD – Turkish Industry and Business Association (Member).

### Stephen T. Odell

Vice Chairman  
Member- Remuneration Committee  
Chairman & CEO Ford of Europe  
Executive Vice President and President of Europe, Middle East and Africa of Ford Motor Co. (position in 2014)

Mr. Odell was enrolled as an intern at Ford UK in 1980. He worked in various management positions pertaining to sales and marketing in the UK and the USA before being appointed as Vice President of Marketing and Sales of Jaguar North America in 1997. In January 2000, he joined Mazda as Vice President of Sales and Marketing of North America, and became the North America Operations Director in October of the same year. 2 years later, Mr. Odell was appointed to the position of President of Mazda Europe, and in May 2003, was named Senior Executive Manager of Marketing, Sales and Customer Services at Mazda Motor Corporation Japan. From 2005 to 2008, he worked as Vice President of Marketing, Sales and After Sales at Ford of Europe. Mr. Odell served as Vice President of Ford Motor Company and President and CEO of Volvo Car Corporation from October 2008 to August 2010. On the 2 August 2010, Mr. Odell became Vice President of the Ford Motor Company Group and President and CEO of Ford of Europe. Starting from the 1 December 2012, he was appointed as Executive Vice President and President of Europe, Middle East and Africa of Ford Motor Co. On the 1 January 2015, Mr. Odell became Executive Vice President, Global Marketing, Sales and Service. He has been serving on the Board of Directors of Ford Otosan since the 14 October 2010. Mr. Odell is also currently a Member of the Remuneration Committee of Ford Otosan.

### John Fleming

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

Mr. Fleming holds an Honorary Degree from the John Moore University in Liverpool and production engineering qualifications from North East London Polytechnic (UK). He joined Ford Motor Company at the Halewood Plant in 1967, and was involved in the manufacturing processes of Ford Escort. He was appointed Production Manager of the Paint Shop in 1984, and continued with responsibility for this and other areas in a number of management roles until 1988. He became General Manufacturing Manager in charge of Halewood Operations in 1991. He was appointed operations manager of Halewood Operations in 1993. In 1995 he was assigned to the U.S. as program operations manager for Vehicle Operations.

He became Global Manufacturing Engineering and New Model Programs Director, followed by Executive Director of the Ford Stamping Business Unit in the U.S. and then appointed as Vice President Manufacturing. After serving as Ford group Vice President and President and CEO, Ford of Europe since 2005, he was elected as Ford of Europe's Chief in 2008 where he was responsible for Ford of Europe, Volvo Car Corporation and Ford's Export Operations & Global Growth Initiatives. Since 2010, Mr. Fleming is leading Ford's Global Manufacturing and Labor Affairs Organization, responsible for overseeing the global operations of 75 assembly, stamping and powertrain plants. He is also responsible for the company's worldwide engineering support for stamping, vehicle and powertrain manufacturing, as well as Ford's Material Planning & Logistics, Ford Production System, Manufacturing Business Office and Labor Affairs organization.

Prior to his current position, he served dual roles as Chairman and CEO of Ford of Europe and Executive Vice President, Global Manufacturing and Labor Affairs. Mr. Fleming has been serving on the Board of Directors of Ford Otosan since 2002.

\* Mr. Stephen Odell resigned from his Board Membership as of 1 January 2015. Mr. James Duncan Farley was assigned to the membership of Board of Directors on 9 January 2015 to serve until the next General Assembly of Shareholders.

## Board of Directors



**Osman Turgay Durak**

Member - Board of Directors



**Barb J. Samardzich**

Member - Board of Directors



**İsmail Cenk Çimen**

Member - Board of Directors



**Lyle A. Watters**

Member - Board of Directors

### Osman Turgay Durak

Member - Board of Directors

Member - Remunerations Committee

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

Mr. Durak is a graduate of the Mechanical Engineering Department of Northwestern University (USA) where he also completed a Master's. His career commenced at Ford Otosan in 1976 as Applications Engineer. In the same year, he assumed the position of Product Development and Design Engineer, and by 1979 he became the İnönü Project Leader. In 1982 and 1984, he was assigned the roles of Project Coordination Manager and Project Coordination Department Head, respectively. In 1986 and 1987, he was designated as Assistant Manager of Marketing and Assistant Manager of Purchasing, respectively. He became Deputy General Manager of the Company in 2000. He started to serve as General Manager in 2002 when he also joined the Board of Directors. Between 2007 and 2009, he was Koç Holding Automotive Group President. He served as Deputy CEO of Koç Holding from May 2009 until April 2010, when he was made CEO of Koç Holding and became a Member of the Board of Directors. Furthermore, he was Chairman of the Board of the Automotive Manufacturers Association for 6 years between 2004 and 2010. He has been serving as National Board Member of International Chamber Of Commerce since February 2014. Mr. Durak is also currently a Member of the Remunerations Committee of Ford Otosan.

### Barb J. Samardzich

Member - Board of Directors

Vice President and Chief Operating Officer - Ford of Europe

Ms. Samardzich earned a bachelor's degree in mechanical engineering from the University of Florida (USA), a Master's in mechanical engineering from Carnegie-Mellon University (USA) and a Master's in engineering management from Wayne State University (USA). Before joining Ford in 1990, Ms. Samardzich served as a Thermal Design Engineer in Westinghouse Electric's Nuclear Fuels division. During her career at Ford, Samardzich also served as Chief Engineer for F-Series commercial trucks, Quality Director for Ford-brand products at Ford of Europe, and Chief Engineer for the Automatic Transmission Engineering Operations. Her work in automatic transmissions and her experience in product creation won her the "Women in Engineering Achievement" award from Design News in 2004. Ms. Samardzich was named amongst the Top 50 Automotive Women by Automobilwoche for 2011. Before being named an Automotive News All Star for 2009 and 2010, she was acknowledged as one of the Most Influential Women by Crain's Detroit Business in 2007. She received the Distinguished Women Award from Northwood University in 2006. And she was named a Leading Woman in the North American Automotive Industry by Automotive News in 2005 and 2010. She served as Vice President, Product Development at Ford of Europe, having been appointed to this position in September 2011. She is responsible for many of Ford of Europe's operations, including manufacturing, quality, product development, purchasing, sustainability, environment and safety engineering in her current position, to which she was appointed on 1 November 2013. She has been serving on the Board of Directors of Ford Otosan since 10 December 2013.

### İsmail Cenk Çimen

Member - Board of Directors

Member - Early Determination and Management of Risk Committee

Automotive Group President - Koç Holding A.Ş.

Mr. Çimen graduated from Istanbul Technical University in Industrial Engineering and completed Executive Development Programs at Stanford University (USA) and University of California Los Angeles (USA). He joined Koç Group in 1991 as Management Trainee at Nasoto. He assumed Sales Coordinator, Regional Manager and Import Manager responsibilities at Otosan Pazarlama between 1993-1996. He served as Fleet Sales Manager at Ford Otosan between 1996-1998 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. 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 25 March 2014 and he has been serving as the member of the Early Determination and Management of Risk Committee since 21 April 2014.

### Lyle A. Watters

Member - Board of Directors

Member - Early Determination and Management of Risk Committee

Member - Corporate Governance Committee

CFO and Vice President - Finance and Strategic Planning of Ford of Europe, Middle East and Africa

Mr. Watters did an MBA at Queens University (Belfast), and joined Ford UK as a Financial Analyst in 1987. Having held numerous positions in Europe and America, he was appointed as Director of Treasury at Ford of Europe in 1998. In 2000, he became Financial Controller of the Ford Premier Automotive Group. After 2003, he was Global Marketing and Sales Finance Director of Jaguar and Land Rover owned by Ford. From October 2005 to September 2008, he worked as Business Strategies Director at Ford of Europe managing Business Development and Strategic Planning. He was the CFO of Ford of South America from October 2008 to March 2012. In April 2012, he was appointed as CFO and Vice President- Finance and Strategic Planning of Ford of Europe. Currently he works as CFO and Vice President - Finance and Strategic Planning of Ford of Europe, Middle East and Africa. Mr. Watters has been serving on the Board of Directors of Ford Otosan since March 2012. He is also a Member of the Early Determination and Management of Risk and Corporate Governance Committees of Ford Otosan.

## Board of Directors



**Ali İhsan İlkbahar**

Member - Board of Directors



**Peter Fleet**

Member - Board of Directors



**Mehmet Barmanbek**

Independent Member -  
Board of Directors



**Prof. Günter Verheugen**

Independent Member -  
Board of Directors

### Ali İhsan İlkbahar

Member – Board of Directors  
Member – Corporate Governance Committee

Graduated from Istanbul Technical University Mechanical Engineering (MSc.), Mr. İlkbahar started working as a Manufacturing Engineer at Otosan in 1964. He spent his whole professional life at Ford Otosan where he served as a General Manager during the last 14 years and retired at the beginning of the year 2000. 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 Automotive Manufacturers Association's Board of Directors, continuously for 15 years, from 1989 until February 2004. He served as a member of Ford Otosan Board of Directors between 1991-2012. He was elected as a member of Ford Otosan Board of Directors on 25 March 2014 and he has been serving as the member of the Corporate Governance Committee since 21 April 2014.

### Peter Fleet

Member - Board of Directors  
Vice President, Sales, Ford of Europe

Mr. Fleet graduated from the University of Southampton in Politics and International Relations and joined Ford of Britain in 1989. He has held a variety of positions in the UK national sales company, including District Manager, Commercial Vehicle Director and Marketing Director. In 2004, he joined Ford of Europe as Commercial Vehicle Director for Marketing, Sales and Service, and in 2007 he was appointed Regional Director of European Sales Operations. In 2010, he moved to Thailand as President of Ford ASEAN, responsible for the integrated operations across Ford's South-East Asia markets. At this time he also served as Vice President of the American Chamber of Commerce in Thailand. Peter Fleet was appointed Vice President, Sales, Ford of Europe effective 1 August 2012. He has been serving on Ford Otosan Board of Directors since 25 March 2014.

### Mehmet Barmanbek

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

Mr. Barmanbek graduated from the Finance and Economics Department of the Political Science Faculty of Ankara University in 1963. From December 1963 to January 1977, he was employed at the Ministry of Finance as Assistant Accountant, Accountant and Chief Accountant. In February 1977, he started working for Otosan A.Ş. (Currently Ford Otomotiv Sanayi A.Ş.) as Finance and Accounting Manager. He then became Assistant General Manager (Administrative -Financial Affairs) in 1986 and Deputy General Manager in 2000. On the 30 June 2002, he retired from Ford Otosan, ending his professional career. From February 2006 to February 2010, he provided honorary services as a member of the Board of Directors and treasurer in Koç Executives Association (KOÇYÖNDER) for 4 years and he served as the legal auditor of KOÇYÖNDER between 2010-2013. Mr. Barmanbek has been serving on the Board of Directors of Ford Otosan as an independent member and Audit Committee member since March 2012. At the same time, he is Chairman of both the Early Determination and Management of Risk Committee and Remunerations Committee of Ford Otosan.

### Prof. Günter Verheugen

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

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

## Board of Directors



**Haydar Yenigün**

Member - Board of Directors



**William R. Periam**

Member - Board of Directors

### Haydar Yenigün

Member - Board of Directors  
General Manager

Mr. Yenigün graduated from Yıldız Technical University in Mechanical Engineering and joined Ford Otosan in 1987, serving as Method Engineer until 1990. He worked as Project Engineer between 1992 and 1996. He served in a variety of positions during the establishment of the Kocaeli Plant after the shares of Ford Motor Company and Otosan A.Ş. were equalized in 1997. He became Project Leader in 1998. He participated in the production process of the Ford Transit, and the design and production processes of the Ford Transit Connect. He worked as Welding 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 a member of the Board of Directors of the Automotive Manufacturers Association (OSD), the Board of Directors of Kocaeli Chamber of Industry, Turkish Industry and Business Association (TÜSIAD), the Turkish-American Business Council (TAİK) and the US-Turkey Framework for Strategic Economic and Commercial Cooperation (FSECC).

### William R. Periam

Member - Board of Directors  
Deputy General Manager

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 worked in the finance team of the Europe Business Unit in various positions until he was appointed to the position of Treasury Portfolio Associate at Ford World Headquarters in 1995. He has had various managerial positions at Ford, such as Treasurer, Director and Controller in the Credit, Business Development and Business Strategy departments in various countries including Germany, Brazil and China. Following his tenure as Business Strategy Director in China for Ford's Asia Pacific operations, he was appointed as Deputy General Manager and Member of the Board of Directors of Ford Otosan on 11 September 2013.



## Executive Management



**Haydar Yenigün**  
General Manager  
Member - Board of Directors



**William R. Periam**  
Deputy General Manager  
Member - Board of Directors



**Oğuz Toprakoğlu**  
Assistant General Manager - CFO  
Corporate Governance Committee Member



**Mehmet Candan Günel**  
Assistant General Manager  
Manufacturing Operations



**Ahmet Kinay**  
Assistant General Manager  
Cargo Business Unit



**Özgür Yüçetürk**  
Assistant General Manager  
Marketing, Sales and After Sales

### Haydar Yenigün

General Manager  
Member - Board of Directors

Mr. Yenigün graduated from Yıldız Technical University in Mechanical Engineering and joined Ford Otosan in 1987, serving as Method Engineer until 1990. He worked as Project Engineer between 1992 and 1996. He served in a variety of positions during the establishment of the Kocaeli Plant after the shares of Ford Motor Company and Otosan A.Ş. were equalized in 1997. He became Project Leader in 1998. He participated in the production process of the Ford Transit, and the design and production processes of the Ford Transit Connect. He worked as Welding 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 a member of the Board of Directors of the Automotive Manufacturers Association (OSD), the Board of Directors of Kocaeli Chamber of Industry, Turkish Industry and Business Association (TÜSİAD), the Turkish-American Business Council (TAİK) and the US-Turkey Framework for Strategic Economic and Commercial Cooperation (FSECC).

### William R. Periam

Deputy General Manager  
Member - Board of Directors

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### Oğuz Toprakoğlu

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

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

### Mehmet Candan Günel

Assistant General Manager - Manufacturing Operations

Mr. Günel graduated from the Mechanical Engineering Department of Middle East Technical University in 1978 and embarked on his business career at Anadolu Cam San. A.Ş. in the same year. He joined Ford Otosan as a Method Engineer in 1982. He became Assembly Workshop Supervisor in 1986 and Assembly Area Manager in 1998. He served as Manufacturing Group Manager and the Manufacturing and Planning Group Manager, respectively, between 2004 and 2008. He was appointed Manufacturing and Planning Director of the Kocaeli Plant in 2008 and Assistant Plant Manager of the Kocaeli Plant in 2010. He was appointed Manager of the Kocaeli Plant in 2012, and Assistant General Manager of the Kocaeli Plants in 2013. He has been serving as Assistant General Manager of Manufacturing Operations since 1 March 2014.

### Ahmet Kinay

Assistant General Manager - Cargo Business Unit

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

### Özgür Yüçetürk

Assistant General Manager - Marketing, Sales and After Sales

Mr. Yüçetürk graduated from Boğaziçi University Mechanical Engineering Department in 1995. He completed his Executive MBA degree at Koç University in 2002. He joined Ford Otosan Marketing Department in 1995 as a Product Specialist. After holding various positions in Marketing & Sales areas as Marketing Strategy Manager, Passenger Car Brand Manager and Sales Support Manager, he served as Technical Assistant to the General Manager. He was appointed as Marketing Manager in 2002. He worked as 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 was appointed as Assistant General Manager for Marketing, Sales and After Sales on 1 October 2014.

## Executive Management



**Ernur Mutlu**  
Assistant General Manager  
Product Development



**Cengiz Kabatepe**  
Assistant General Manager  
Material Planning & Logistics



**Taylan Avcı**  
Assistant General Manager  
New Projects



**Burak Gökçelik**  
Assistant General Manager  
Engineering



**Güven Özyurt**  
Assistant General Manager  
Purchasing



**Nursel Ölmez Ateş**  
Director  
Human Resources



**Bülent Akdoğan**  
Director  
Total Quality

### Ernur Mutlu

Assistant General Manager - Product Development

Mr. Mutlu graduated from the Mechanical Engineering Department of Middle East Technical University, and completed his MSc. in the Mechanical Engineering Department of Boğaziçi University. He joined Ford Otosan in 1980 as a Product Development Engineer. He became Project Engineer in 1983, Product Development Team Leader in 1984, Product Development Manager in 1986 and Light Commercial Vehicle Product Development Manager in 2000. He was appointed Product Development Director in 2007. He has been serving as Assistant General Manager of Product Development since 2008.

### Cengiz Kabatepe

Assistant General Manager – Material Planning & Logistics

Mr. Kabatepe is a graduate of the Mechanical Engineering Department of Yıldız Technical University, and holds an MBA from Istanbul University. He joined Ford Otosan as an Intern Engineer in 1975. He became Method Engineer in the Project Coordination Office in 1982 and Manufacturing Planning Control Team Leader in 1984. He then served as Planning Manager of the İnönü Plant from 1985 to 1986, Central Planning Manager of the Istanbul Plant from 1986 to 1992, Manufacturing Planning Manager of the Kocaeli Plant from 1992 to 1997 and External Purchasing Manager from 1997 to 2000. He served as Assistant General Manager of Material Planning and Logistics from 2000 to 2010. He was appointed as Assistant General Manager of Purchasing in 2010 and Assistant General Manager of Material Planning & Logistics on 1 June 2014. He has been serving as Vice Chairman of the Uludağ Automotive Industry Exporters' Association.

### Taylan Avcı

Assistant General Manager - New Projects

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

### Burak Gökçelik

Assistant General Manager - Engineering

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 has been serving as Assistant General Manager of Engineering at Ford Otosan Product Development since 2013.

### 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 Project Leader of the same team from 1998 to 1999. In 2000, he was appointed Material Planning Manager. He has been serving as corporate coach at Koç Group since 2013. He was appointed as Assistant General Manager of Material Planning and Logistics in 2010 and as Assistant General Manager of Purchasing on 1 June 2014.

### Nursel Ölmez Ateş

Director - Human Resources

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

### 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 to the position of Total Quality Director in 2012.

## Awards



### “Most Successful Company in Gender Equality” Award from the Ministry of Labor

Prominent with women’s employment in the automotive industry, Ford Otosan was honored with the “Gender Equality in Work Life” Award for the second time in a row, by means of its implementations to raise the number of female employees.

### New Ford Transit Courier Received the 2015 What Van of the Year Award

Our new light commercial vehicle, Transit Courier, was selected as the 2015 Commercial Vehicle of the Year by What Van magazine in December.



### Chairman’s Leadership Awards for Diversity

Our 100% accessible Disabled Friendly Yeniköy Plant was awarded by ‘Chairman’s Leadership Award for Diversity’ in the category of ‘Valuing Workforce Diversity’, with its Disabled Friendly Plant project.



### Ford Otosan Won 19 Awards in Marketing

Ford Otosan won a total of 19 awards in 2014, 13 of which were in the digital marketing area. The Courier Ball event, Ford Courier Traffic Density project, Ford Focus Timeline application, Social Life Gateway application, Ford Second-Hand Launching, Novice Commentator application, and the MyKey iPad announcement are among Ford Otosan’s prominent marketing activities that won awards.

### The Most Efficient Supply Chain Project Award

Ford Otosan won the Most Efficient Supply Chain Project Award via its Global Component Export Business Model Project at the International Supply Chain Summit.



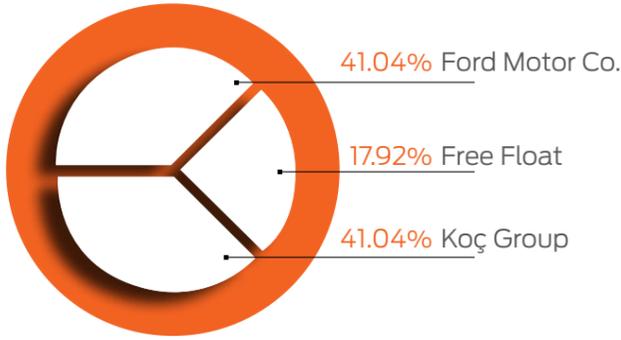
### ISO Environment and Energy Awards

Automotive Industry Exporters’ Association Technical and Industrial Vocational High School was converted into a “Green Building”, thanks to funds collected through the “Rear Window” Project, initiated by cooperation between the voluntary contribution of Ford Otosan employees and the Automotive Industry Exporters’ Association, by creating pictures out of the leftover glass remaining from vehicle development works. Ford Otosan won second prize in the Environment and Sustainability category with this project.



## Investor Relations

### Strong and Committed JV Partners



### Koç Holding A.Ş.

Established in 1926, Koç Holding is Turkey's largest conglomerate in terms of revenues, exports, share of the Borsa Istanbul (BIST), and number of employees. Koç Holding focuses on sustainable and profitable growth with its commitment to being the leader in Turkey and its region, and to being a major player worldwide.

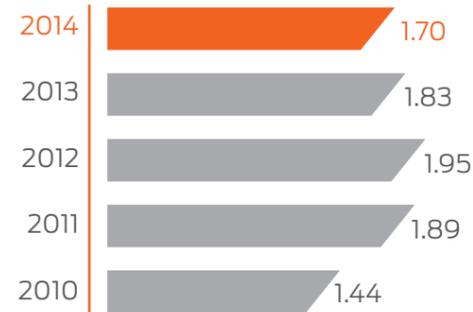
[www.koc.com.tr](http://www.koc.com.tr)

### Ford Motor Company

Established in 1903, Ford Motor Company is one of the undisputed leaders and best-selling brands of the global automotive sector. The Company manufactures and distributes automobiles across six continents with the Ford and Lincoln brands, and employs approximately 189,000 personnel in 65 centers worldwide. In addition, the Company provides vehicle financing through the Ford Motor Credit Company.

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

### Earnings Per Share (TL)



### Share Price Performance



### 2014 Main Indicators

Ford Otosan has been traded on the Borsa Istanbul since January 13, 1986, under the ticker symbol FROTO.IS. While BIST-100 appreciated by 28% in 2014, Ford Otosan gained 45%, in spite of the challenging environment it operated in. The share has been included in the BIST-30 index since August 2014.

**₺ 32.55**

Closing price

**₺ 32.90**

Highest price (Intraday)

**₺ 17.53**

Lowest price (Intraday)

**US\$ 4.9 billion**

Highest market cap in the automotive sector on the BIST

**US\$ 4.8 million**

Average daily trading volume

**76%**

Foreign share in free float

### Value Created by Ford Otosan for Investors

#### Scale and profitability

- Turkey's biggest commercial vehicle manufacturer and exporter
- Rising capacity to expand sales and profitability
- Best proxy to European recovery
- Technology License Agreements bearing strong growth potential in royalty fees

#### Resilience and efficiency

- Resilient structure due to diverse export markets
- High capacity utilization rate, above the European and Turkish industry average
- Efficient, flexible and low cost manufacturing and engineering competency

#### Strong financial position and prudent risk management

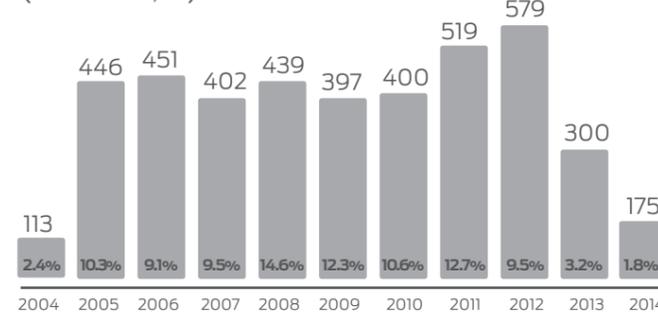
- High cash generation capacity
- Strong financial structure
- Natural hedge against exchange rate fluctuations, due to FX-denominated export revenues

#### Commitment to Corporate Governance Principles

- Separate CEO and Chairman roles
- Independent Members of the Board of Directors
- Audit Committee
- Corporate Governance Committee
- Early Determination and Management of Risk Committee
- Remuneration Committee

### Dividend Payments and Yield

(Million TL, %)



### 2014 Investor Relations Activities

During the year, Ford Otosan participated in a total of 9 conferences and roadshows in Turkey and abroad. One-on-one meetings were held with 276 investors and analysts. 230 people were welcomed during 14 site visits. 112 analysts and fund managers participated in 4 meetings, during which the quarterly financial results were evaluated by the senior management.

Contacts	
<b>Aslı Selçuk</b> IR Manager aselcuk@ford.com.tr +90 216 564 74 99	
<b>Burak Çekmece</b> Treasury and Risk Manager (Responsible for Compliance with Capital Markets Law) bcekmece@ford.com.tr +90 262 315 69 60	
<b>Gülçin Öztitiz</b> IR Specialist goztitiz@ford.com.tr +90 216 564 74 95	

### 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 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 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.

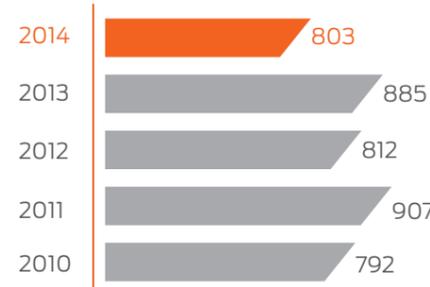
**Ford Otosan paid a total dividend of TL 4.2 billion between 2004 and 2014.**

## The Turkish Automotive Industry And Ford Otosan

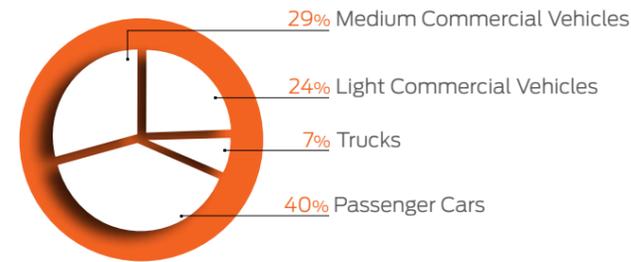
### Automotive sales contracted by 9% in 2014, to 803,000 units

In 2014, sales in the Turkish automotive industry dropped by 9% compared to 2013, to 803,000 units. Interest rate hikes, vehicle price rises due to the fluctuation in FX rates, higher automobile Special Consumption Tax rates valid as of 1 January 2014, limitations imposed by the Banking Regulation and Supervision Agency on motor vehicle loans, high base year, fluctuations in financial markets prior to the local elections in March, low economic activity and consumer confidence are among the factors contributing to the slowdown in this period. Sales in all segments, excluding trucks, regressed during the January-September period compared to the same period of 2013. As of Q3, the exchange rates and financial markets stabilized, and a discount was applied, valid as of August, in K2 certificate fees, obligatory for the purchase of commercial vehicles used as carriers. Growth commenced in light and medium commercial vehicles from August, and continued until the end of the year. While the only segment to grow on an annual basis was trucks, sales in all segments rose in the last quarter, compared to the same period of the previous year.

### Total Automotive Industry (1000 units)



### Ford Otosan Sales



### Growth started in light and medium commercial vehicles from August

The shift from light commercial vehicles to passenger cars (starting in 2012) slowed down this year, and the share of passenger cars in the total industry dropped to 73% in 2014, from 75% in 2013.

Year	Share of passenger cars in the industry
2011	65%
2012	68%
2013	75%
2014	73%

The share of imported vehicles in total sales declined.

### The share of imported vehicles in sales

Year	Passenger Cars	Light Commercial Vehicles	Total
2013	78%	48%	71%
2014	73%	46%	67%

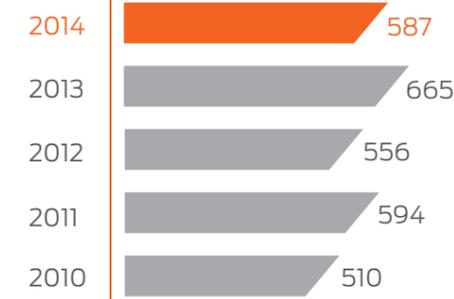
### Ford Otosan maintained its leadership position in commercial vehicles

In 2014, Ford Otosan sold 93,594 vehicles, and obtained a total market share of 11.7%.

2014 was a transitional year, when Ford Otosan completed the investment program it initiated in 2010, launched new products, and boosted its manufacturing capacity. A temporary weakness was witnessed in manufacturing, sales and export figures due to product transitions. However, sales regained momentum after the Ford Transit and Ford Courier were launched on the market in March and May respectively. The Ford Courier became the best-selling vehicle in its segment each month from June to December, following its release in the light commercial vehicles B segment. Rising prices in passenger cars due to soaring exchange rates in the first half of the year pressured sales in this segment, where fierce price and market share competition are rife.

Ford Otosan took 3<sup>rd</sup> place in 2014 with a total market share of 11.7%. It maintained its leadership in commercial vehicles, including trucks, with a share of 26.1%.

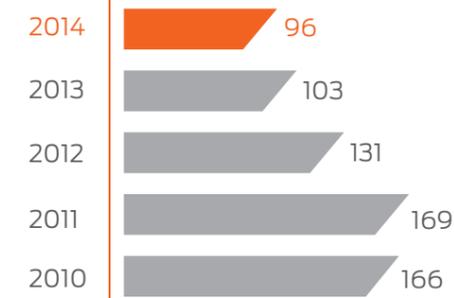
### Passenger Cars (1000 units)



#### 3<sup>rd</sup> highest year in the history of the industry

The passenger car segment contracted by 11.6% in 2014, to 587,331 units. Despite this decline, passenger car sales in 2014 reached the 3<sup>rd</sup> highest level after 2013 and 2011. The upsurge in passenger vehicle prices, following on from higher exchange rates in the first half, pressured sales in this fiercely competitive segment. Ford Otosan was 6<sup>th</sup> in the market, with 37,292 unit sales, and a market share of 6.3%. The new Ford Focus was launched in November.

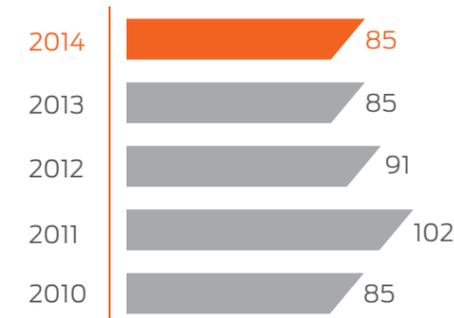
### Light Commercial Vehicles (1000 units)



#### Courier: The best-selling vehicle in its segment

Sales in the light commercial vehicle segment, which shrank starting from 2012, regained strength as of August 2014, and showed growth compared to the same period of the previous year. Sales in the segment throughout the year came to 95,798 units, showing a decline of 7.4%. While Ford Otosan's traditional representative in this segment was the Transit Connect, it added the Transit Courier and Tourneo Courier models into the mix in the second half of May. Thanks to the successful performance of the Ford Courier, the highest seller in the segment since June, Ford Otosan took second place in the light commercial vehicles market, with sales of 22,703 units, and a market share of 23.7%. By virtue of Ford Courier's performance, our market share climbed 3 percentage points compared to the previous year.

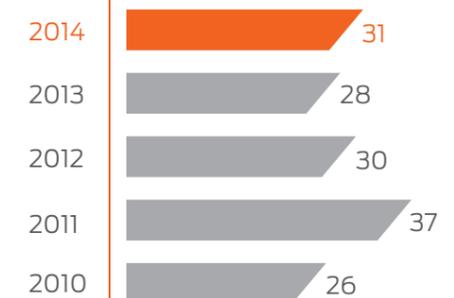
### Medium Commercial Vehicles (1000 units)



#### Transit: Undisputed leader of its segment

In 2014, the medium commercial vehicle segment shrank 1% compared to the previous year, with sales of 84,552 units. Having narrowed since 2012, this segment's sales regained momentum as of August, and went up relative to the same period of the previous year. Ford Otosan obtained a 31.7% share, with vehicle sales of 26,838 units, thus maintaining its undisputed leadership in this segment. Although product shifts affected sales figures in Q1, and all-new Transit was launched in 3 phases starting from March, Transit - the key brand of its segment - maintained a higher market share than the total of the 2 following brands.

### Trucks (1000 units)



#### Only segment growing throughout the year

The truck segment, with sales of 31,063 units in 2014, grew by 10% on the back of developments in the construction sector. Ford Otosan took second place, with Cargo sales of 6,761 units, and market share of 21.8%.

Having its own port gives Ford Otosan a vital superiority in logistics.



## Exports

Main Export Markets (units)	Percentage
UK	35%
Germany	18%
W. Europe	13%
France	9%
E. Europe	7%
Spain	4%
Italy	3%
Belgium	3%
Other	8%

Export Models	Percentage
Custom	56%
Transit	33%
Courier	10%
Cargo	1%

**US\$ 2 billion**

Net exports  
in the last five years

Vehicle and part exports to  
**73 countries on  
5 continents**

**62%**

Ford Otosan's share of Turkey's  
commercial vehicle exports

### Commercial vehicle sales grew by 11% in Europe

According to ACEA's data, sales of light commercial vehicles up to 3.5 tons rose by 11% in 2014, reaching 1.6 million units in Europe. Our main markets, namely the UK, Germany, France, Spain and Italy, grew by 19%, 7%, 2%, 33% and 16% respectively in this period.

### Despite the product shifts, Ford Otosan maintained its leadership in automotive exports

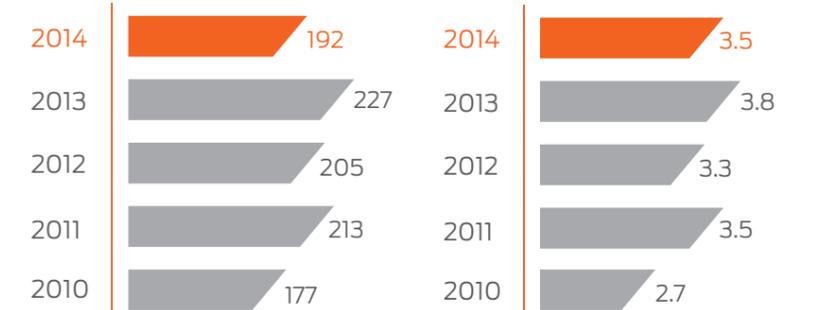
While putting its renewed product range into operation, Ford Otosan's export figures shrank by 15% compared to 2013, amounting to 191,956 units. This shrinkage manifested especially in the first quarter. However, sales gained impetus in the following periods of the year, after adding the new vehicles into the operation. In the last quarter, the export figures demonstrated slight growth of 5% compared to the same period of 2013. Exports of the Ford Custom, which was launched on the market at the end of 2012, maintained robust progress in 2014, growing by 106% to 109,000 units.

Ford Otosan completed exports of US\$3.5 billion in 2014 and became the export champion of Turkish automotive for 4 years in a row, consolidating its net exporter position.

### Ford's share of the European commercial vehicle market climbed

In 2014, Ford successfully sustained its strategy focused on scaling up commercial vehicle sales in Europe. Thanks to the fully renewed Transit product range, Ford branded vehicle sales in Europe reached 227,000 units, growing by 21% compared to 2013. Ford's commercial vehicle market share in Europe reached its highest level since 1997, at 11.4%, representing a rise of 1.4 percentage points. The Transit family reached the highest annual sales figures since 2008 by means of its renewed product range. Ford Otosan is the only manufacturing center of Transit in Europe, and the only manufacturing center of Custom and Courier in the world. Ford's strategy, focusing on growth in European commercial vehicles, is a key driving factor in our exports.

#### Exports (1000 units)      Export Revenues (US\$ billion)





The Yeniköy Plant is the first automobile plant opened in Turkey in 13 years. The previous plant was the Gölcük Plant, also established by Ford Otosan, the sector leader.

## Production and Capacity

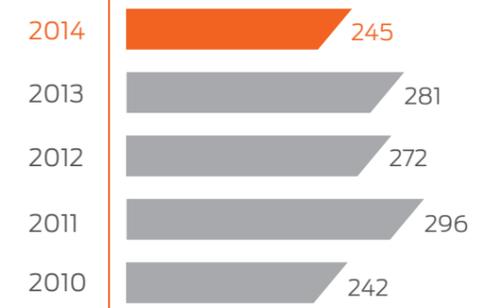
### The highest installed capacity of the Turkish automotive industry

The most-manufactured vehicle during the year was the Transit Custom with 114,132 units. Manufacturing of the new generation Transit series commenced in January, and the different models were released in 3 different phases, due to the wide variety of products. Accordingly, 82,261 Transit units were manufactured in total. Transit Courier, Ford's brand new vehicle in the light commercial vehicle segment, was put into operation in March 2014 in the Yeniköy Plant, after 40 months of successful work, covering the engineering prototyping, the plant construction and manufacturing phases. 40,334 units of Courier were manufactured. 7,955 Cargo truck units were manufactured in the İnönü Plant.

### The best plant within the scope of "Ford Production Systems"

Ford Otosan, which completed lean line placement and installation of its manufacturing system via 'Ford Production Systems' (FPS), has the productivity and competitive edge brought by technology and lean manufacturing. Our Company is selected as the best plant every year through audits performed by Ford Europe FPS. Ford gathered and developed all production systems under a single roof, and initiated the process of shifting to "Global Ford Production Systems" in 2011. Global Ford Production Systems training was commenced for all Ford Otosan employees in 2012. In line with the plan prepared in 2013, this new system was implemented in the Gölcük and İnönü Plants. Ford Otosan became the first plant to implement the system in Ford Europe. The system was also implemented in the Yeniköy Plant in 2014.

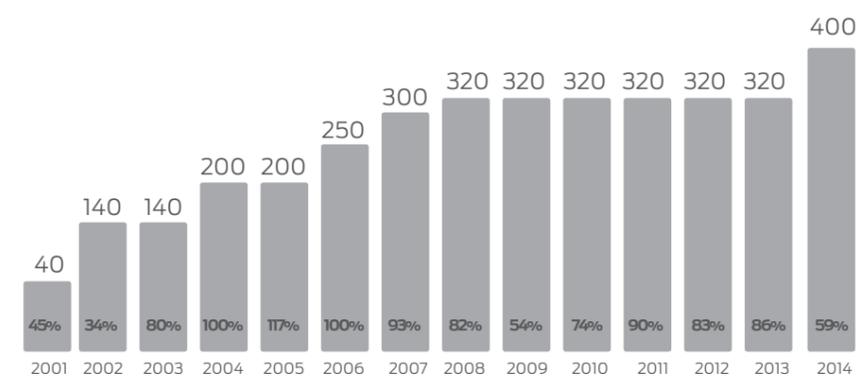
### Production (1000 units)



# 56%

Ford Otosan's share in Turkey's commercial vehicle production

### Capacity and Utilization Rate of the Kocaeli Plants (1000 units)



Release of all the different models of our vehicles was completed as of the third quarter, within the scope of our investments covering product renewal and capacity growth. Thus we attained an installed capacity, consisting of 160,000 Transit units and 130,000 Custom units in our Gölcük Plant, and 110,000 Courier units in our Yeniköy Plant along with 15,000 Cargo units in İnönü. Due to the product shifts, the capacity utilization rate of Kocaeli Plants stood at 59% on an annual basis, and went up to 73% in the last quarter upon completion of the launches.

## Vehicles We Produce

### TRANSIT

The longest- running model in Ford Europe's portfolio  
Manufactured over 7 million units globally since its release in 1965  
Manufactured by Ford Otosan since 1967  
Ford Otosan is the lead manufacturing center of Ford Transit in the world  
Annual production capacity of 160,000 units in the Gölcük Plant  
All-new Transit was offered to the market throughout the year as of March 2014  
Undisputed leader of the segment with over 450 body type combinations

### CUSTOM

Ford Otosan is the world's only production center of Ford Custom  
Released in 2012 as a brand new vehicle of Ford's product range  
Annual manufacturing capacity of 130,000 units in the Gölcük Plant  
Won the 2013 "International Van of the Year"  
Became the first vehicle in its segment to receive 5 star rating from Euro NCAP  
In 2014, export figures grew by 106% on an annual basis, reaching 109,000 units

### COURIER

Ford Otosan is the world's only production center of Ford Courier  
Its production started in March 2014, and sales commenced in May 2014  
Best-selling vehicle in its segment since June  
Annual manufacturing capacity of 110,000 units in the Yeniköy Plant  
The smallest member of the Transit Family with a length of 4.16 meters  
Ford Otosan holds the entire engineering responsibility  
Ford's first light commercial vehicle in platform B  
Won the 2015 "What Van of the Year" award

### CARGO

Manufactured in Ford Otosan İnönü Plant since 1983  
Annual manufacturing capacity of 15,000 units in the İnönü Plant  
Trailer, construction and road truck series  
Won 3<sup>rd</sup> prize in the 2013 International Truck of the Year (1846 T model)



## Transit



## Courier



**11 million km**  
test drive

**250,000**  
door tests

**450+**  
different body styles

**±40 °C**  
tests pushing the limits

**40 months**  
project period

**3800+**  
number of tests

**13**  
patent applications

**490**  
engineers

Extensive Product Range



# Plants

## Kocaeli Plants



### Gölcük Plant

The lead manufacturing plant of the new generation Transit

Opened in 2001, the Gölcük Plant has been Transit's main production center in the world since 2004, based on the production quality of Turkish workers, and its high production technology. The Gölcük Plant is prominent among global Ford production plants due to its top quality standards, and it is deemed worthy of many awards, at home and abroad, for its environment friendly production. Lying on a total area of 1,600,000 m<sup>2</sup>, 340,000 m<sup>2</sup> of which is covered, the Gölcük Plant gives Ford Otosan an advantage logistically due to its proximity to its supplier base, and having its own port. The Plant harbors Tool and Die, Press Shop, Body Shop, Paint Shop and Assembly Shop. Central Maintenance, Production Planning and Quality Assurance Managements provide common service to the area.

The brand new models, Transit Custom and Tourneo Custom, which were added to the Transit family started to be manufactured in the 3<sup>rd</sup> line established in the Gölcük Plant in 2012. Existing Transit was halted in 2013, and manufacture of the new generation Transit, which was to be released in Q1 2014, started as of January. Accordingly, the new generation Transit was successfully phased in. Manufacturing of the Transit Custom series, added to the product range in 2012, steadily rises, following its success in the export markets. After the investment in the Gölcük Plant for the manufacture of the New Transit Family, amounting to US\$ 850 million, was completed in 2014, and the Yeniköy Plant was put into operation, the capacity of Kocaeli Plants rose to 400,000 units from 320,000 units, which includes the Gölcük Plant with a capacity of 290,000 units and Yeniköy Plant with a capacity of 110,000.

### Yeniköy Plant

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

The Yeniköy Plant was established as the third Ford Otosan plant. It is the first automobile plant established in Turkey in 13 years. The previous plant was the Gölcük Plant, also established by Ford Otosan. While the establishment process of the Yeniköy Plant was completed in a record time of 16 months, the plant is 'the very first' in many aspects. It is the first and only plant in Turkey to simultaneously include plant construction, vehicle design from scratch, prototype manufacturing, and establishment of production lines under the same project.

In parallel with the plant project, manufacturing engineering and feasibility works for Ford Courier, designed wholly by Turkish engineers, were completed by the Yeniköy Plant Project Team. Courier is Ford's only commercial vehicle in the B segment. It is manufactured only in the Yeniköy Plant, and will be exported to 46 countries. The Yeniköy Plant was completed with an investment of € 370 million, including the product and facility. The Plant has an annual manufacturing capacity of 110,000 vehicle units. While the Plant exhibits technical excellence, it is also a "Human" oriented, leader plant with its disabled and environment friendly structure, number of female employees, and sensitivity towards work safety.



## İnönü Plant



### One of Ford's two global truck production centers

Located in Eskişehir, the İnönü Plant manufactures Cargo trucks, engines and powertrains. It has an annual production capacity of 76,000 engines (11,000 truck engines and 65,000 Transit Duratorq engines) and 140,000 rear axles. Following the completion of investments, the plant reached a production capacity of 15,000 trucks in 2014. Along with Brazil, the İnönü Plant is one of the two production centers for the new Ford Cargo models, designed in accordance with the "One Ford" strategy in the heavy commercial vehicles. The İnönü Plant covers a total indoor area of 88,000 m<sup>2</sup>. Cargo trucks manufactured in the İnönü Plant will be exported to 65 countries on 3 continents following the completion of the new Ford Trucks product range. İnönü, which is Ford of Europe's only production center of rear axles for Transit vehicles, is also the only plant in Turkey to combine vehicle, diesel engine and powertrain production diversity under a single roof.

In 2013, it has been decided to make an investment worth US\$ 100 million for production of the new 11-liter and 13-liter Ecotorq engines, the intellectual property rights of which are wholly owned by Ford Otosan. Wide areas of use, including heavy commercial, industrial and marine applications, are targeted for the Ecotorq engines, which will be manufactured in the İnönü Plant in accordance with Euro 6 emission standards, to be implemented in Europe and Turkey as required by law. An Investment Incentive Certificate worth TL 187,378,832, regarding the aforementioned investment, was granted by the Republic of Turkey, Ministry of Economy, within the scope of Priority Investments.



## Sancaktepe Parts Distribution Center



### 96% fill rate

Ford Otosan Parts Distribution Center, Turkey's largest parts distribution center, with a warehouse covering an indoor area of 25,000 m<sup>2</sup>, is the point where all of the Company's spare parts, marketing, and sales and after sales operations are managed.

It ranks as the fourth largest among Ford's Parts Distribution Centers in Europe in terms of indoor area capacity. This center displays a higher performance than peer Ford centers, with a 96% fill rate, achieved by means of effective parts management.

## Sancaktepe Engineering Center



### Global Engineering Center for Ford's Heavy Trucks and Heavy Duty Diesel Powertrains

Ford Otosan, the global engineering center for Ford's heavy trucks and related diesel engine and engine systems, also functions as the support center for Ford's light commercial vehicle design and engineering. Our engineering center, which was located in the TÜBİTAK MAM Free Zone since its establishment in 2007, and moved to Sancaktepe by the end of 2014, carries out R&D works oriented mainly towards developing commercial vehicles, engines and engine systems. Sancaktepe R&D Center was registered as an "R&D Center" in December 2014 by the Ministry of Science, Industry and Technology, becoming Ford Otosan's second "R&D" Center following Gölcük.

Ford Otosan R&D Department, which currently exports engineering with more than 1,350 engineers, is the biggest R&D organization of the Turkish automotive sector.

## R&D



### Long-established R&D Culture

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

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

### The biggest R&D organization in the Turkish automotive industry

Achieving engineering exports with 1,350 R&D engineers, Ford Otosan R&D Center is the biggest R&D center in the Turkish automotive industry. Numerous projects are under way for Ford and Ford Otosan, including engine, powertrain, body and interior space developments. The center is especially focused on innovative ideas on the issues of fuel economy, emission optimization, driver support systems, and development of analytical methods and testing processes.

### Global engineering center for Ford's heavy trucks and related diesel engine and engine systems

Ford Otosan, the global engineering center for Ford's heavy trucks and related diesel engine and engine systems, also functions as the support center for Ford's light commercial vehicle design and engineering. Gölcük Engineering Center was registered as an "R&D Center" in 2009 by the Ministry of Science, Industry and Technology. This Center focuses on engine and vehicle tests.

Ford Otosan's engineering center, which was located in the Gebze TÜBİTAK Free Zone, and moved to Sancaktepe by the end of 2014, carries out R&D works oriented mainly towards developing commercial vehicles, engines and engine systems. Sancaktepe R&D Center was registered as an "R&D Center" in December 2014 by the Ministry of Science, Industry and Technology, becoming Ford's second "R&D" Center following Gölcük.

### Ford Otosan signature on Design and Technology

Ford Transit Courier, Ford's brand new vehicle in the light commercial vehicle segment, was produced as of March 2014 in the Yeniköy Plant, after 40 months of successful work, covering the engineering and prototyping works as well as the plant construction and manufacturing phases.

While the entire engineering responsibility belongs to Ford Otosan, it is Ford's first light commercial vehicle in B platform. Transit Courier won the 2015 "What Van of the Year" award in the small commercial vehicles category.

The new Transit Connect, which was launched in Ford's Spain plant by Ford Otosan engineers, as a result of the successful endeavor of our Company assuming tophat design and development works for the new generation Transit Connect, won "2014 International Commercial Vehicle of the Year".

Engine and engine system engineering works for the new generation Transit vehicle manufactured in the Kocaeli Plant were also conducted by Ford Otosan.

### Another first from Ford Otosan: Technology export to China

In 2013, Ford Otosan signed a technology licensing agreement with the Chinese truck manufacturer, Jiangling Motor Corporation, for Chinese production of the Ecotorq engines, the intellectual property rights of which are 100% owned by Ford Otosan, to be used on JMC brand vehicles. Ford Otosan achieved another first with this technology licensing agreement signed in 2013. Our Company drew up the "Intellectual Rights Strategy" in 2013, for the effective management of intellectual rights merging in such projects with high added values.

### Patent Champion of the Turkish Automotive Sector

Ford Otosan believes that further and continuous growth of the Turkish automotive industry on a global scale is reliant on the development and expansion of R&D competency. Creating or developing a new product meeting all the standards in the automotive market, where competition is fierce and technologies are quickly outdated, can only be possible as a result of long effort with teams possessing advanced engineering abilities.

## R&D

Therefore, it is vital to maintain or improve market standing by conducting non-stop R&D activities, to protect the industrial property rights of the products developed, and to obtain their patents.

Our Company took 1<sup>st</sup> place in the sector and 2<sup>nd</sup> place in Turkey, with 80 patent applications in 2013, and reached 110 patent applications in 2014 through the Turkish Patent Institute. Ford Otosan has made 586 applications in total, covering 40 beneficial models and 546 patents. Moreover, Ford Global Technologies, LLC, which manages Ford Motor Company's Intellectual Rights for inventions by Ford Otosan employees, made 16 applications to the European Patent Office in 2014.

Our Company determines strategies for international patent applications, and maintains its operations at a great pace. Our inventions are protected at the international level with 10 Patent Cooperation Treaties (PCT) and 6 China applications in 2014. 33 of our patent applications were registered in 2014.

### Turkey's biggest R&D Center at a single location: Ford Otosan Sancaktepe R&D Center

Our new building in Sancaktepe, whose foundation was laid in 2013, became operational in 2014 as Turkey's largest scale automotive R&D Center, and received the R&D Center title and certificate within the scope of Law nr. 5746. Sancaktepe R&D Center is "Turkey's Biggest R&D Center" at a single location, with 1,200 staff.

### Ford Otosan R&D Test Centers

#### Gölcük R&D Center Engine Test Center

Our test center, opened in 2013, was appreciated for its innovative approach, superior technology and efficiency, and was recognized as the "2013 Engine Test Center of the Year" by Automotive Testing Technology International Magazine. Ford Otosan is the first center to receive this special award in the Ford universe.

#### Gölcük R&D Center Exhaust Emission Systems Test Center

Following a decision taken in 2012, Ford Otosan commenced improving its Euro 6 Exhaust Gas Filtering System. This system stands out as one of the rare examples in the global automotive industry to be developed with a company's internal resources.

Within this scope, the Exhaust Emission Systems Test Center, following an investment amounting to € 1.5 million, was opened in 2014. The plant established in Ford Otosan Gölcük R&D Center is Ford's first plant across the world providing service in this area.

The Center was constructed to meet the needs of light, medium and heavy vehicles that Ford Otosan develops and manufactures. The Center will also enable the R&D works of exhaust emission systems to level up by diminishing oscillation of waste gases to nature that Ford Otosan develops and uses in its vehicles.

#### İnönü Engine Test Center

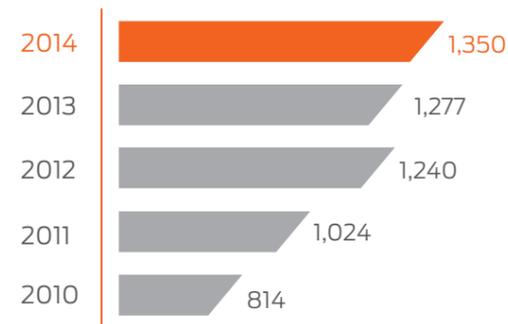
Ford Otosan opened its second Engine Test Center in the Eskişehir İnönü Plant, following the Gölcük Plant. This Center, which was opened in matter of just 4 months, with an investment worth € 3 million, and which will lead its peers in the world through its advanced technology, is the first facility in Turkey that is able to conduct engine tests over 13 liters. The Center will perform development and resistance tests of Ecotorq engines meeting Euro 6 norms in 5 different bearings, and it will also serve global Ford. In addition to engine tests, tests such as vehicle exhaust system and production system can be performed in the Center, and it can be used for various projects. A closed circuit cooling tower is used in the Center for efficiency and sustainability purposes, and thus it has also the capacity of testing the exhaust gas filtering system at vehicle level. FM200 gas extinguishing system is used in the Center instead of a carbon dioxide fire extinguishing system, which is hazardous to human health. The Center also has advanced technology controlling all test rooms, and building automation from a single point.

#### University - Industry Cooperation

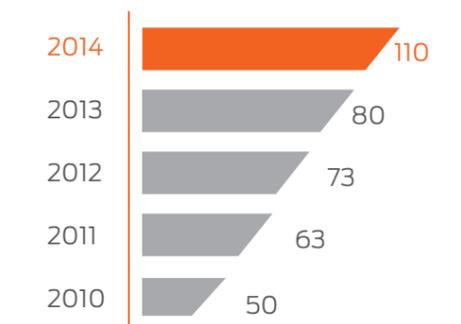
University - Industry cooperation offers universities the opportunity to develop basic sciences, provide publications, and as a result contribute to national and world science. As for industry, it offers the opportunity to meet technological information needs, solve problems, and offer product quality as per the changing market conditions. For this purpose, universities such as Boğaziçi University, İstanbul Technical University, Middle East Technical University, Koç University, Kocaeli University, and Okan University execute numerous cooperation agreements with the institutions such as TÜBİTAK (The Scientific and Technological Research Council of Turkey) Marmara Research Center.



#### Number of R&D Engineers



#### Number of Patent Applications



## Quality

### Ford Otosan's Quality Policy

- **Customer satisfaction is Ford Otosan's number "1" job. Quality comes first.**  
Ford Otosan conducts its operations with utmost faith in the necessity of providing excellent product and service quality to deliver total customer satisfaction.
- **Customers stand at the heart of business.**  
Ford Otosan conducts its business by consistently keeping customers at the forefront, and offering better quality products and services than its competitors, thus fully ensuring customer confidence in, and loyalty to, the Company.
- **Continuous improvement underlies Ford Otosan's achievements.**  
Ford Otosan conducts its operations with the philosophy of aiming to be excellent in all activities it's engaged in. To strive for perfection in value and reliability of the very latest products, as well as in human relations, competitiveness and profitability, continuous improvement must become a way of life. To this end, management sets the Company's quality targets and makes sure that all personnel are informed with respect to these goals. In addition, management reviews the quality targets on a regular basis and identifies opportunities for improvement.
- **Teamwork is a way of life for Ford Otosan.**  
Ford Otosan is like a family that embraces members who trust and respect each other. The Company strives to create a positive work environment free from prejudice and based on mutual communication, to ensure that employees understand, trust and support each other.
- **Authorized dealers and suppliers are Ford Otosan's business partners.**  
It is Ford Otosan's principle to provide mutual benefits in its relations with authorized dealers, suppliers and other business partners in order to develop and grow together.
- **Trustworthiness is a must.**  
Ford Otosan conducts business in a respectable manner, contributing to society and fostering a trustworthy reputation.
- **The ISO 9001 Quality Management System serves as a guide for Ford Otosan leading to sustainable improvement in quality and customer satisfaction.**  
The fundamental philosophies of the ISO 9001 Standard comprise customer orientation, process approach and sustainable improvement.

Ford Otosan, which aims along with all of its employees to enhance customer satisfaction in every action and decision, and in each product and service, possesses ISO 9001, ISO 10002, ISO 14001, ISO 14064, ISO 50001, OHSAS 18001 and ISO 27001 certifications.

### Excellent Total Quality

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

**Ford Otosan also aims for perfection in its basic tasks, values and implementation of its corporate philosophy.**

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

**Quality level is set by the "customer".**

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

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

In order to attain Excellent Total Quality; It is necessary to review, improve and develop all processes (not only production processes but also all processes supporting production and sales) on a continuous basis. Employees are required to make innovations and organize planned activities in order to implement these developments. Ford Otosan conducts its operations with the principle, "All of us are customers of others, and every customer deserves the best".

## Occupational Health And Safety

### Occupational Health and Safety Policy

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

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

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

### Risk Assessment Process

Not only the production lines, but also every step of the operations and processes is subject to risk analysis in our Company. These risk analyses are performed by active operators and are evaluated with the participation and approval of expert staff, including occupational safety specialists, process engineer, environmental engineer and ergonomics officer. Risk analysis is based on a review of physical, chemical, ergonomic and hygienic risk potential in the course of operations, and on taking the relevant measures to prevent such risks. Risk analysis is also conducted for the production line. Risk analysis is conducted again in the event of any change in processes and / or layout, acquisition of new equipment or adoption of a new system, and after any occupational accident. Risk analyses are reviewed once a year regardless of whether or not any of the aforementioned extraordinary situations occur.

### Health Center

A proactive approach is adopted in our Health Center, with the concept of preventive medicine, and accordingly the necessary works and controls are conducted to prevent occupational illnesses, ergonomic and hygienic problems. Employees enjoy an annual health examination at Health Centers, which are accessible every day during work hours at all locations. In addition, the Health Centers respond to emergency cases, address numerous health issues such as studies on disabled employees, and organize training sessions on relevant topics.

### Ford Otosan Search & Rescue Team (FOKE)

The FOKE Team, staffed by employee volunteers, was established in 1999 at the time of the Gölcük earthquake. In 2011, the Team augmented its membership and refreshed its training sessions. FOKE provides volunteer support to search and rescue efforts in the event of natural disasters. The Team also participated in rescue efforts in the aftermath of the Van earthquake. FOKE has almost 80 members that also cooperates with other research and rescue teams within Koç Holding, and run regular training activities to maintain its search and rescue capacity in natural disasters and emergencies.

### Awards in 5 Categories

In 2013, Ford Otosan received 5 awards in the prestigious, "President's Health and Safety Award (PHSA)" competition on occupational health and safety, organized by Ford since 1999.

## Human Resources

Ford Otosan's Human Resources (HR) Department aims to improve the skills of the Company's employees. To accomplish this objective, the Department blends its vision: "To become the most preferred automotive company by employees with a high level of engagement in Turkey through Innovative Human Resources practices," with its mission: "To develop and implement people-oriented HR systems, based on equality of opportunities, respectful of diversity and ethical values, focused on development, and supporting high performance in accordance with the Company's strategy."

The Department uses priorities and road maps, based on an employee's engagement, by continuously improving its processes in order to apply HR systems, in all units and at all locations, at the same quality level. Maintaining its steadily growing labor force at the highest quality level, Ford Otosan encourages its employees to change for the better, in line with the principle of continuous development, by evaluating the skills, performance and potential of each employee.

### Talent Management System

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

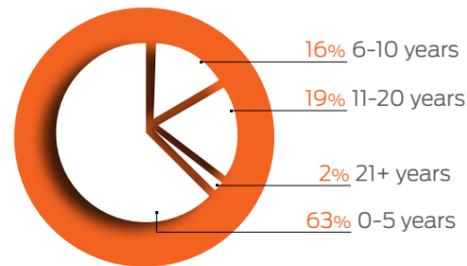
All Ford Otosan employees are subject to 360 Degrees Competency Evaluations by their direct managers, peers and subordinate employees, if any, in accordance with the Ford Otosan Behavioral Competency Set. This process, administered annually for all white-collar employees, aims to ensure the most efficient utilization and improvement of the workforce in order to maintain continuity and growth, and to create a common corporate culture using standard evaluation methods. At improvement planning interviews between the manager and the employee, feedback is provided to the employee; his / her development areas are prioritized based on the employee's opinions, and their development plans are designed accordingly.

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

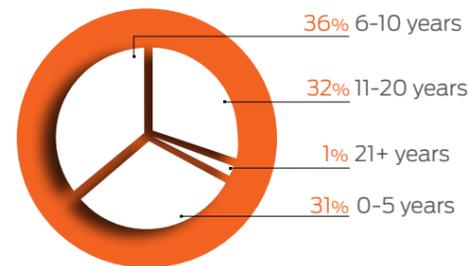
### Training and Development Management

Ford Otosan's training and development policy is designed to enhance personal achievement and motivation levels. It offers high standard development and training opportunities that help employees to meet their requirements and to contribute to organizational development and success. Within this context, personalized training programs were designed for our employees, and the number and diversity of training and development opportunities that match our competencies were augmented in 2014. A Training and Development calendar was prepared according to the needs of our employees, and the activities were planned over the entire year. Detailed requirements and expectation analyses were carried out in order to intensify the impact of training and development activities on business results, and the content designs were prepared according to these expectations.

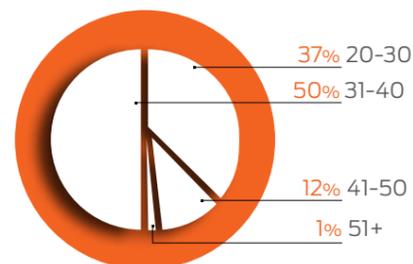
#### Experience (White Collar)



#### Experience (Blue Collar)



#### Age Distribution of the Staff



Personal Development Planning, which is regularly carried out every year, targets both the organizational and the employees' development. In 2014, all of our white-collar employees prepared their Development Plans more effectively by using auxiliary tools such as the competence matrix, annual training calendar and development interview notifications. This method identifies the employee's strengths and improvable qualifications regarding knowledge, skills and behaviors required for the current / future position. It prioritizes improvable qualities in accordance with Company objectives and the requirements of the employee's current position. Appropriate development activities for the prioritized development areas are planned, and road maps are prepared. Within this context, development plans were prepared for 96% of the employees across the Company, and 93% of these development plans were completed in 2014.

### Human Resources Principles and Approaches

#### Competency Management System

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

#### Performance Management System

Ford Otosan's Performance Management System aims to achieve perfect performance in the Company, and to manage employees by objectively evaluating their performance within a framework of common standards. The Goal Setting Interview, held at the beginning of the year between the manager and the employee, sets performance targets within that period for the employee, integrated with the Company's targets. The employee's achievements are monitored every 6 months, and remedial measures are taken if necessary. In addition to the goals, competencies also play a significant role in the system and provide opportunities for employee development. Ford Otosan encourages employees to change for the better, in line with the principle of continuous development, by evaluating the skills, performance and potential of each employee.

#### Internal Communication

Internal communication activities are conducted under the roof of the Human Resources Directorate offer various environments where employees can get information about all developments pertaining to Ford Otosan, make one-to-one contacts with Senior Management, follow-up achievements of the Company and employees, and share their opinions. Internal communication activities are conducted by means of Open Door Meetings, Leadership Meetings, Intranet Portal, Newsletter, internal communication activities, "Aramızda" magazine, and through other various organizations.



## Environment

### Environment and Energy Policy

- Meet or even exceed the relevant environmental and energy regulatory requirements,
- Strive for continual improvement in the environmental and energy management system,
- Minimize waste, prevent pollution at source, use energy efficiently and reduce adverse impact of our activities on the environment,
- Protect the environment and spread environmental awareness to our community, country and the world,
- Define and reduce risks regarding environmental emergencies,
- Raise the environmental and energy efficiency awareness of staff and contractors through training,
- Provide necessary human resources, technology and financial resources to reduce adverse impact on the environment and to use energy efficiently,
- Develop energy efficiency projects and get involved in activities, which raise the use of renewable energy sources, in order to reduce the greenhouse gas emissions arising from production activities,
- Prioritize the reduction of greenhouse gas emissions arising from our products, and the use of renewable energy sources in our design activities,
- Require suppliers and partners to conduct operations on green economy and energy efficiency.

### Environmental and Energy Management System

- Ford Otosan initially obtained the ISO 14001 Environmental Management System Certification, which covers all activities related to manufacturing processes, products, services and other business activities, in 1998.
- The Company has integrated its Environmental Management System, which focuses on continuous development, with other management systems such as quality and occupational safety management systems implemented therein.
- To date, Ford Otosan's Kocaeli and İnönü Plants have passed all environmental inspections with "zero" nonconformity.
- The main drivers of the Company's environmental initiatives are respect for the environment and raising environmental awareness among Ford Otosan personnel in production activities.
- In order to promote environmental awareness, the Company requires its suppliers to obtain the ISO 14001 Certification, as a prerequisite for a business partnership.
- Ford Otosan integrated its Environment Management System with ISO 50001 Energy Management System in 2013, and obtained ISO 50001 Certification as a result of audit by an independent body.
- Within the scope of the Environment and Energy Management System, Ford Otosan had external audits conducted in 2014 by an independent institution to attain ISO14001 standard in 4 locations, Gölcük, Yeniköy, İnönü, and Kartal; ISO 50001 standard in 3 locations, Gölcük, Yeniköy, and İnönü Plants, and ISO 14064-1 standard for Gölcük, İnönü and Kartal. Full success was achieved during the audits in all locations.

**9,600,300 kWh**

energy saving

**4,598 tons**

CO<sub>2</sub> emissions  
reduction

**263,622 m<sup>3</sup>**

waste water treatment

**1,590 tons**

recycled hazardous  
waste



Ford Otosan Gönül Park, Kocaeli

## Environment

### Air Emissions

Having embraced “sustainable development” as a guiding corporate principle, Ford Otosan has used the most environmentally friendly, state-of-the-art technologies during all processes since the Project phase of the Kocaeli Plant. One of the best illustrations of this is the use of water-based paint in the painting process. Water-based paints are used at the Kocaeli Plant to reduce air-polluting Volatile Organic Compounds (VOC) in painting processes. Ford Otosan is the first company among Ford’s European plants to use water-based paint applications for primer coats, and first in the Turkish automotive industry for both primer and base coats. As a result, the Company has minimized solvent emissions. In addition, incinerators have been placed at the exits of paint-drying ovens to further reduce VOC emissions.

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

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

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

### Energy

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

Energy Management has begun to be monitored more systematically, and to be controlled annually by an independent body, after the ISO 50001 management system certificated in 2013.

### Environment

Within the context of environmental management, Ford Otosan conducts studies to improve ecosystems and biodiversity, as well as reducing environmental impact, in order to develop environmental awareness in the community.

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

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

Ford Otosan obtained the ISO 14064 certification, covering all operations in its 4 plants, in June 2012. ISO 50001 certification works were commenced in 2012, and the certificate was obtained in 2013.

**Energy saving and reduction of green gas emissions were taken into account during the design stage of the Gölcük Plant project, and the following implementations were executed:**

Use of energy saving photocell and “reduction” systems in the lighting of outdoor areas,

Energy conservation through the use of well-insulated, automatic doors at the personnel and vehicle entrances,

Use of integrated transformer spot-welding torches consuming 50% less energy in the body shop,

30% reduction in energy consumption through the energy automation system,

Re-using the energy generated by the incinerators at the paint furnace exits,

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

Cooling tower motor-drive application

Heating plant motor-drive application

Air conditioning plant motor-drive application

Renovation project for Kocaeli Plants Assembly workshop lighting system

Economizer and O2 trim on Boiler Application

IE3 and IE4 High Efficiency Engine Application

### Wastewater Treatment and Water Use

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

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

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

### Waste Management

Waste management awareness in Ford Otosan’s plants is extensive. All landfill and waste disposal are conducted in line with relevant technical and legal standards. The Company’s activities especially focus on reducing waste at source and enhancing recycling efforts. As a result, efforts to reduce hazardous waste have resulted in significant savings. One significant recent project is the establishment of a sludge-drying unit at the Kocaeli Plant’s wastewater treatment plant. This project reduced the amount of treated sludge and raised the calorific value of the waste, allowing it to be used as an alternative fuel. The positive benefits for the environment were twofold in that the amount of waste fell and the waste was used in a productive manner. In addition, significant financial savings were generated. The project is the first of its kind among Turkish automotive plants, and for Ford of Europe. The initiative is widely recognized as an innovative enterprise. As a result, the project won first prize in the 2010 Ford Environmental Leadership Award.

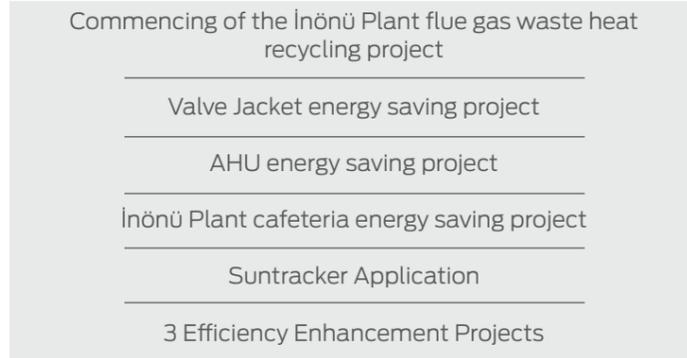
### Ford Otosan Environment Awards

3 out of 5 finalist projects of Ford Otosan were also granted awards in the 13<sup>th</sup> Environment Awards organized by the Istanbul Chamber of Industry in 2012.

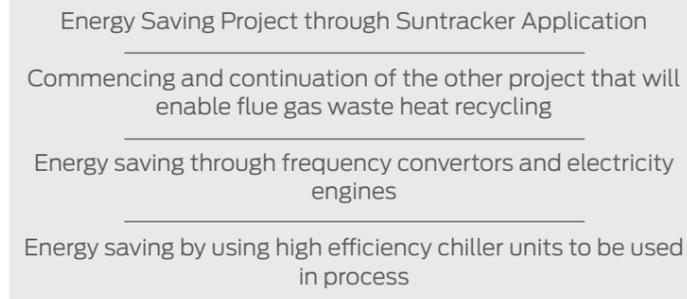
Furthermore, the “Oil Free Hair Wash Project”, which was conducted in Ford Otosan’s Press Workshop, won the “2013 Environmental Leadership Award”, granted by Ford of Europe.

Earned the right to receive the “Environment Friendly Plant Award” from the Turkish Healthy Cities Association in 2013.

Received Second Prize in Large Scale Enterprises Environment and Sustainability Management with its “Rear Window” project, in the 14<sup>th</sup> Environment and Energy Awards organized by the Istanbul Chamber of Industry. (2014)



**Other projects planned for 2015 are as follows:**



### Products and Materials

The primary objective in the development and production of Ford Otosan products is to reduce any adverse impact on the environment, not only at the production stage but also during the life cycle of the product and afterwards. In this context, both energy and environmental aspects are taken into account during the design phase of the product.

All Ford service centers and dealers are informed about the environment in order to collect and recycle waste materials, such as end-of-life tires, batteries and packaging waste, which may come about during the use of the product, through authorized organizations.

The products are directed to recycling plants for end-of-life products even after the expiration of their useful lives.

## Corporate Social Responsibility

Ford Otosan lends material and voluntary human support to corporate social responsibility projects that will benefit society in various fields, but mainly in education, health and environment. Ford Otosan passionately fulfills its responsibilities, while enabling society to attain its sustainable growth targets.

### “No Barriers for My Country” Project

Within the scope of the giant social responsibility campaign, “No Barriers for My Country”, which Ford Otosan initiated in 2012 along with all of Koç Holding’s Koç Group companies and dealers, the company took key steps via the awareness projects that it has conducted over the past 3 years, and it works hard to offer sustainable solutions for social problems.

Accordingly, we implement our projects with the aim of inspiring practices that establish the notion of awareness in the company and dealer network through the “Right Approach to Disability” training, fulfilling the necessary standards to become a “Disabled Friendly Workplace”, and supporting disabled individuals in joining educational life by transforming schools into “Disabled Friendly Schools”.

Ford Otosan achieved the following enhancements through the voluntary support of its employees and shareholders:

‘Right Approach to Disability’ Training, covering elementary school students, contractor company and Ford Otosan employees, were run 224 times, with a total of 12,019 participants. In order to make the project sustainable, Right Approach to Disability trainings were added to the orientation program for new Ford Otosan employees.



The Company implementation won first prize in 2014 with the “For My Country” project

The physical conditions at the workplaces were adapted and current Ford Otosan facilities were converted into disabled friendly workplaces. Ford Otosan Yeniköy Plant, which became operational in 2014, was activated as 100% Disabled Friendly. This plant was awarded first prize in the category of “Valuing Workforce Diversity” during the 2014 Chairman’s Leadership Awards for Diversity organization, held each year by Ford to stand out in showing latitude to differences, and to grant them the value they deserve.

Physical conditions of 55% of Ford dealer were made disabled friendly. Work towards 100% transformation of the current dealers still continues.

Kocaeli University VKV Ford Otosan Gölcük İhsaniye Automotive Vocational High School was constructed as disabled friendly, with an investment of TL 9 million provided by VKV and Ford Otosan and contributed to education.

Many awareness-raising social responsibility operations were put into effect by the “For My Country” volunteers, composed of Ford Otosan employees.

### Ford Otosan received the Company Implementation First Prize in 2014 with the “For My Country” Project

Breaking new ground with key social responsibility projects, Ford Otosan won first prize among companies/corporations with more than 2,500 employees in a single location, in the Successful Company/Corporation category, with its project, “For My Country”.

### Education

Ford Otosan regularly supports impoverished students and educational institutions with limited finances by providing them with the materials, equipment and funds they need.

### Health

Employees’ social sensitivity and awareness are enhanced with blood donations through Ford Otosan blood donation awareness campaigns organized each year. 738 units of blood were donated to the Turkish Red Crescent in 2014.

### Culture and Arts

Ford Otosan No Barriers Theater Club the project has been implemented primarily to facilitate the participation of hearing-impaired and socially disadvantaged employees in social life through arts, and to create awareness in the community.

The club performers taught the important words used in sign language through various shows, by explaining the importance of sign language to the audience. The audience learned the correct approach to people with disabilities through the performers, who removed their barriers, in plays performed in various cities. The 33-member Ford Otosan theatre group reached almost 1,000 spectators, with the plays, “Deli Dumrul” and “Gözlerimi Kapatırım Vazifemi Yaparım”.

### Gender Equality

As a company employing nearly 1,000 women employees in a heavy branch of industry like the automotive sector, we continue our practices and intracompany applications in favor of women, maintaining our stance against gender apartheid within the scope of the prevention of discrimination and harassment in our working principles.

We apply positive discrimination toward our women employees, and prioritize them in the planning of trainings on subjects such as personal development, management and leadership. Thus, we build a candidate pool of potential female administrators. We provide extra material and moral benefits for our women employees during pregnancy and maternity, in addition to the legally specified support requirements. In addition to statutory maternity and nursing leave, we grant them the right of unpaid leave up to 1 year after childbirth.

We keep track of temperature changes in the summer and winter seasons during pregnancy, and they are provided with paid leave if the outside temperature exceeds 35 degrees or drops below zero degrees. We employ a person in charge of women’s healthcare and monitoring of pregnant women in the company’s health center. A breastfeeding room service is also available on the company’s premises, in order to help mothers during their breastfeeding periods. Our women employees continue to work in the same positions after maternity leave.



The implementations we applied to raise the number of female employees in a heavy sector such as automotive within the scope of the “Social Gender Equality in Working Life” project carried out by the Ministry of Labor and Social Security, Labor General Directorate, brought the Social Gender Equality Award to our Company in 2013 and 2014.

### VKV Culture and Recreation Center

Vehbi Koç Foundation Ford Otosan Gölcük Culture and Recreation Center was established in 2011 to provide a facility for the social development of Ford Otosan employees and the local community. The Culture and Recreation Center, covering a total area of 27,000 m<sup>2</sup>, including an indoor area of 4,700 m<sup>2</sup>, is replete with natural beauty and architectural elegance, and includes an auditorium, a gym, an observatory, art studios, a restaurant, and several halls for social activities.

[www.vkvfordkultur.org.tr](http://www.vkvfordkultur.org.tr)



**9,000**  
average visitors  
per month

**17**  
average activities  
per month

Agenda of the Ordinary General Assembly	59
Board of Directors' Report	60
Dividend Distribution Proposal for the Year 2014	68
Declaration for Compliance with the Principles of Corporate Governance	69
Risk Management and Report on the Activities of the Early Determination and Management of Risk Committee	77
Legal Disclosures	79
Report on Related Party Transactions for 2014	80
Remuneration Policy for the Board of Directors and Senior Executives	81
Independent Auditor's Report on Annual Report	82
Independent Auditor's Report and Financial Statements as of December 31, 2014	83

## Agenda of the Ordinary General Assembly

1. Opening and election of Chairmanship Panel,
2. Reading, discussion and approval of the Annual Report of year 2014 prepared by the Board of Directors,
3. Reading of the summary report of the Independent Audit Firm of 2014 Fiscal Period,
4. Reading, discussion and approval of the Financial Statements of 2014 Fiscal Period,
5. As per Article 363 of the Turkish Commercial Code, approval of the changes made in the membership of the Board of Directors in 2014,
6. Release of the members of the Board of Directors separately for year 2014 activities,
7. Approval, or approval with amendments or refusal of the Board of Directors' proposal for profit distribution for the year 2014 and the distribution date which prepared in accordance with the Company's Profit Distribution Policy,
8. Determination of the number and the term of duty of the members of the Board of Directors and election of the members base on the determined number, election of the Independent Board Members,
9. As per the 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,
10. Determination of the monthly gross fees to be paid to the members of the Board of Directors.
11. As per the regulations of the Turkish Commercial Code and Capital Markets Board, approval of the Board of Directors' election for the Independent Audit Firm,
12. Giving information to the shareholders regarding the donations made by the Company in 2014 and determination of a upper limit for donations to be made in 2015,
13. 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 2014 pursuant to the Capital Markets Board's Communiqué on Corporate Governance,
14. Wishes and opinions.

## Board of Directors' Report

Dear Shareholders, Business Partners and Employees,

We welcome all of our esteemed shareholders, honoring the 56<sup>th</sup> Ordinary General Assembly, as we submit the Board of Directors' Report on the 2014 operations of Ford Otomotiv Sanayi A.Ş. for your examination.

In addition to detailed information about our Company and evaluation of 2014 activities, the audited financial statements and related disclosures as at December 31, 2014, along with the other information stipulated by the Capital Markets Board to be disclosed, are provided in our Report.

### 2014 Evaluations

While the global markets entered 2014 with much fluctuation, global economic developments and central banks' strategies supporting growth throughout the year were determinant factors on markets. As a result of the recovery in economic indicators, the Fed gradually tapered its US\$ 85 billion monthly bond purchases that started in 2008 to support the economy, and ended the program in October. Oil prices fell abruptly after June, while geopolitical risks in Ukraine, Russia and the Middle East impacted the markets negatively. In Q3, economic growth in the USA, Germany and France accelerated, but adverse news continued to flow from emerging countries. Expectations that the Fed would raise interest rates in 2015 took its toll on the markets. Negative data from China rose worries about the pace of global economic growth, whereas the additional quantitative easing from central banks of Europe and Japan, which are at risk of stagnation and deflation, supported global risk appetite. The emerging market currencies depreciated against the US\$ throughout the year. While all these developments affected Turkey, the elections in March and August established the main items of current affairs in terms of markets, and after the Presidential elections, improvements were observed in the business environment.

2014 was a significant breakthrough for Ford Otosan, when it completed the investment program that it commenced at the end of 2010, released its new commercial product range, and increased its production capacity. Due to the launch process of new products, some temporary weakness was observed in our manufacturing, sales and export figures. However, after the all-new Ford Transit and Ford Courier were released in March and May respectively, our operations accelerated and our manufacturing, sales and export figures augmented.

### Sales

Sales in the Turkish automotive industry dropped by 9% in 2014 to 803,089 units compared to 2013. 587,331 passenger car units, 95,798 light commercial vehicle units, 84,552 medium commercial vehicle units, and 31,063 truck units were sold. Interest rate hikes, vehicle price rises due to the reflection of the fluctuation in FX rates, higher automobile Special Consumption Tax rates valid as of 1 January 2014, limitations imposed by the Banking Regulation and Supervision Agency on motor vehicle loans, high base year, fluctuations in financial markets prior to the local elections in March, low economic activity, and consumer confidence are among the factors that contributed to the slowdown in this period. Sales in all segments, excluding trucks, regressed during the January-September period compared to the same period of 2013. As of Q3, the fluctuations in exchange rates and financial markets stabilized, and a discount was applied, valid as of August, in K2 certificate fees, obligatory for the purchase of commercial vehicles. Growth commenced in light and medium commercial vehicles from August, and continued until the end of the year. While the only segment to grow on an annual basis was trucks, sales in all segments rose in the last quarter, compared to the same period of the previous year.

The trend of shifting from light commercial vehicles towards passenger cars (starting in 2012) slowed down this year and the share of passenger cars in the total industry dropped 2 percentage points back to 73% in 2014. While there was fierce price competition in the sector throughout the year, the share of imported vehicles in sales was reduced.

The share of passenger cars in the industry	The share of imported vehicles in sales			
	Year	Passenger Cars	Light Commercial Vehicles	Total
	2011	65%		
	2012	68%		
	2013	75%		
2014	73%			
	2013	78%	48%	71%
	2014	73%	46%	67%

Source: Automotive Distributors' Association

### Turkey's Commercial Powerhouse

Ford Otosan took 3<sup>rd</sup> place in 2014 with a total industry share of 11.7%. It maintained its leadership in commercial vehicles, including trucks, with a share of 26.1%. Thus Turkey has become the country in Europe where Ford has the highest commercial vehicle market share. The upsurge in passenger vehicle prices, following on from higher exchange rates in the first half, pressured sales in this fiercely competitive segment, and Ford Otosan was 6<sup>th</sup> in the market, with 37,292 unit sales, and a market share of 6.3%.

While Ford Otosan has been taking part in the light commercial segment via Transit Connect, it also put the Transit Courier and Tourneo Courier models onto the market in the second half of May. Thanks to the successful performance of Ford Courier, the best-seller in its segment since June, Ford Otosan took second place in the light commercial vehicle segment with sales of 22,703 units, and a market share of 23.7%. By virtue of Ford Courier's performance, our market share climbed 3 percentage points compared to the previous year.

Ford Otosan obtained a 31.7% share, with vehicle sales of 26,838 units, thus maintaining its undisputed leadership in the medium commercial vehicle segment. Although the all-new Transit was launched in 3 phases between March-October, and this transition affected sales, Transit maintained a higher market share than the total of the 2 following brands.

Our Company intensively continued to restructure the Ford Trucks brand in 2014. 11 dealers were opened throughout the year specifically for Ford Trucks, reaching a total of 23 dealers at home. Our market share for trucks climbed half a percentage point compared to the previous year. We retained second place with Cargo sales of 6,761 units and market share of 21.8%.



### Ford Otosan reached the highest installed capacity of the Turkish automotive sector

In 2014, total automotive production in Turkey grew by 4%, to 1,170,445 units. (Source: Automotive Manufacturers Association). In this period, Ford Otosan completed 56% of Turkey's commercial vehicle manufacture, with 244,682 units.

114,132 units of Ford Custom and 82,261 units of new generation Transit were manufactured in the Gölcük Plant. Ford Transit Courier, Ford's brand new vehicle in the light commercial vehicle segment, was put into operation in March 2014 in the Yeniköy Plant, after 40 months of successful work, covering not only the engineering and prototyping works but also the plant construction and manufacturing phases, and 40,334 units were manufactured. 7,955 Cargo truck units were manufactured in the İnönü Plant.

Total installed capacity of 415,000 was attained, consisting of 160,000 Transit units and 130,000 Custom units in our Gölcük Plant, and 110,000 Courier units in Yeniköy Plant, as well as 15,000 Cargo units. Due to the product shifts, the capacity utilization ratio of Kocaeli Plants stood at 59% on an annual basis, and went up to 73% in the last quarter upon completion of the launch.

### Ford Otosan maintained its export leadership in the Turkish automotive industry

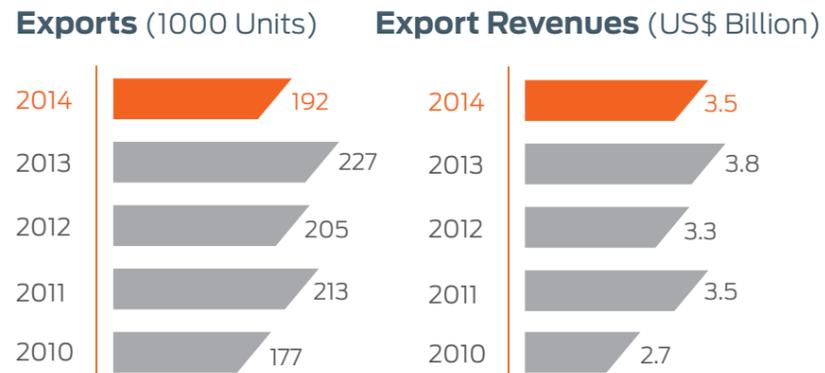
According to the European Automobile Manufacturer's Association ACEA's data, sales of light commercial vehicles rose by 11% in 2014, reaching 1.6 million units in Europe. Our main markets, namely the UK, Germany, France, Spain and Italy, grew by 19%, 7%, 2%, 33% and 16% respectively in this period.

In 2014, total automotive exports in Turkey grew by 7%, reaching 885,180 units, compared to 2013. (Source: Automotive Manufacturers Association). In this period, Ford Otosan alone completed 62% of Turkey's commercial vehicle exports.

While putting its renewed product range into operation, Ford Otosan's export figures shrank by 15% compared to 2013, amounting to 191,956 units. This contraction manifested especially in the first quarter. However, sales gained impetus in the following periods of the year, after adding the new vehicles into the operation. In the last quarter, the export figures demonstrated slight growth of 5% compared to the same period of 2013. Exports of the Ford Custom, which was launched on the market by the end of 2012, maintained robust progress in 2014, growing by 106% to 109,000 units.

Ford Otosan completed exports of US\$ 3.5 billion in 2014, and became Turkey's automotive champion for the 6<sup>th</sup> year in spite of the product shifts. Our company maintained its net exporter position with US\$ 2 billion in the past five years, and continued to create value for Turkey.

In 2014, Ford's commercial vehicle sales in Europe grew by 21%, and Ford's commercial vehicle market share reached its highest level since 1997 at 11.4%. Ford's growth oriented strategy, which it applies in Europe for commercial vehicles, provides vital strength in terms of our exports. Ford Otosan, Ford's biggest commercial vehicle base in Europe with its fully revamped commercial vehicle product range, is positioned to gain maximum benefit from growth in Europe.



### Ford Otosan opened the first plant after 13 years in the automotive industry

The opening ceremony for Ford Otosan's third plant, the Yeniköy Plant, was held on May 22, 2014. Yeniköy, the first automotive plant investment in Turkey in 13 years after the Gölcük Plant, was again made by Ford Otosan. The establishment process of the Yeniköy Plant was completed in a record time of 16 months, and activated with an investment of € 370 million, including the product and facility investments. While the Plant exhibits technical excellence, it is also a "Human" oriented, leader plant with its disabled and environment friendly structure, number of female employees, and sensitivity towards work safety.



With this giant transformation, Ford Otosan became one of Ford's largest commercial vehicle manufacturing centers in Europe, and one of the most important in the world. Our company is the lead manufacturing center of Transit, Ford Europe's longest running model, globally and the only manufacturing center of Ford Custom and Ford Courier in the world. Our company is one of the world's two manufacturing centers of Ford Cargo, whose entire engineering and design are conducted by Ford Otosan.

Within the scope of Global Cargo growth strategy, our company expanded its dealer network, mainly in the Middle East, and added Azerbaijan, Saudi Arabia and the United Arab Emirates into its global network. Therefore, the number of countries to which we make active sales has reached 17. We will maintain our investments in the upcoming periods, and continue to strengthen our dealership.

Investment spending amounting to TL 858,092,364 was made in 2014 for new projects and ordinary activities performed each year. (2013 TL 1,312,060,300)

Our company received Large Scale Investment and Priority Investment Incentive Certificates amounting to TL 2,969,827,591 for use in new product projects. Within the scope of the incentive certificates, investment expenditure of TL 2,284,272,184 was made from end 2010 to December 31, 2014. Discounted corporate tax advantage amounting TL 2,435,356 was used in exchange for current period statutory tax, and this amount was deducted from deferred tax assets. Detailed data pertaining to the use of incentives is summarized under financial statements disclosures.

### R&D leader of the Turkish automotive industry

Ford Otosan R&D Center, exporting engineering with more than 1,350 R&D engineers, is the Turkish automotive industry's largest R&D organization. Our Gebze TUBITAK MAM Technology Free Zone Branch was moved to Sancaktepe in December and applied for closure. Launched with an investment of TL 70 million, the Sancaktepe R&D Center has been officially registered as an "R&D Center" by the Ministry of Science, Industry and Technology, and thus became Ford Otosan's second largest "R&D Center" after Gölcük.

Serving as the global design and engineering center for Ford's heavy commercial vehicles and the relevant diesel engines and engine systems, Ford Otosan is also the support center for the design and engineering of Ford's light commercial vehicles.

The Exhaust Emission Systems Testing Center was opened in the Gölcük R&D Center, and the second Engine Testing Center was opened in the Eskişehir İnönü Plant during the year. Detailed information is provided in the R&D section of our Annual Report.

In 2014, the Company spent TL 327,705,902 (2013: TL 366,042,905), prior to capitalization, and TL 171,542,036 (2013: TL 145,889,919) after capitalization, on R&D expenditures covering numerous ongoing projects. R&D projects are carried out in accordance with product programs.

Ford Otosan, retaining its status as the company with the highest R&D expenditure rate in Turkey in 2014, is proud to be already reaching a 3% R&D expenditure rate, which is the national target set for 2023.

### Another "First" from Ford Otosan: Technology exports to China

By means of an agreement signed with Chinese JMC in 2013, Ford Otosan agreed upon the production of Ecotorq engines, the intellectual property rights of which are 100% owned by Ford Otosan, to be used in JMC branded vehicles in the world's largest truck market, China. Another achievement was obtained in July 2014 by signing a license agreement with the same company regarding the technology for the chassis, cabin and parts of our existing trucks.



### Social Responsibility and Donations

Both Ford Otosan and its employees contribute to numerous social responsibility projects in the fields of education, health, environment and culture, which are the basic needs of our country. The largest projects are usually implemented by the Vehbi Koç Foundation. Including the donation to the Vehbi Koç Foundation, total donations made by means of the foundations and associations exempt from taxation in 2014 amounted to TL 8,548,147 (2013: TL 12,235,154).

### Awards

Ford Otosan Koç Group's "No Barriers for My Country" Project was honored with the 2014 Best Company Practice Award. Our 100% Disabled-Friendly Yeniköy Plant was honored with the Ford Motor Company's 'Chairman's Leadership Awards for Diversity' (CLAD) in the category of 'Valuing a Diverse Workforce'.

Detailed information about other awards we received in 2014 is provided in the relevant section of the Annual Report.

### Changeovers in the Board of Directors

Pursuant to the decision taken at the Ordinary General Assembly Meeting held on March 25, 2014, the number of members of the Board of Directors was determined as 14, including 2 independent members, and they were elected to serve until the General Assembly of the Shareholders, which will meet to examine the accounts of the year 2014.

Mr. Stephen Terrence Odell, who was elected to the Board of Directors after being nominated by Group C shareholders in the Ordinary General Assembly held on March 25, 2014, resigned from his Board membership as of January 1, 2015, as he was appointed to another position within Ford Motor Company. Mr. James Duncan Farley Jr., who was nominated by Group C shareholders, was appointed Vice Chairman of the Board of Directors, to serve until the next Ordinary General Assembly Meeting.

### Changes in Company Management

Pursuant to the decision taken at the Board of Directors' meeting on February 25, 2014, Mr. Mehmet Candan Günel, who has been acting as the Assistant General Manager - Kocaeli Plants Manager, was appointed Assistant General Manager - Manufacturing Operations as of March 1, 2014.

Pursuant to the decision taken at the Board of Directors' meeting on June 6, 2014, Mr. Cengiz Kabatepe, who has been acting as Assistant General Manager - Purchasing, was appointed Assistant General Manager - Material Planning and Logistics as of June 1, 2014. Mr. Güven Özyurt, who has been acting as Assistant General Manager - Material Planning and Logistics, was appointed Assistant General Manager - Purchasing as of June 1, 2014.

Pursuant to the decision taken at the Board of Directors' meeting on September 30, 2014, Mr. İbrahim Aykut Özüner, who has been acting as Assistant General Manager - Marketing, Sales and After Sales, left his job in Ford Otosan as of October 1, 2014, since he was appointed General Manager at Zer Merkezi Hizmetler ve Ticaret A.Ş., one of the Koç Holding companies. Mr. Özgür Yüçetürk, who has been acting as Sales Director in our company, was appointed Assistant General Manager - Marketing, Sales and After Sales as of October 1, 2014.

### The highest employment in the Turkish automotive industry

Ford Otosan employed 7,192 blue-collar and 2,570 white-collar employees, totaling 9,762 personnel as of the end of 2014. (December 31, 2013: 6,926 blue-collar and 2,518 white-collar employees, totaling 9,444 personnel). Ford Otosan retained its position as the company with the highest employment rate in the Turkish automotive industry. The Company's workers are under the coverage of the Group Collective Labor Contract signed between the Turkish Metal Union and the Turkish Employers' Association of Metal Industries (MESS), which will expire on August 31, 2017. The new period Group Collective Labor Contract, covering September 1, 2014 – August 31, 2017, was signed on December 17, 2014 between the Turkish Metal Union and MESS, the employers' union in the metal works branch, of which the Company is a member.

### The most valuable automotive company in Borsa Istanbul (BIST)

Listed among Turkey's 20 most valuable companies, Ford Otosan has been included in the BIST-30 index of Borsa Istanbul (BIST) as of August 2014. Despite the challenging environment in which our Company operates, our shares gained 45% in 2014, outperforming the BIST index that gained 28%. The rise in long-term foreign institutional investors in this environment has been a significant indicator in the trust and confidence of our investors in our Company. The foreign share in the publicly traded portion of Ford Otosan shares amounted to 76%, which is above the Borsa Istanbul average. Having completed the year with a market capitalization of US \$ 4.9 billion, our Company has remained as the automotive company with the highest market value on BIST.

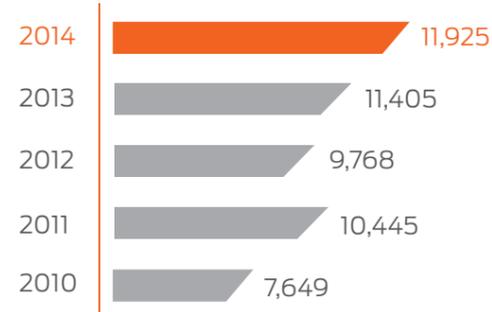
## Financial Results

The 2014 Financial Statements and their explanatory footnotes, audited by the Independent Auditors, have been submitted for your review in the relevant sections of the Annual Report.

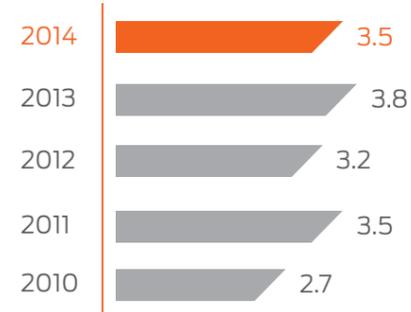
Commissioning of new products in the first quarter of 2014, and the resulting decline in the pace of production, has led to a slowdown in commercial vehicle sales. The jump in selling prices of passenger cars due to rising exchange rates limited sales in this segment, experiencing intense price and market share competition. Our sales figures have risen as of the third quarter, thanks to the completion of new product launches and recovery in commercial vehicle sales. However, due to the impact of the first quarter, which lasted throughout the year, total domestic sales figures fell by 20% to 91,038 units. Despite the contraction in the figures, our domestic sales revenue rose by 3% to TL 4,238 million, due to our new models, pricing strategy and positive sales distribution (Share of passenger cars in Ford Otosan's sales; 2014: 37%, 2013: 51%).

Our export figures, which have been affected by the launch process of the new products, declined by 15% YoY to 191,956 units, while export revenues rose by 5% to TL 7,687 million. Although total sales figures declined by 17% to 282,994 units, sales revenues rose by 5% in 2014, when compared to the previous year, to TL 11,925 million, the highest amount in our history.

Revenues (Million TL)



Export Revenues (Billion US\$)



The rise of €/TL average rate from 2.53 in 2013 to 2.90 in 2014 negatively impacted costs. Ford Otosan significantly hiked the selling prices of vehicles in the first quarter, and implemented intense cost-cutting measures throughout the year. However, the margins were negatively affected by the rise and fluctuations in foreign exchange rates.

Despite the intensity of product launches, expenses were managed tightly, and the ratio of operating expenses to revenues stood at 5.1%, in line with the previous year. However, the fall in sales volume, and in other income derived from main operations, rising financing costs, and the jump by 64% in annual depreciation and amortization charges, adversely affected profitability. The operating profit dropped by 19% to TL 541 million, and the operating profit margin fell to 4.5% (2013: 5.9%). EBITDA contracted by 1% when compared to the same period of the previous year, and stood at TL 846 million. The EBITDA margin dropped by 0.4 percentage points, from 7.5% in 2013 to 7.1%, in 2014. However, the profitability improved on an annual basis in the fourth quarter and the EBITDA margin rose from 6.7% to 7%. The profit before tax contracted by 14% and posted at TL 390 million. Net profit fell by 7% to TL 595 million due to deferred tax assets, which are calculated over the tax advantage due to investment incentive certificates.

In 2014, the Company obtained fresh borrowings of € 538 million, and repaid debt of € 486 million. According to the Balance Sheet dated December 31, 2014, the Company holds TL 577 million in cash versus TL 2,350 million in financial debts.

The Company closely monitors all data pertaining to financial risk, and pursues extremely cautious policies against such risk. The financial metrics set up by the Board of Directors and Early Detection and Management of Risk Committee are kept within strict limits. Risk management policies applied by us in relation to various risks are explained in the Risk Management section of our Annual Report. All information related to the nature and levels of the risks is summarized in the footnotes to the financial statements.

## Dividend Policy and Proposal

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.

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 advance dividend, upon condition of being authorized and compliant with Capital Markets Legislation.

In 2014, Ford Otosan maintained its dividend distribution policy, and this allowed the Company to make a dividend distribution of TL 175 million, despite the ongoing investments. As a result, Ford Otosan's total dividend payment between 2004 and 2014 exceeded TL 4.2 billion.

Taking cash flow conditions into consideration, and in accordance with investment and financial policies, we propose to distribute a gross dividend of TL 200,018,700 representing 57.00% (net 48.45%) over a basis of gross Kr 57.00 (net= Kr 48.45) per share with the nominal value of TL 1, out of 2014 net profits, after legal obligations have been deducted, as indicated in the attached Dividend Policy, and to begin payment on April 1, 2015. Detailed information on the dividend distribution proposal can be found in the statement enclosed in the report.

## Selection of the Independent Auditors

Following extensive research and consultation with the Audit Committee, the Board of Directors has selected Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member firm of Ernst & Young Global Limited) as the independent Audit firm, as required by Turkish Commercial Code and Capital Markets Board regulations, for the 2015 financial year. We submit this selection for the approval of the General Assembly.

## 2015 Outlook

Global economic developments, growth trends, monetary policies of the central banks, especially the Fed, developments in Greece and their effects on the euro zone, and the trend of oil prices will be decisive for the markets in 2015. The decisions of the Central Bank of Turkey, exchange rate movements, and the general elections to be held in June constitute the main agenda items in our country. A relatively strong performance is expected in the Turkish consumer sector, with the effect of a low base-year during the period until the elections.

In this context, we anticipate that total automotive industry sales volume will grow by 11% compared to the previous year, to 895,000 units in 2015.

We expect growth in our sales volume thanks to the new products that we successfully launched last year, and to achieve 119,000 units of domestic retail sales, 232,000 units of export volume, and 351,000 units of total wholesales. We plan our production volume at 305,000 units in this context. We foresee capital expenditures of fixed asset procurements worth US\$ 230 million within the scope of new projects.

At Ford Otosan, we declared 2014 to be the "Commercial Vehicle Year". 2015 will come to the fore as the "Automobile Year". The new Focus that we launched on the market in November has been the galvanizer of this process. While we collect the fruits of our investments with the newest range of products in Turkey, we will accelerate our growth by expanding our sales in domestic and export markets. Conducting our operations in a more efficient and effective manner, we will continue to give utmost importance to risk management. We have implemented and will continue to implement cost cutting policies without compromise, during this period of our most intensive new product launches.

With our identity as the leading force and export champion of Turkey's automotive industry, and the second largest industrial company in Turkey, we will continue to contribute to Turkey and to create high added value for our esteemed investors.

Dear investors, business partners and employees,

We hereby extend our sincere gratitude to our founders, business partners, our former and current employees, the Turkish Metal Union, our suppliers, our dealers, and to all our customers and you, our dear shareholders for vital contributions in the achievements of Ford Otosan.

Yours sincerely,

FORD OTOMOTİV SANAYİ A.Ş.  
BOARD OF DIRECTORS

## Dividend Distribution Proposal For The Year 2014

### Ford Otomotiv Sanayi A.Ş. 2014 Dividend Distribution Proposal Table (TL)

1. Paid-in / Issued Capital		350,910,000
2. Total Legal Reserves (According to Tax Book)		472,233,474
If there is dividend privilege in the Articles of Association, information regarding this privilege		-
	According to CMB	According to Tax Book
3. Income for the Period	390,412,250	128,481,628
4. Taxes Payable	204,443,861	(708,815)
5. Net Income for the Period (=)	594,856,111	127,772,813
6. Retained Losses (-)	0	0
7. First Series of Legal Reserves (-)	0	0
8. DISTRIBUTABLE NET INCOME FOR THE PERIOD (=)	594,856,111	127,772,813
9. Donations within the year (+)	8,548,147	
10. Distributable Net Income for the Period including Donations to Calculate First Dividend	603,404,258	
11. First Dividend to the Shareholders	120,680,852	
- Cash	120,680,852	
- Bonus		
- Total	120,680,852	
12. Dividend Distribution to Shareholders with Privileged Shares	0	
13. Dividend Distribution to Board of Directors, employees etc.	0	
14. Dividend Distribution to Redeemed Shareholders	0	
15. Second Dividend to Shareholders	79,337,848	
16. Second Series of Legal Reserves	18,247,320	
17. Statutory Reserves	0	0
18. Special Reserves	0	0
19. EXTRAORDINARY RESERVES	376,590,091	0
20. Other Reserves Distributable		
- Extraordinary Reserves		82,266,552
21. Legal Reserves Appropriated from Other Reserves Distributable		8,226,655

### INFORMATION ON DIVIDEND RATE DISTRIBUTED (based on privileged – deferred share)

#### INFORMATION ON DIVIDEND PER SHARE

GROUP	TOTAL DIVIDEND IN CASH (TL)		DIVIDEND CORRESPONDING TO SHARE WITH A NOMINAL VALUE OF TL 1	
	AMOUNT (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
GROSS				
A	3,812,043	57.0000	0.570000	57.0000
A	35,862,078	57.0000	0.570000	57.0000
B	78,266,268	57.0000	0.570000	57.0000
C	82,078,311	57.0000	0.570000	57.0000
<b>TOTAL</b>	<b>200,018,700</b>			
NET				
A	3,240,237	48.4500	0.484500	48.4500
A	30,482,766	48.4500	0.484500	48.4500
B	78,266,268	57.0000	0.570000	57.0000
C	69,766,564	48.4500	0.484500	48.4500
<b>TOTAL</b>	<b>181,755,835</b>			

#### FORD OTOMOTİV SANAYİ A.Ş.'s 2014 DIVIDEND RATE TABLE

TOTAL DIVIDEND IN CASH DISTRIBUTED TO SHAREHOLDERS (TL)	RATIO OF TOTAL DISTRIBUTED DIVIDEND TO DISTRIBUTABLE NET INCOME FOR THE PERIOD (%)
200,018,700	33.62

1) There is no privileged share group within the profit.

2) Withholding tax at a rate of 15% is applied for a dividend amounting to TL 3,812,043, 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 on the shares corresponding to dividend worth TL 35,862,078, assuming that all these shares are held by real persons.

3) As the entirety of Group B shares belong 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 net dividend is calculated for this group.

## Corporate Governance Compliance Report

### SECTION I: DECLARATION FOR COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

Ford Otosan has adhered to and implemented the mandatory Corporate Governance Principles published by the Capital Markets Board within the scope of "II-17.1 Communique on Corporate Governance Principles" (shortly "Communique") during the period of its operation ending on December 31, 2014 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 2014, Corporate Governance activities include significant efforts that were made for compliance with the Capital Markets Law and related Communiques. All the changes in the Articles of Association required by new Turkish Commercial Code and Capital Markets Law have been fulfilled, Board of Directors and Board Committees have been established in compliance with Corporate Governance Principles. The Committees founded in the Board of Directors carried out their activities effectively. Dividend Policy and Remuneration Policy for Board and Executive Management were submitted to the approval of shareholders in the general assembly. Information about preferred shares, shareholder rights, organizational changes, candidate members of the Board, reports for transactions made with related parties were announced three weeks in advance of the general assembly meeting. 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.

- 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 4.4.7 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.

### 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/0262 3156960) who are direct reports to İ.Oğuz Toprakoğlu (otoprako@ford.com.tr/0262 3156900) the Assistant General Manager - Finance (CFO). Burak Çekmece has Capital Market Board Activities Advanced Level License (No:203527) and Corporate Governance Rating Specialist License (No:700219) 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. In 2014, the Team attended 9 investor conferences and held one-on-one meetings with 276 investors and analysts. 230 people were hosted in 14 factory visits. 112 analysts and fund managers participated to four meetings related to 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.

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 “Investor Relations” section in the company’s website (www.fordotosan.com.tr) includes all kind of information and announcements regarding the utilization of rights by shareholders by using electronic tools effectively as explained in Section 3.1 of this report.

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

## 2.3 General Shareholders Meetings

During the calendar year of 2014, two General Shareholders’ Meetings were held; one ordinary meeting (on March 25<sup>th</sup> at Divan İstanbul Elmadağ Oteli, Asker Ocağı Caddesi No:1 Şişli / İstanbul) and one extraordinary meeting (on October 31<sup>th</sup> at Akpınar Mahallesi, Hasan Basri Caddesi No:2 Sancaktepe / İstanbul). Both meetings achieved a participation of on average 91% 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 2014 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 2013 were subject to a separate agenda item in 2014 Ordinary General Assembly Meeting and donation amount was limited to TL15.000.000 for 2014. There was no change in the donation policy.

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

## 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 Rights

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 Investor Relations section in Annual Report which is available in our 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 175.455.000 gross dividend was paid on November 4, 2014.

## 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. official website is [www.fordotosan.com.tr](http://www.fordotosan.com.tr) The website is available both in Turkish and English.

As explained thoroughly in the company's Corporate Disclosure Policy; "Corporate" and "Investor Relations" sections of the website encompass trade register information, the latest shareholder and management structure, the Company's Articles of Incorporation, annual and quarterly reports, periodical financial statements and reports, agendas, attendee list and meeting minutes of the General Shareholders' Meetings, Auditors' Reports, investor and analyst presentations, Corporate Governance Principles Compliance Report, Standards of Corporate Conduct, announcements and special case disclosures made by the company, 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 to the Internal Control Department to be communicated to the Audit Committee.

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

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

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

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

One of the basic strategies of the company is to achieve perfect customer satisfaction regarding the products and services we market. With this aim, many research studies and numerical measurements are carried out by the company and other independent sources to achieve product quality as well as perfect sales and after-sales services. In addition, a 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.

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 has signed a 3 year agreement in December 2014, effective from September 1<sup>st</sup> 2014, with blue colored personnel through Turkish Metals Union. Except union representatives who are appointed in accordance with the Collective Labor Agreement, there is no other representative from the company appointed to manage employee relations. This relationship with the union is essentially the job of the Human Resources Directorate.

### 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 eighteen guidelines, the text of these principles was distributed to and signed by all personnel working at the company at the time. The same procedure has continued to be carried out for personnel joining the company after that date. In addition, all employees are issued reminders of the guidelines once a year. With the latest revision, an on-line test is made for employees after confirmation to check the comprehension of the standards.

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

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

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

## 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 William R.Periam, 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 included in the Annual Report.

The list of the Board of Directors selected in 25.03.2014 in Ordinary General Assembly meeting is presented below.

Name - Surname	Independent	Appoint. Date	Duration	Membership in Board Committees	Duties outside Company
Y. Ali Koç	No	25.03.2014	12 Months	-	Koç Holding Board Mem.
Stephen T. Odell	No	25.03.2014	12 Months	Remuneration Committee	Ford Motor Company Man.
M. Rahmi Koç	No	25.03.2014	12 Months	-	Koç H. Honorary Chairman
A. İhsan İlbahar	No	25.03.2014	12 Months	Corporate Governance Committee	-
İ. Cenk Çimen	No	25.03.2014	12 Months	Risk Committee	Koç Holding Pres.
O. Turgay Durak	No	25.03.2014	12 Months	Remuneration Committee	Koç Holding Board Mem.
Mehmet Barmanbek	Yes	25.03.2014	12 Months	Risk Comm. Pres. / Remun. Comm. Pres. / Audit Comm.	-
John Fleming	No	25.03.2014	12 Months	-	Ford Motor Company Man.
Lyle A. Watters	No	25.03.2014	12 Months	Corporate Governance Committee / Risk Committee	Ford Motor Company Man.
Barbara J. Samardzich	No	25.03.2014	12 Months	-	Ford Motor Company Man.
Günter Verheugen	Yes	25.03.2014	12 Months	Corporate Gov. Committee Pres. / Audit Committee	-
Haydar Yenigün	No	25.03.2014	12 Months	-	-
William R. Periam	No	25.03.2014	12 Months	-	-
P. David Fleet	No	25.03.2014	12 Months	-	Ford Motor Company Man.

Mr. Stephen Terrence Odell, nominated by Class C shares, was elected to the Board of Directors as a board member during the Ordinary General Assembly held on March 25, 2014. As a result of a new assignment in Ford Motor Company organization, he resigned from membership of the Board of Directors effective from the date of January 1, 2015.

Mr. James Duncan Farley Jr nominated by Class C Shares is assigned to the membership of Board of Directors to serve until the next General Assembly of Shareholders. This assignment will be submitted to the approval of the General Assembly at the next meeting.

Mr. James Duncan Farley Jr. is assigned as the Vice Chairman of Board of Directors.

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.

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. Evaluation studies continue for defining the ratio of woman members which is another tool for representing different views. There is already one woman member 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 20.01.2014 and 21.01.2014 respectively. All the independent board members have submitted their independence declarations to Audit Committee and no condition which cancels the independency has been observed in 2014.

### 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 2014, 27 Board of Directors' resolutions are taken and no circular type BOD resolutions have been adopted. The agendas for the regular meetings are prepared by the Board of Director's Secretarial Office in consideration of previous decisions and decisions that need to be taken on certain matters. Agendas for other meetings are defined by 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 Mehmet Barmanbek and Günter Verheugen, meets before the regular meetings of the Board. It reviews the quarterly financial statements and presents opinion to the Board of Directors. The working principles of the committee have been put forth in a written set of procedures. Reviewing and monitoring detailed data about the company's financial status, independent audit and internal control mechanisms and presenting all views and decision drafts to the Board of Directors are among the duties of the Audit Committee.

Corporate Governance Committee, which aims to enhance corporate governance activities and carry out Nomination Committee responsibilities, consists of four members, Günter Verheugen as President, Ali İhsan İlbahar, Lyle Alexander Watters and İ.Oğuz Toprakoğlu as members.

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

Remuneration Committee, which aims to determine benefits provided to executive management, consists of three members, Mehmet Barmanbek as President, Osman Turgay Durak and Stephen Terrence Odell 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 25 Mart 2014 and put into practice afterwards. The total payments to Board members and Executive Management within scope of remuneration policy are evaluated by Corporate Governance Committee and Board of Directors annually and announced to the public in the footnotes of our financial statements. The company has not lent any amounts to any of the members of its Board of Directors nor to its executives, nor has it extended credit to them, nor offered any guarantees in their favor that might lead to conflict of interest.

# Risk Management

## 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. ERM team identifies, measures, prioritizes and manages Ford Otosan's financial, operational, strategic and legal risks at monthly ERM meetings and prepares the 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 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, bank guarantees 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 80 million credit commitment and Euro 130 million equivalent factoring agreements are established with financial institutions if required. As of December 31, 2014 net financial debt is TL 1,773 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, 2014 net FX position is TL 104 Million. Total export and import amounts are TL 7,687 million and TL 5,818 million respectively in 2014.

**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.

## 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.

A new BCP organization has been established at Ford Otosan which includes six assigned functional and five corporate roles from all departments of Kocaeli, Inonu, and Sancaktepe locations.

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 BCP managers 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.

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 had six meetings in 2014. Risk reporting activities and the Committee evaluations are periodically submitted to the attention of Board of Directors.

#### c. Internal Control System and Internal Audit

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

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

Koc Holding, Ford Motor Company and Internal Control Department perform audits in the Company on an annual basis. Additionally, some public authorities such as Ministry of Finance and Ministry of Custom and Trade request information. Results of these reports are presented to The Audit Committee which consists of independent Board members.

## Legal Disclosures

### a. Capital

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

Authorized Capital: TL 500,000,000

### b. Shareholder Structure

Title of Shareholder	Group	Number of Share	Total (TL)	Share in Capital (%)	Type of Privilege	Publicly Traded
Vehbi Koç Foundation	A	342,859,230	3,428,592.30	0.9770	-	No
Koç Holding Retirement and Support Fund Foundation	A	325,920,231	3,259,202.31	0.9288	-	No
Other Shareholders	A	6,291,592,649	62,915,926.49	17.9294	-	Yes
<b>A Group Total</b>		<b>6,960,372,110</b>	<b>69,603,721.10</b>	<b>19.8352</b>	-	
Koç Holding A.Ş.	B	13,495,335,714	134,953,357.14	38.4581	Management Privileged	No
Temel Ticaret ve Yatırım A.Ş.	B	235,588,500	2,355,885.00	0.6714	Management Privileged	No
<b>B Group Total</b>		<b>13,730,924,214</b>	<b>137,309,242.14</b>	<b>39.1295</b>	-	
Ford Motor Company	C	14,399,703,676	143,997,036.76	41.0353	Management Privileged	No
<b>C Group Total</b>		<b>35,091,000,000</b>	<b>350,910,000.00</b>	<b>100</b>	-	

### c. Share Information

Title of Holder	First Trade Date	Country	Exchange	Market
Stock	13.01.1986	Turkey	Borsa Istanbul	National Market

Ford Otosan shares are included in the following indices:

BIST Kocaeli / -BIST METAL PRODUCTS AND MACHINERY / -BIST INDUSTRIAL / -BIST DIVIDEND / -BIST ALL / -BIST NATIONAL / -BIST 100 / -BIST 30 / -BIST 50

### d. Information on the Extraordinary General Assembly Meeting held within the Year

The Company's Extraordinary General Assembly Meeting was held on October 31, 2014 at 10.00 at the Company's Headquarters, at Akpınar Mah. Hasan Basri Cad. No: 2 Sancaktepe / Istanbul. It was unanimously resolved that TL 175,455,000 shall be distributed to shareholders in cash as a dividend, which will be covered from extraordinary reserves as per tax legislation, and the second series of legal reserves amounting to TL 17,545,000 shall be allocated, all of which will be compensated from extraordinary reserves further to Article 519 of the Turkish Commercial Code. A total of TL 175,455,000 to be distributed in cash as per the financial statements prepared according to the CMB's regulations, and the second series of legal reserves worth TL 17,545,000 shall be covered from extraordinary reserves. According to the calculations made as per tax legislation, the dividend amounting to TL 175,455,000 shall be paid as 50.00 Kurus (gross) and 42.50 Kurus (net) per share having the nominal value of TL 1. The dividend distribution shall be made as of November 4, 2014 as per the principles determined by Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency) within the scope of dematerializing regulations.

### e. Organizational changes within the year

Mr. Stephen Terrence Odell, who was elected as a Board Member after being nominated by Group C shareholders in the Ordinary General Assembly Meeting held on March 25, 2014, has resigned from Board membership effective as of 1<sup>st</sup> January 2015, due to his position change in the Ford Motor Company. Mr. James Duncan Farley Jr., nominated by Group C shareholders, was appointed Vice Chairman of the Board until the first General Assembly Meeting to convene.

During the Board of Directors meeting dated 25<sup>th</sup> February 2014, Assistant General Manager – Kocaeli Plants Manager Mr. Mehmet Candan Günel was appointed as Assistant General Manager – Manufacturing Operations, effective as of March 1, 2014, based on an executive appointments decision taken in the meeting.

Upon the Board of Directors' resolution dated June 6, 2014, Assistant General Manager in charge of Purchasing, Mr. Cengiz Kabatepe, was appointed as Assistant General Manager in charge of Materials, Planning and Logistics, effective as of June 1, 2014. Assistant General Manager in charge of Materials Planning and Logistics, Mr. Güven Özyurt, was appointed as Assistant General Manager in charge of Purchasing, effective as of June 1, 2014.

Mr. İbrahim Aykut Özüner, the Assistant General Manager in charge of Marketing, Sales and After Sales resigned from the company as of October 1, 2014, as he was appointed General Manager in Zer Merkezi Hizmetler ve Ticaret A.Ş., one of the Koç Group companies, following the Board of Directors' decision dated September 30, 2014. Mr. Özgür Yüçetürk, the Sales Director, was appointed Assistant General Manager in charge of Marketing, Sales and After Sales, in replacement of Mr. İbrahim Aykut Özüner, effective as of October 1, 2014.

### FORD OTOMOTİV SANAYİ A.Ş. BOARD OF DIRECTORS 2014 AFFILIATION REPORT PREPARED UNDER ARTICLE 199 OF THE TURKISH COMMERCIAL CODE REPORT ON RELATED PARTY TRANSACTIONS FOR 2014

#### 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 27, 2015 that, "In all transactions made between Ford Otomotiv Sanayi A.Ş. and the parent company and other subsidiaries of that parent company in 2014, it is precipitated that, in the event that the transactions were made or the measures were taken or not taken, a counter action was applied in each transaction. There were no measures taken or not taken which cause losses to the company, and there were no transactions made or measures taken that require compensation within this frame".

## Remuneration Policy for the Board of Directors and Senior Executives

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

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

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

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

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

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

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

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

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

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

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

(Convenience translation of a report originally issued in Turkish)

## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Ford Otomotiv Sanayi A.Ş. ("the Company") for the year ended December 31, 2014.

The responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the preparation and fair presentation of the annual report consistent with the financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Company's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Company's financial statements there on which auditor's report dated February 18, 2015 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph three of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Company will not be able to continue as a going concern in the foreseeable future.

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



Ferzan Ülgen, SMMM  
Partner

February 27, 2015  
İstanbul, Turkey

## Ford Otomotiv Sanayi Anonim Şirketi

### Financial statements for the period January 1 - December 31, 2014 together with report of independent auditors

**Ford Otomotiv Sanayi A.Ş.****Contents**

	<b>Page</b>
Independent auditor's report	85
Statement of financial position	86-87
Statement of profit or loss	88
Statement of other comprehensive income	89
Statement of changes in equity	90
Statement of cash flows	91
Notes to the financial statements	92-150

**Güney Bağımsız Denetim ve SMMM A.Ş.**

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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS**

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

We have audited the accompanying statement of financial position of Ford Otomotiv Sanayi A.Ş. as at 31 December 2014 and the related 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 a summary of significant accounting policies and explanatory notes.

**Management's responsibility for the financial statements**

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

**Independent auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ford Otomotiv Sanayi A.Ş. as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 18 February 2015.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

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

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

Ferzan Ülgen, SMMM  
 Partner

February 18, 2015  
 İstanbul, Turkey

## Ford Otomotiv Sanayi A.Ş.

### Statement of financial position as at December 31, 2014

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

Notes	Current period Audited December 31, 2014	(Restated)(*) Prior period Audited December 31, 2013	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	577,458,259	238,128,147
Trade receivables			
- Due from related parties	26	929,539,320	976,334,894
- Trade receivables, third parties	7	676,194,387	474,919,300
Other receivables			
- Other receivables, third parties	8	230,474	330,799
Inventories	9	585,077,396	563,888,556
Prepaid expenses	12	29,890,515	22,250,708
Other current assets	16	159,757,892	167,586,001
<b>Non-current assets</b>			
Financial investments	5	12,196,978	7,732,955
Trade receivables			
- Trade receivables, third parties	7	277,436	458,542
Property, plant and equipment	10	3,128,382,584	2,231,069,051
Intangible assets	11	520,390,100	415,312,279
Prepaid expenses	12	132,481,035	591,264,603
Deferred tax asset	24	483,516,419	301,914,384
<b>Total assets</b>			
		<b>7,235,392,795</b>	<b>5,991,190,219</b>

The financial statements were approved for issue by the Board of Directors on February 18, 2015 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager - Chief Financial Officer ("CFO") and Devrim Kılıçoğlu, Finance and Accounting Director.

(\*) The classifications are made in the statement of financial position of the Company as of December 31, 2013, refer to Note 2.4 Accounting policies, changes in accounting estimates and errors.

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

## Ford Otomotiv Sanayi A.Ş.

### Statement of financial position as at December 31, 2014

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

Notes	Current period Audited December 31, 2014	(Restated)(*) Prior period Audited December 31, 2013	
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short term financial liabilities			
- Bank loans	6	625,257,020	629,929,557
Short term portion of long term financial liabilities			
- Bank loans	6	364,697,638	441,633,045
Trade payables			
- Due to related parties	26	471,203,693	262,289,287
- Trade payables, third parties	7	1,325,187,809	919,806,623
Other payables			
- Due to related parties	26	10,660,182	5,618,330
- Other payables, third parties	8	39,685,718	21,602,967
Deferred revenue	30	9,548,207	2,869,027
Short term provisions			
- Other short term provisions	13	53,894,228	58,009,620
Liabilities for employee benefit obligations	15	71,634,870	55,231,020
<b>Non-current liabilities</b>			
Long term financial liabilities			
- Bank loans	6	1,360,032,869	1,219,653,201
Derivative financial instruments	28	344,734	713,095
Long term provisions			
- Provision for employee benefits	15	102,801,243	94,304,955
- Other long term provisions	13	46,262,888	42,925,158
<b>Equity</b>			
Share capital		350,910,000	350,910,000
Adjustment to share capital		27,920,283	27,920,283
Share premium		8,252	8,252
Other comprehensive income/expense not to be reclassified to profit or loss			
- Actuarial (loss) arising from employee benefits		(13,413,478)	(11,053,834)
Other comprehensive income/expense to be reclassified to profit or loss			
- Revaluation fund of available for sale financial assets		10,658,913	6,418,090
- Cash flow hedge reserve		(6,039,879)	(102,334,951)
Restricted reserves		472,233,474	454,687,974
Retained earnings		1,317,048,020	868,576,734
Net income for the year		594,856,111	641,471,786
<b>Total equity and liabilities</b>			
		<b>7,235,392,795</b>	<b>5,991,190,219</b>

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

## Ford Otomotiv Sanayi A.Ş.

### Statement of profit or loss for the period ended December 31, 2014

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

	Notes	Current period Audited December 31, 2014	Prior period Audited December 31, 2013
<b>Continuing operations</b>			
Revenue	18	11,924,836,507	11,404,912,894
Cost of sales	18	(10,794,249,532)	(10,277,155,728)
<b>Gross profit</b>		<b>1,130,586,975</b>	<b>1,127,757,166</b>
Selling, marketing and distribution expenses	19	(277,062,900)	(269,943,658)
General administrative expenses	19	(155,380,055)	(154,244,846)
Research and development expenses	19	(171,542,036)	(145,889,919)
Other operating income	21	122,138,353	175,973,737
Other operating expenses	21	(107,623,291)	(64,009,849)
<b>Operating profit</b>		<b>541,117,046</b>	<b>669,642,631</b>
Income from investing activities	29	4,259,460	929,987
Expenses from investing activities	29	(7,027,419)	(5,253,888)
<b>Operating income before financial income/(expense)</b>		<b>538,349,087</b>	<b>665,318,730</b>
Financial income	22	383,327,153	82,732,501
Financial expense	23	(531,263,990)	(295,946,425)
<b>Income before tax from continuing operations</b>		<b>390,412,250</b>	<b>452,104,806</b>
<b>Tax income/(expense) from continuing operations</b>		<b>204,443,861</b>	<b>189,366,980</b>
- Income tax income/(expense)	24	23,293,275	(29,342,054)
- Deferred tax income	24	181,150,586	218,709,034
<b>Net income for the period</b>		<b>594,856,111</b>	<b>641,471,786</b>
<b>Earnings per share with a nominal value Kr 1</b>	25	<b>1.70</b>	<b>1.83</b>

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

## Ford Otomotiv Sanayi A.Ş.

### Statement of other comprehensive income for the period ended December 31, 2014

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

	Notes	Current period period Audited December 31, 2014	Prior period Audited December 31, 2013
<b>Net income for the period</b>		<b>594,856,111</b>	<b>641,471,786</b>
<b>Other comprehensive income/(expense)</b>			
<b>Not to be reclassified to profit or loss</b>			
Actuarial loss arising from employee benefit	17	(2,949,555)	(1,466,248)
Actuarial loss arising from employee benefits, tax effect	17	589,911	293,250
<b>To be reclassified to profit or loss</b>			
Change in revaluation fund of available for sale financial assets	17	4,464,024	1,771,550
Change in revaluation fund of available for sale financial assets, tax effect	17	(223,201)	(66,083)
Gain/(loss) from cash flow hedge reserve	17	120,368,840	(126,295,882)
Gain/(loss) from cash flow hedge reserve, tax effect	17	(24,073,768)	25,259,176
<b>Other comprehensive income/(expense), net of tax</b>		<b>98,176,251</b>	<b>(100,504,237)</b>
<b>Total comprehensive income</b>		<b>693,032,362</b>	<b>540,967,549</b>

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

## Ford Otomotiv Sanayi A.Ş.

### Statement of changes in equity for the period ended December 31, 2014

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

	Share capital	Adjustment to share capital	Share premium	Revaluation fund of available for sale financial assets	Cash flow hedge reserve	Accumulated other comprehensive income/(loss) to be reclassified to profit or loss	Actuarial fund arising from employee benefit plans	Restricted reserves	Retained earnings	Net income for the period	Total equity
<b>Balance at January 1, 2013</b>	350,910,000	27,920,283	8,252	4,712,623	(1,298,245)	(9,880,836)	432,432,060	505,957,103	684,903,595	1,995,664,835	
Net income for the period	-	-	-	-	-	-	-	-	641,471,786	641,471,786	
Other comprehensive income/(loss)	-	-	-	1,705,467	(101,036,706)	(1,172,998)	-	-	-	(100,504,237)	
Total comprehensive income	-	-	-	1,705,467	(101,036,706)	(1,172,998)	-	-	641,471,786	540,967,549	
Transfers	-	-	-	-	-	-	22,255,914	662,647,681	(684,903,595)	-	
Dividend paid (Note 17)	-	-	-	-	-	-	-	(300,028,050)	-	(300,028,050)	
<b>Balance at December 31, 2013</b>	<b>350,910,000</b>	<b>27,920,283</b>	<b>8,252</b>	<b>6,418,090</b>	<b>(102,334,951)</b>	<b>(11,053,834)</b>	<b>454,687,974</b>	<b>868,576,734</b>	<b>641,471,786</b>	<b>2,236,604,334</b>	
<b>Balance at January 1, 2014</b>	<b>350,910,000</b>	<b>27,920,283</b>	<b>8,252</b>	<b>6,418,090</b>	<b>(102,334,951)</b>	<b>(11,053,834)</b>	<b>454,687,974</b>	<b>868,576,734</b>	<b>641,471,786</b>	<b>2,236,604,334</b>	
Net income for the period	-	-	-	-	-	-	-	-	594,856,111	594,856,111	
Other comprehensive income/(loss)	-	-	-	4,240,823	96,295,072	(2,359,644)	-	-	-	98,176,251	
Total comprehensive income	-	-	-	4,240,823	96,295,072	(2,359,644)	-	-	594,856,111	693,032,362	
Transfers	-	-	-	-	-	-	17,545,500	623,926,286	(641,471,786)	-	
Dividend paid (Note 17)	-	-	-	-	-	-	-	(175,455,000)	-	(175,455,000)	
<b>Balance at December 31, 2014</b>	<b>350,910,000</b>	<b>27,920,283</b>	<b>8,252</b>	<b>10,658,913</b>	<b>(6,039,879)</b>	<b>(13,413,478)</b>	<b>472,233,474</b>	<b>1,317,048,020</b>	<b>594,856,111</b>	<b>2,754,181,696</b>	

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

## Ford Otomotiv Sanayi A.Ş.

### Statement of cash flow for the period ended December 31, 2014

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

	Notes	Current period Audited December 31, 2014	Prior period Audited December 31, 2013
<b>Cash flows from operating activities:</b>			
<b>Net income before tax</b>		<b>390,412,250</b>	<b>452,104,806</b>
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation expense	10	267,558,026	173,780,891
Amortization expense	11	37,172,125	12,506,156
Increase in provision for employee benefits	15	18,498,378	12,123,996
Increase in warranty expense provision	13	81,259,786	73,761,483
Increase in provision for litigation expense	13	6,929,443	13,196,874
Interest income	22	(10,229,855)	(9,720,451)
Interest expense	23	51,957,623	25,237,418
Foreign exchange loss on bank loans		47,991,201	209,235,654
Change in provision for impairment on inventories, net	9	223,029	847,314
Change in provision for unused vacation pay liability, net		382,424	2,053,572
Change in other provisions, net		42,122	16,869
Sales discount accruals	8	1,476,832	-
Change in provision for dealer stocks sales premium, net	13	(7,241,793)	(5,033,081)
Loss / (gain) on sale of fixed assets, net	29	3,353,789	4,698,832
Dividend income	29	(585,830)	(374,931)
Unrealized gain of derivatives		(9,970)	(22,296)
<b>Net operating profit before changes in operating assets and liabilities</b>		<b>889,189,580</b>	<b>964,413,106</b>
Increase in trade receivables		(154,298,405)	(220,088,916)
(Increase) / decrease in inventories		(20,965,811)	113,485,009
Decrease in other current assets		7,219,618	12,390,683
(Increase) / decrease in prepaid expenses		(7,639,807)	31,090,941
Increase in trade payables		614,295,593	61,822,475
Increase in other current liabilities		47,572,716	16,141,092
Taxes paid		(2,841,912)	(17,847,295)
Warranty expenses paid	13	(77,861,272)	(85,258,189)
Litigation expenses paid	13	(3,863,826)	(3,210,689)
Employee benefits paid	15	(13,334,069)	(6,880,188)
<b>Net cash generated from operating activities</b>		<b>1,277,472,405</b>	<b>866,058,029</b>
<b>Cash flows used in investing activities:</b>			
Purchase of property, plant and equipment	10	(1,174,625,985)	(855,706,778)
Purchase of intangible assets	11	(142,249,946)	(189,457,760)
Proceeds from sale of property, plant and equipment		6,400,638	2,616,800
Decrease / (increase) in investment advances given		458,783,568	(266,895,762)
Interest received		9,741,673	9,703,614
Dividend received	29	585,830	374,931
<b>Net cash used in investing activities</b>		<b>(841,364,222)</b>	<b>(1,299,364,955)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings		1,544,685,051	1,250,190,661
Payments of borrowings		(1,415,412,543)	(558,783,838)
Interest paid		(50,595,579)	(21,462,053)
Dividends paid	17	(175,455,000)	(300,028,050)
<b>Net cash (used in) / generated from financing activities</b>		<b>(96,778,071)</b>	<b>369,916,720</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>339,330,112</b>	<b>(63,390,206)</b>
<b>Beginning balance of cash and cash equivalents</b>	<b>4</b>	<b>238,128,147</b>	<b>301,518,353</b>
<b>Ending balance of cash and cash equivalents</b>	<b>4</b>	<b>577,458,259</b>	<b>238,128,147</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the Borsa İstanbul ("BIST") where 17.92% 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 Cargo truck plant and engines and powertrain plant which manufactures for trucks and Transit vehicles.

Additionally the Company has a spare part distribution warehouse and a research and development (R&D) center located in Sancaktepe, İstanbul. In December 2014, the operations conducted in Tübitak Marmara Research Center, Gebze Campus Technological Free Zone ("TEKSEB") branch are moved to Sancaktepe research and development center.

Research and development operations which are also subject to service export is conducted with 963 employees in Sancaktepe R&D center and conducted with 463 employees in R&D center in Kocaeli plant, totally 1.426 employees as of December 31, 2014.

The number of the personnel employed by the Company as at 31 December 2014 and 31 December 2014 are as follows:

Year	Average		Year end	
	2014	2013	2014	2013
Blue Collar	6,877	7,020	7,192	6,926
White Collar	2,499	2,457	2,570	2,518
<b>Total</b>	<b>9,376</b>	<b>9,477</b>	<b>9,762</b>	<b>9,444</b>

#### 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 year end financial statements have been prepared in accordance with Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TAS, Turkish Accounting Standards, comprise of Turkish Financial Reporting Standards, its appendix and interpretations.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards issued by the CMB ("CMB Financial Reporting Standards"). The Company's financial statements have been prepared in accordance with this decision.

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

Company's functional and presentation currency is accepted as TL

###### Going concern

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### 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 December 31, 2014 has been provided with the comparative financial information of December 31, 2013 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 period between January 1, 2014 and December 31, 2014 have been provided with the comparative financial information, for the period between January 1, 2013 and December 31, 2013.

##### 2.2 Amendments and interpretations in the standards

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

The accounting policies adopted in preparation of the year end financial statements as at December 31, 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRYK interpretations effective as of January 1, 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

###### i) The new standards, amendments and interpretations which are effective as at January 1, 2014

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

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the financial statements of the Company.

##### TFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

##### TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the financial statements of the Company.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the financial statements of the Company.

##### TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Company.

##### ii) Standards issued but not yet effective and not early adopted

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

##### TFRS 9 Financial Instruments - Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

##### TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

##### TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016..

Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

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

##### TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) - Bearer Plants

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

##### Annual Improvements to TAS/TFRSs

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010-2012 Cycle" and "Annual Improvements - 2011-2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

##### Annual Improvements - 2010-2012 Cycle

###### TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

###### TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

###### TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity - an entity that provides key management personnel services - is a related party subject to the related party disclosures. The amendment is effective retrospectively.

#### Annual Improvements - 2011-2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Company do not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### Annual Improvements - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

##### Annual Improvements - 2011-2013 Cycle

##### IFRS 15 Revenue from Contracts with Customers

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

##### IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

##### IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39),
- or
- Using the equity method

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits - regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. . The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

#### IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company / the Group. or The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### 2.3 Summary of significant accounting policies

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

##### Cash and cash equivalents

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

##### Trade receivables and allowance for trade receivables

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

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

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

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

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

##### Inventories

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### Trade payables

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

##### Property, plant and equipment

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

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

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

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

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

##### Intangible assets

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

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

The estimated useful lifetimes of such assets are as follows:

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

##### 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.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

##### Financial assets

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

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

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

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

##### Share premium

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

##### Share capital and dividends

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### Taxes on income

Taxes include current period income taxes and deferred taxes.

##### Current period income tax

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

##### Deferred tax

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

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

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

##### Current and deferred tax

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

##### Revenue recognition

##### Goods & services sales

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### Dividend and interest income

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

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

##### Foreign currency transactions and balances

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

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

	TL/USD	TL/Euro	TL/GBP
<b>December 31, 2014</b>	<b>2.3189</b>	<b>2.8207</b>	<b>3.5961</b>
December 31, 2013	2.1343	2.9365	3.5114

##### Financial instruments and financial risk management

##### Credit risk

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

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

Export sales mainly consist of sales to Ford Motor Company and its subsidiaries. Collection terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company and its subsidiaries 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 available-for-sale. The Company limits the available-for-sale financial assets in order to manage the price risk arising from investments in equity securities.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### Liquidity risk

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

##### Interest rate risk

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

##### Funding risk

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

##### Foreign exchange risk

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

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

##### Capital risk management

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

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

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

	December 31, 2014	December 31, 2013
Net financial debt	1,772,529,268	2,053,087,656
Tangible equity	2,233,791,596	1,821,292,055
<b>Net financial debt / tangible equity ratio</b>	<b>0.79</b>	<b>1.13</b>

##### Fair value of financial instruments

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

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

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

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

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

##### Financial assets

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

##### Financial liabilities

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

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

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

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

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

#### Borrowings and borrowing costs

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

#### Provision for employee benefits

##### a) Defined benefit plan:

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

##### b) Defined contribution plan:

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### 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 8).

Warranty expenses provision

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

##### Research and development expenses

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

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

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

##### Leasing - the Company as the lessee

##### Operating leases

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### Leasing - the Company as lessor

##### Operational Leasing

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

##### Related parties

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

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

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

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

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

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

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### Earnings per share

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

##### Reporting of cash flows

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

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

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

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

##### Contingent assets and liabilities

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

##### Subsequent events

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

##### Offsetting

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

##### Government grants and incentives

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

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

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

(i) Advance taken amounting to TL 2,869,027 in the account of "other payables" in the statement of financial position of the Company as of December 31, 2013 were classified under "deferred revenue".

Also in order to conform with the current period presentation, the following reclassifications have been made in the financial position of the Company as of December 31, 2013;

(ii) Since the period of requirement to keep five years under a special reserve account has expired, special reserve amounting to TL 5,992,341 in the account of "restricted reserve" in the statement of financial position of the Company as of December 31, 2014 were classified under other reserves in the account of "retained earnings".

##### 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 Counselor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.

(e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).

(f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of December 31, 2014 and December 31, 2013 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 24).

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

(h) Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of December 31, 2014 and December 31, 2013, there is no impairment determined related to development costs in progress (Note 11).

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

As at December 31, 2014, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

#### 3. Segment reporting

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

#### 4. Cash and cash equivalents

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for Euro denominated time deposits is 2.26% (December 31, 2013: 2.70%). The weighted average interest rate for the TL time deposits is 11.59% (December 31, 2013: 9%).

	December 31, 2014	December 31, 2013
Banks- foreign currency time deposits	400,808,453	207,185,399
Banks - TL demand deposits	22,925,737	24,104,281
Banks- TL time deposits	148,606,575	6,132,512
Banks - foreign currency demand deposits	5,117,494	705,955
	<b>577,458,259</b>	<b>238,128,147</b>

#### 5. Financial assets

	December 31, 2014		December 31, 2013	
	Shareholding %	Amount	Shareholding %	Amount
<b>Available-for-sale financial assets:</b>				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar)(*)	0.59	12,196,978	0,59	7,732,955
		<b>12,196,978</b>		<b>7,732,955</b>

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 6. Financial liabilities

##### Short term borrowings:

	December 31, 2014		December 31, 2013	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
- Euro	1.61	512,286,774	1.56	619,497,400
- TL(*)	8.14	112,970,246	-	10,432,157
		<b>625,257,020</b>		<b>629,929,557</b>

(\*) In 2013, TL currency short term borrowings are interest-free loans used for short term purposes and Eximbank loans in TL currency.

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

	December 31, 2014		December 31, 2013	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
- Euro	2.31	364,697,638	2.97	441,633,045
		<b>364,697,638</b>		<b>441,633,045</b>
<b>Total short term borrowings</b>		<b>989,954,658</b>		<b>1,071,562,602</b>

##### Long term borrowings:

- Euro	2.06	1,360,032,869	2.04	1,219,653,201
		<b>1,360,032,869</b>		<b>1,219,653,201</b>

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

Payment period	December 31, 2014	December 31, 2013
	Total TL	Total TL
2015	-	364,540,148
2016	437,834,441	307,556,508
2017	298,501,742	141,789,233
2018	292,257,321	135,544,438
2019	174,357,519	130,472,203
2020-2021	157,081,846	139,750,671
	<b>1,360,032,869</b>	<b>1,219,653,201</b>

The letters of bank guarantee given to financial institutions in connection with borrowings amount to TL 1,015,293,576 (December 31, 2013 - TL 1,076,694,420) (Note 13).

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 7. Trade receivables and payables

	December 31, 2014	December 31, 2013
<b>Short term trade receivables:</b>		
Trade receivables	680,878,133	479,252,823
Doubtful receivables	4,559,249	4,533,456
Less: Unearned credit finance income	(4,683,746)	(4,333,523)
	<b>680,753,636</b>	<b>479,452,756</b>
Less: Provision for doubtful receivables	(4,559,249)	(4,533,456)
	<b>676,194,387</b>	<b>474,919,300</b>

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days. (December 31 2013: 25 days), domestic sales of spare parts turnover is 70 days (December 31 2013: 70 days) and discounted by 0.92% monthly effective interest rate (December 31 2013: %0.63).

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

	December 31, 2014	December 31, 2013
<b>Long term trade receivables:</b>		
Deposits and guarantees given	277,436	458,542
	<b>277,436</b>	<b>458,542</b>

	December 31, 2014	December 31, 2013
<b>Trade payables:</b>		
Trade payables	1,332,727,390	923,138,810
Less: Unearned credit finance expense	(7,539,581)	(3,332,187)
	<b>1,325,187,809</b>	<b>919,806,623</b>

The average turnover of trade payables is 60 days (December 31, 2013: 60 days) and discounted by 0.92% monthly effective interest rate (December 31, 2013: 0.63%).

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

	Trade receivables			Other receivables			Deposit in bank
	December 31, 2014	Related party	Other	Related party	Other		
<b>7. Trade receivables and payables (continued)</b>							
The maximum exposure of the Company to credit risk as of December 31, 2014 and 2013 is as follows:							
<b>- The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)</b>	929,539,320	676,194,387	-	230,474	577,458,259		
<b>The maximum of credit risk covered by guarantees</b>	110,000,000	590,614,039	-	-	-		
Net book value of the financial assets that are neither overdue nor impaired	855,023,868	671,643,751	-	230,474	577,458,259		
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	-	-	-	-		
Net book value of financial assets that are overdue but not impaired	74,515,452	4,550,636	-	-	-		
- Amount of risk covered by guarantees	-	2,208,171	-	-	-		
Net book value of impaired assets	-	-	-	-	-		
- Overdue (gross book value)	-	4,559,249	-	-	-		
- Provision for impairment (-)	-	(4,559,249)	-	-	-		
- Amount of risk covered by guarantees	-	-	-	-	-		

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

	Trade receivables			Other receivables			Deposits in bank
	December 31, 2013	Related party	Other	Related party	Other		
<b>7. Trade receivables and payables (continued)</b>							
The maximum exposure of the Company to credit risk as of December 31, 2014 and 2013 is as follows:							
<b>- The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)</b>	976,334,894	474,919,300	-	330,799	238,128,147		
<b>The maximum of credit risk covered by guarantees</b>	110,000,000	396,568,859	-	-	-		
Net book value of the financial assets that are neither overdue nor impaired	921,909,149	461,634,283	-	330,799	238,128,147		
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	12,670,000	-	-	-		
Net book value of financial assets that are overdue but not impaired	54,425,745	615,017	-	-	-		
- Amount of risk covered by guarantees	-	279,267	-	-	-		
Net book value of impaired assets	-	-	-	-	-		
- Overdue (gross book value)	-	4,533,456	-	-	-		
- Provision for impairment (-)	-	(4,533,456)	-	-	-		
- Amount of risk covered by guarantees	-	-	-	-	-		

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

December 31, 2014	Trade receivables	
	Related party	Other
1-30 days overdue	28,816,149	2,165,734
1-3 months overdue	25,390,829	1,241,768
3-12 months overdue	16,788,957	1,108,507
1-5 years overdue	3,519,517	34,627
	<b>74,515,452</b>	<b>4,550,636</b>
Risk covered by guarantees	-	2,208,171

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

December 31, 2013	Trade receivables	
	Related party	Other
1-30 days overdue	10,990,275	371,774
1-3 months overdue	7,339,035	-
3-12 months overdue	25,364,641	5,189
1-5 years overdue	10,731,794	238,054
	<b>54,425,745</b>	<b>615,017</b>
Risk covered by guarantees	-	279,267

#### 8. Other receivables and payables

	December 31, 2014	December 31, 2013
<b>Other receivables:</b>		
Other miscellaneous receivables	230,474	330,799
	<b>230,474</b>	<b>330,799</b>

	December 31, 2014	December 31, 2013
<b>Other payables:</b>		
Sales premium accruals	1,476,832	-
Taxes and funds payable	33,347,231	18,341,531
Other	4,861,655	3,261,436
	<b>39,685,718</b>	<b>21,602,967</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 9. Inventories

	December 31, 2014	December 31, 2013
Finished goods	104,688,935	191,087,991
Raw materials	246,862,840	170,737,641
Vehicle spare parts	110,330,301	108,033,942
Goods in transit	76,716,122	30,309,372
Import vehicles	22,661,995	38,105,200
Spare parts	26,812,487	28,832,723
	<b>588,072,680</b>	<b>567,106,869</b>
Less: Provision for impairment of finished goods and vehicle spare parts	(2,995,284)	(3,218,313)
	<b>585,077,396</b>	<b>563,888,556</b>

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

The Company has accounted 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:

	2014	2013
<b>At January 1</b>	<b>3,218,313</b>	<b>2,370,999</b>
Change within the period	(223,029)	847,314
<b>At December 31</b>	<b>2,995,284</b>	<b>3,218,313</b>

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
<b>December 31, 2013</b>									
Cost	11.874.536	133.726.199	598.698.603	1.625.015.040	1.246.999.402	262.563.957	7.758.660	313.146.729	4.199.783.126
Accumulated depreciation	-	(55.890.046)	(280.669.273)	(808.726.624)	(668.384.053)	(152.428.549)	(2.615.530)	-	(1.968.714.075)
<b>Net book value</b>	<b>11.874.536</b>	<b>77.836.153</b>	<b>318.029.330</b>	<b>816.288.416</b>	<b>578.615.349</b>	<b>110.135.408</b>	<b>5.143.130</b>	<b>313.146.729</b>	<b>2.231.069.051</b>
<b>For the period ended December 31, 2014</b>									
Opening net book value	11.874.536	77.836.153	318.029.330	816.288.416	578.615.349	110.135.408	5.143.130	313.146.729	2.231.069.051
Additions	-	8.512.882	6.849.011	593.720.880	409.251.039	55.720.679	5.840.233	94.731.261	1.174.625.985
Transfers	-	166.232	269.208.399	65.121.127	36.219.555	2.413.403	8.203.930	(381.332.646)	-
Disposals	-	-	(2.988.668)	(41.639.841)	(1.140.654)	(9.254.681)	(5.461.602)	-	(60.485.446)
Depreciation charge	-	(5.252.978)	(27.264.420)	(120.151.454)	(91.233.102)	(21.944.727)	(1.711.345)	-	(267.558.026)
Disposals from accumulated depreciation	-	-	846.790	39.774.538	1.093.244	7907.604	1.108.844	-	50.731.020
<b>Closing net book value</b>	<b>11.874.536</b>	<b>81.262.289</b>	<b>564.680.442</b>	<b>1.353.113.666</b>	<b>932.805.431</b>	<b>144.977.686</b>	<b>13.123.190</b>	<b>26.545.344</b>	<b>3.128.382.584</b>
<b>December 31, 2014</b>									
Cost	11.874.536	142.405.313	871.767.345	2.242.217.206	1.691.329.342	311.443.358	16.341.221	26.545.344	5.313.923.665
Accumulated depreciation	-	(61.143.024)	(307.086.903)	(889.103.540)	(758.523.911)	(166.465.672)	(3.218.031)	-	(2.185.541.081)
<b>Net book value</b>	<b>11.874.536</b>	<b>81.262.289</b>	<b>564.680.442</b>	<b>1.353.113.666</b>	<b>932.805.431</b>	<b>144.977.686</b>	<b>13.123.190</b>	<b>26.545.344</b>	<b>3.128.382.584</b>

The Company compared the borrowing costs of investment loans in foreign currency to the TL market loan interest and foreign exchange differences and interest costs equal to an amount of TL 3,215,770 (December 31, 2013: TL 97,223,956) has been recognized under property, plant and equipment according to the cumulative approach within the context of TMS 23 as of December 31, 2014.

There is no collateral, pledge or mortgage on tangible assets as of December 31, 2014 and 2013.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
<b>December 31, 2012</b>									
Cost	11.874.536	125.949.303	566.132.999	1.370.698.096	896.944.280	235.366.647	7.978.528	143.733.711	3.358.678.100
Accumulated depreciation	-	(50.880.186)	(257.856.098)	(735.121.107)	(619.856.337)	(136.164.272)	(2.341.301)	-	(1.802.219.301)
<b>Net book value</b>	<b>11.874.536</b>	<b>75.069.117</b>	<b>308.276.901</b>	<b>635.576.989</b>	<b>277.087.943</b>	<b>99.202.375</b>	<b>5.637.227</b>	<b>143.733.711</b>	<b>1.556.458.799</b>
<b>For the period ended December 31, 2013</b>									
Opening net book value	11.874.536	75.069.117	308.276.901	635.576.989	277.087.943	99.202.375	5.637.227	143.733.711	1.556.458.799
Additions	-	4.664.936	4.724.620	259.693.369	332.787.655	26.500.473	2.800.125	224.535.600	855.706.778
Transfers	-	3.111.960	27.840.984	5.395.763	17.609.276	1.164.599	-	(55.122.582)	-
Disposals	-	-	-	(10.772.186)	(341.809)	(467.762)	(3.019.997)	-	(14.601.754)
Depreciation charge	-	(5.009.860)	(22.813.175)	(79.386.400)	(48.865.104)	(16.725.902)	(980.450)	-	(173.780.891)
Disposals from accumulated depreciation	-	-	-	5.780.882	337.391	461.625	706.221	-	7.286.119
<b>Closing net book value</b>	<b>11.874.536</b>	<b>77.836.153</b>	<b>318.029.330</b>	<b>816.288.416</b>	<b>578.615.349</b>	<b>110.135.408</b>	<b>5.143.130</b>	<b>313.146.729</b>	<b>2.231.069.051</b>
<b>December 31, 2013</b>									
Cost	11.874.536	133.726.199	598.698.603	1.625.015.040	1.246.999.402	262.563.957	7.758.660	313.146.729	4.199.783.126
Accumulated depreciation	-	(55.890.046)	(280.669.273)	(808.726.624)	(668.384.053)	(152.428.549)	(2.615.530)	-	(1.968.714.075)
<b>Net book value</b>	<b>11.874.536</b>	<b>77.836.153</b>	<b>318.029.330</b>	<b>816.288.416</b>	<b>578.615.349</b>	<b>110.135.408</b>	<b>5.143.130</b>	<b>313.146.729</b>	<b>2.231.069.051</b>

### 10. Maddi duran varlıklar (devami)

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

	December 31, 2014	December 31, 2013
Moulds and models	426,456,991	366,313,427
Machinery and equipment	140,971,016	132,081,632
Furniture and fixtures	66,229,622	63,244,168
Buildings	24,354,268	18,709,946
Land improvements	2,143,387	1,999,158
Vehicles	1,034,888	847,711
	<b>661,190,172</b>	<b>583,196,042</b>

The allocation of depreciation expense as of December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
Cost of production (Note 18)	249,626,194	160,258,897
General administrative expenses (Note 19)	5,140,745	5,569,646
Research and development expenses (Note 19)	6,643,680	4,673,355
Selling and marketing expenses (Note 19)	2,094,317	1,992,665
Associated with construction in progress	4,053,090	1,286,328
	<b>267,558,026</b>	<b>173,780,891</b>

#### 11. Intangible assets

December 31, 2013	Rights	Development cost	Development costs in progress	Other	Total
Cost	31,670,385	479,714,678	359,259,892	6,460,411	877,105,366
Accumulated amortization	(26,112,104)	(432,417,596)	-	(3,263,387)	(461,793,087)
<b>Net book value</b>	<b>5,558,281</b>	<b>47,297,082</b>	<b>359,259,892</b>	<b>3,197,024</b>	<b>415,312,279</b>

#### For the period ended December 31, 2014

Opening net book value	5,558,281	47,297,082	359,259,892	3,197,024	415,312,279
Additions	3,754,159	-	138,495,787	-	142,249,946
Transfers	2,464,916	289,006,120	(291,471,036)	-	-
Disposals	(17,027,885)	(345,349,348)	-	-	(362,377,233)
Depreciation charge	(11,245,800)	(25,303,958)	-	(622,367)	(37,172,125)
Disposals from accumulated depreciation	17,027,885	345,349,348	-	-	362,377,233
<b>Closing net book value</b>	<b>531,556</b>	<b>310,999,244</b>	<b>206,284,643</b>	<b>2,574,657</b>	<b>520,390,100</b>

#### December 31, 2014

Cost	20,861,575	423,371,450	206,284,643	6,460,411	656,978,079
Accumulated amortization	(20,330,019)	(112,372,206)	-	(3,885,754)	(136,587,979)
<b>Net book value</b>	<b>531,556</b>	<b>310,999,244</b>	<b>206,284,643</b>	<b>2,574,657</b>	<b>520,390,100</b>

There is no carrying amounts of fully depreciated intangible assets still in use as of December 31,2014.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 11. Intangible assets (continued)

December 31, 2012	Rights	Development cost	Development costs in progress	Other	Total
Cost	24,942,594	473,722,783	182,884,687	6,097,543	687,647,607
Accumulated amortization	(20,709,417)	(426,240,957)	-	(2,336,558)	(449,286,932)
<b>Net book value</b>	<b>4,233,177</b>	<b>47,481,826</b>	<b>182,884,687</b>	<b>3,760,985</b>	<b>238,360,675</b>

#### For the period ended December 31, 2013

Opening net book value	4,233,177	47,481,826	182,884,687	3,760,985	238,360,675
Additions	4,181,640	-	185,276,120	-	189,457,760
Transfers	2,546,151	5,991,895	(8,900,915)	362,869	-
Depreciation charge	(5,402,687)	(6,176,639)	-	(926,830)	(12,506,156)
<b>Closing net book value</b>	<b>5,558,281</b>	<b>47,297,082</b>	<b>359,259,892</b>	<b>3,197,024</b>	<b>415,312,279</b>

#### December 31, 2013

Cost	31,670,385	479,714,678	359,259,892	6,460,411	877,105,366
Accumulated amortization	(26,112,104)	(432,417,596)	-	(3,263,387)	(461,793,087)
<b>Net book value</b>	<b>5,558,281</b>	<b>47,297,082</b>	<b>359,259,892</b>	<b>3,197,024</b>	<b>415,312,279</b>

The allocation of amortization charges relating to December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
Cost of production (Note 18)	29,553,299	5,585,523
General administrative expenses (Note 19)	4,738,532	3,704,802
Research and development expenses (Note 19)	2,652,184	3,036,487
Selling and marketing expenses (Note 19)	146,168	142,195
Associated with construction in progress	81,942	37,149
	<b>37,172,125</b>	<b>12,506,156</b>

#### 12. Prepaid expenses

Short term prepaid expenses:	December 31, 2014	December 31, 2013
Advances given for inventories	22,955,408	17,272,254
Other prepaid expenses	6,935,107	4,978,454
	<b>29,890,515</b>	<b>22,250,708</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 12. Prepaid expenses (continued)

Long term prepaid expenses:	December 31, 2014	December 31, 2013
Advances given for investments	132,481,035	591,264,603
	<b>132,481,035</b>	<b>591,264,603</b>

(\*) Investment advances given are related to the Company's new vehicle investments. TL 121,787,063 (December 31, 2013: TL 172,436,235) is given to domestic vendors as mould advances and TL 10,693,972 (December 31, 2013: TL 418,828,368) is given for the new investments.

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

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

##### Short term provisions:

	December 31, 2014	December 31, 2013
Provisions for sales premium (*)	19,054,389	26,296,182
Warranty expense provision	34,839,839	31,713,438
	<b>53,894,228</b>	<b>58,009,620</b>

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

##### Long term provisions:

	December 31, 2014	December 31, 2013
Warranty expense provision	26,244,324	25,972,211
Provisions for lawsuit	20,018,564	16,952,947
	<b>46,262,888</b>	<b>42,925,158</b>

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

	2014	2013
<b>At January 1</b>	<b>16,952,947</b>	<b>6,966,762</b>
Paid during the period	(3,863,826)	(3,210,689)
Additions during the period	6,929,443	13,196,874
<b>At December 31</b>	<b>20,018,564</b>	<b>16,952,947</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

	2014	2013
<b>At January 1</b>	<b>57,685,649</b>	<b>69,182,355</b>
Paid during the period	(77,861,272)	(85,258,189)
Additions during the period (Note 19)	81,259,786	73,761,483
<b>At December 31</b>	<b>61,084,163</b>	<b>57,685,649</b>

Letters of guarantee and letters of credit	December 31, 2014	December 31, 2013
Letters of guarantee given to financial institutions due to bank loans	1,015,293,576	1,076,694,420
Letters of guarantee given to customs	32,814,155	29,446,155
Letters of guarantees given to other parties	9,259,141	16,119,980
	<b>1,057,366,872</b>	<b>1,122,260,555</b>

Letters of guarantee given	December 31, 2014		December 31, 2013	
	Original currency	TL	Original currency	TL
Euro	332,751,008	938,590,767	376,717,791	1,106,231,793
USD	45,325,598	105,105,529	13,000	27,746
TL	13,670,576	13,670,576	15,908,315	15,908,315
GBP	-	-	26,400	92,701
		<b>1,057,366,872</b>		<b>1,122,260,555</b>

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

Collaterals, pledges and mortgages given by the Company	December 31, 2014	December 31, 2013
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	1,057,366,872	1,122,260,555
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	-	-
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of collaterals/pledges/mortgages given for the parent company	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section	-	-
<b>Total</b>	<b>1,057,366,872</b>	<b>1,122,260,555</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

As of December 31, 2014, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows :

##### Letters of guarantee taken

	December 31, 2014		December 31, 2013	
	Original currency	TL	Original currency	TL
TL	158,638,831	158,638,831	265,500,997	265,500,997
Euro	7,532,016	21,245,559	12,269,304	36,028,811
USD	-	-	463,000	988,181
		<b>179,884,390</b>		<b>302,517,989</b>

##### Tax dispute:

Fiscal Administration, imposed tax amount related to the fuel consumption for export vehicles for the years between 2007 and 2009, amounting to TL 11,982,710 which includes Special Consumption Tax, tax penalty and related interest. As a result of consultations with their advisors, the Company filed an appeal lawsuit at the court. The Company won the first lawsuits at the court filed separately for each year and the appeal processes. The courts are in the process of revision of decision.

#### 14. Commitments

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

a) Based on the credit agreements made by the Company in 2014, amounting to Euro 80,000,000 with Citibank A.Ş. and Euro 20,000,000 with T.C. Ziraat Bankası A.Ş., Euro 20,000,000 with Akbank TA.Ş in 2013 and based on the credit agreements made by the Company in 2011, Euro 60,000,000 with Vakıflar Bankası T.A.O., the Company is required to ensure that its export proceeds up to an amount equal to Euro 180,000,000 is transacted through the accounts of these banks. The Company fulfilled these commitments as of December 31, 2014.

b) Based on the 1 year credit agreements made by the Company in 2014, amounting to Euro 40,000,000 with Yapı Kredi and amounting to Euro 40,000,000 with İş Bankası A.Ş. totally Euro 80,000,000, the Company is required to ensure that its export proceeds up to an amount equal to Euro 80,000,000 is transacted through Yapı Kredi accounts and Euro 80,000,000 is transacted through İş Bankası totally TL 160,000,000 for the year 2014. The Company fulfilled these commitments as of December 31, 2014.

c) Based on the credit agreements made by the Company with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank);

- With 8 months term credit amounting to Euro 65,325,000 used in September 2013 an amount of Euro 67,000,000 and,
- With 4 months term credit amounting to Euro 27,580,000 used in October 2013 an amount of Euro 28,000,000 and,
- With 4 months term credit amounting to Euro 37,430,000 used in December 2013 an amount of Euro 38,000,000 and,
- With 4 months term credit amounting to TL 86,680,000 used in February 2013 an amount of USD 40,000,000 and,
- With 4 months term credit amounting to Euro 19,000,000 used in April 2014 an amount of Euro 19,000,000 and,
- With 4 months term credit amounting to TL 52,000,000 used in April 2014 an amount of USD 25,000,000 and,
- With 4 months term credit amounting to Euro 29,000,000 used in June 2014 an amount of Euro 29,000,000 and,
- With 4 months term credit amounting to TL 60,000,000 used in August 2014 an amount of USD 27,921,262 and,
- With 4 months term credit amounting to Euro 20,000,000 used in August 2014 an amount of USD 20,000,000 export is required to be ensured by the Company.

The Company fulfilled these commitments as of December 31, 2014.

- With 8 months term credit amounting to Euro 66,000,000 used in May 2014 an amount of Euro 66,000,000 and,
- With 8 months term credit amounting to TL 42,000,000 used in October 2014 an amount of USD 18,753,349 and,
- With 4 months term credit amounting to Euro 15,000,000 used in October 2014 an amount of Euro 15,000,000 and,
- With 4 months term credit amounting to Euro 20,000,000 used in December 2014 an amount of Euro 20,000,000 and,
- With 4 months term credit amounting to Euro 60,000,000 used in December 2014 an amount of USD 26,559,249 export is required to be ensured by the Company.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### Operational lease commitments

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

Operational lease commitments	December 31, 2014	December 31, 2013
Within 1 year	4,209,394	3,469,320
Between 1 year to 5 years	5,756,400	6,449,565
	<b>9,965,794</b>	<b>9,918,885</b>

#### 15. Employee benefits

##### Liabilities for employee benefit obligations:

	December 31, 2014	December 31, 2013
Salaries and social charges payable	33,605,366	27,072,077
Social security premiums payable	17,867,688	13,199,786
Withholding income tax payable	18,442,695	13,664,724
Other	1,719,121	1,294,433
	<b>71,634,870</b>	<b>55,231,020</b>

##### Provision for employee benefits:

	December 31, 2014	December 31, 2013
Provision for employee benefits	87,700,826	79,586,962
Provision for unused vacation pay liability	15,100,417	14,717,993
	<b>102,801,243</b>	<b>94,304,955</b>

##### Provision for employee benefits:

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

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

The amount payable consists of one month's salary limited to a maximum of TL 3,438.22 for each year of service as of December 31, 2014 (December 31, 2013 - TL 3,254.44).

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

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

	December 31, 2014	December 31, 2013
Discount rate (%)	8.2	9.5
Expected salary increase rate (%)	4.5	4.5
Net discount rate	3.50	4.78
Turnover rate to estimate the probability of retirement (%)	3.2	4.3

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 15. Employee benefits (continued)

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 TL 3,438.22 which was effective as of January 2014 (July 1, 2013 - December 31, 2013 - TL 3,254.44) has been used in the calculations.

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

	2014	2013
<b>At January 1</b>	<b>79,586,962</b>	<b>72,876,906</b>
Interest cost	7,560,762	5,465,768
Current year service cost	10,937,616	6,658,228
Paid during the period	(13,334,069)	(6,880,188)
Actuarial loss	2,949,555	1,466,248
<b>At December 31</b>	<b>87,700,826</b>	<b>79,586,962</b>

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of December 31, 2014 is below:

Sensitivity level	Net discount rate		Turnover rate related to the probability of retirement	
	%0.5 decrease	0.5% increase	%0.5 decrease	0.5% increase
Rate (%)	(3.00)	(4.00)	96.28	97.28
Change in provision for employee benefits	5,427,585	(4,891,609)	(5,264,537)	5,763,798

#### 16. Other current assets

	December 31, 2014	December 31, 2013
VAT to be deductible(*)	135,919,140	146,841,719
Prepaid taxes and withholding	7,795,742	8,586,800
Other	16,043,010	12,157,482
	<b>159,757,892</b>	<b>167,586,001</b>

(\*) VAT to be deductible is related to the ongoing process of refund of export VAT receivable related to November and December of 2014. VAT return receivable amounting to TL 69.2 million was collected in January 2015.

#### 17. Equity

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

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 17. Equity (continued)

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

There are 35,091,000,000 unit of shares (December 31, 2013 - 35,091,000,000 unit) with a nominal value of Kr 1 each.

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

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned reserves under "Restricted reserves", the amount of restricted reserves is TL 472,233,474 as of December 31, 2014 (December 31, 2013 - TL 454,687,974).

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

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

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

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

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

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

The management of the Company has reassessed the investment process and the economic conditions the Company is in and in the Extraordinary General Asembly meeting dated October 31, 2014, it has decided on the distribution of cash dividend at a rate of 50%, with a total amount of TL 175,455,000, as 50,00 kuruş gross (42,50 net) for each share with a value of TL 1. The Company made the dividend payment in November 2014.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 17. Equity (continued)

	December 31, 2014	December 31, 2013
Share capital	350,910,000	350,910,000
Inflation adjustment to share capital	27,920,283	27,920,283
Share premium	8,252	8,252
Revaluation funds	10,658,913	6,418,090
Net loss on cash flow hedge	(6,039,879)	(102,334,951)
Actuarial (loss) arising from employee benefits	(13,413,478)	(11,053,834)
<b>Restricted reserves</b>	<b>472,233,474</b>	<b>454,687,974</b>
- Legal reserves	472,233,474	454,687,974
<b>Retained earnings</b>	<b>1,317,048,020</b>	<b>868,576,734</b>
- Inflation adjustment to equity	428,301,244	428,301,244
- Extraordinary reserves	872,873,599	424,402,313
- Other reserves	5,992,341	5,992,341
- Other retained earnings	9,880,836	9,880,836
Net income for the period	594,856,111	641,471,786
<b>Share capital</b>	<b>2,754,181,696</b>	<b>2,236,604,334</b>

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

December 31, 2014	Historical values	Adjusted values	Equity inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	472,233,474	530,986,078	58,752,604
Extraordinary reserves	872,873,599	1,242,018,615	369,145,016
Share premium	8,252	361,733	353,481
Other reserves	5,992,341	6,042,484	50,143
	<b>1,702,017,666</b>	<b>2,158,239,193</b>	<b>456,221,527</b>

December 31, 2013	Historical values	Adjusted values	Equity inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	454,687,974	513,440,578	58,752,604
Extraordinary reserves	424,402,313	793,547,329	369,145,016
Share premium	8,252	361,733	353,481
Other reserves	5,992,341	6,042,484	50,143
	<b>1,236,000,880</b>	<b>1,692,222,407</b>	<b>456,221,527</b>

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 December 31, 2014 and December 31, 2013. As of December 31, 2014 fair value change (positive) amounting to TL 4,240,823, net of deferred tax, (December 31, 2013 - TL 1,705,467) is shown in statement of other comprehensive income.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 17. Equity (continued)

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

	2014	2013
<b>January 1</b>	<b>(106,970,695)</b>	<b>(6,466,458)</b>
Increase in revaluation fund of available for sale financial assets	4,240,823	1,705,467
Actuarial (loss) arising from employee benefits	(2,359,644)	(1,172,998)
Accumulated gain / (loss) from cash flow hedge	96,295,072	(101,036,706)
<b>December 31</b>	<b>(8,794,444)</b>	<b>(106,970,695)</b>

#### 18. Revenue and cost of sales

	December 31, 2014	December 31, 2013
Export sales	7,687,446,929	7,299,181,116
Domestic sales	4,678,922,359	4,561,836,223
Other sales	64,423,992	68,998,825
Less: Discounts	(505,956,773)	(525,103,270)
	<b>11,924,836,507</b>	<b>11,404,912,894</b>

#### Units of vehicle sales:

	December 31, 2014			December 31, 2013		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	4,536	109,274	113,810	3,399	53,053	56,452
Transit	21,687	62,189	83,876	23,788	120,503	144,291
Transit Courier	20,836	19,229	40,065	-	-	-
Passenger vehicles	33,650	301	33,951	58,618	307	58,925
Cargo	6,853	963	7,816	5,936	1,002	6,938
Transit Connect	2,690	-	2,690	21,711	51,796	73,507
Ranger	430	-	430	519	10	529
New Transit Connect	356	-	356	-	-	-
	<b>91,038</b>	<b>191,956</b>	<b>282,994</b>	<b>113,971</b>	<b>226,671</b>	<b>340,642</b>

Summaries of cost of production as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Raw material cost	(8,148,853,314)	(7,447,749,842)
Production overhead costs	(735,188,418)	(683,816,123)
Depreciation and amortization expenses (Note 10 & 11)	(279,179,493)	(165,844,420)
Change in finished goods inventory	(86,176,027)	(28,717,540)
<b>Total production cost</b>	<b>(9,249,397,252)</b>	<b>(8,326,127,925)</b>
Cost of trade goods sold	(1,544,852,280)	(1,951,027,803)
<b>Total cost of sales</b>	<b>(10,794,249,532)</b>	<b>(10,277,155,728)</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

	December 31, 2014	December 31, 2013
<b>Selling and marketing expenses:</b>		
Warranty expenses	(81,259,786)	(73,761,483)
Advertising expenses	(50,237,611)	(53,047,821)
Personnel expenses	(46,337,390)	(43,822,852)
Vehicle transportation expenses	(39,262,797)	(49,294,526)
Spare parts transportation and packaging expenses	(15,473,003)	(15,749,259)
Dealer and service development expenses	(10,792,174)	(10,691,646)
Export expenses	(9,866,000)	(12,193,894)
Depreciation and amortization expense	(2,240,485)	(2,134,860)
Other	(21,593,654)	(9,247,317)
	<b>(277,062,900)</b>	<b>(269,943,658)</b>
<b>General administrative expenses:</b>		
Personnel expenses	(60,432,629)	(54,911,556)
New project administrative expenses	(18,972,497)	(17,203,756)
Legal, consulting and auditing expenses	(18,797,330)	(22,949,218)
Depreciation and amortization expense	(9,879,277)	(9,274,448)
Grants and donations	(8,548,147)	(12,235,154)
Organization expenses	(7,906,409)	(4,001,324)
Duties, taxes and levies	(5,986,079)	(12,252,068)
Travel expenses	(4,676,212)	(3,595,571)
Repair, maintenance and energy expenses	(4,007,811)	(4,206,381)
Warranty expenses excluding sales	(1,103,839)	(1,142,130)
Other	(15,069,825)	(12,473,240)
	<b>(155,380,055)</b>	<b>(154,244,846)</b>
<b>Research and development expenses:</b>		
Personnel expenses	(91,836,043)	(63,918,739)
Project costs	(48,014,869)	(54,922,399)
Research and development administrative expenses	(16,064,970)	(13,923,250)
Depreciation and amortization expenses	(9,295,864)	(7,709,842)
Other	(6,330,290)	(5,415,689)
	<b>(171,542,036)</b>	<b>(145,889,919)</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 20. Expenses by nature

The classification of expenses by nature for the year ended at December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
Raw material cost	(8,148,853,314)	(7,447,749,842)
Cost of trade goods sold	(1,544,852,280)	(1,951,027,803)
Personnel expenses	(610,205,629)	(531,468,977)
Financial expenses	(531,263,990)	(295,946,425)
Other operational expenses	(383,934,294)	(388,246,224)
Other overhead expenses	(323,617,861)	(315,060,195)
Depreciation and amortization expenses	(300,595,118)	(184,963,570)
Other operational expenses	(107,623,291)	(64,009,849)
Change in finished goods inventory	(86,176,027)	(28,717,540)
Expenses from investing activities	(7,027,419)	(5,253,888)
<b>Total expenses</b>	<b>(12,044,149,223)</b>	<b>(11,212,444,313)</b>

#### 21. Other operating income/expenses

	December 31, 2014	December 31, 2013
<b>Other operating income and gains:</b>		
Foreign exchange gains	29,231,288	81,524,684
Credit finance gains	46,359,110	36,353,789
License fees income	16,168,862	8,210,298
Price difference and claim recovery	9,126,007	10,549,724
Income related to tax exceptions	6,284,532	11,792,633
Commission income	4,109,599	7,279,504
Rent income	4,904,368	3,782,462
Other	5,954,587	16,480,643
	<b>122,138,353</b>	<b>175,973,737</b>

#### Other operating expenses and losses:

Credit finance charge	(75,089,070)	(41,848,088)
Foreign exchange losses	(28,197,529)	(19,731,933)
Other	(4,336,692)	(2,429,828)
	<b>(107,623,291)</b>	<b>(64,009,849)</b>

#### 22. Financial income

	December 31, 2014	December 31, 2013
Foreign exchange gains	373,097,298	73,012,050
Interest income	10,229,855	9,720,451
	<b>383,327,153</b>	<b>82,732,501</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 23. Financial expenses

	December 31, 2014	December 31, 2013
Foreign exchange losses	(447,406,556)	(261,531,449)
Interest expenses	(51,957,623)	(25,237,418)
Other financial expenses	(31,899,811)	(9,177,558)
	<b>(531,263,990)</b>	<b>(295,946,425)</b>

#### 24. Tax assets and liabilities

Corporate Tax Law was amended by the Law No, 5520 dated June 13, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from January 1, 2006. Accordingly, the corporate tax rate for the fiscal year 2014 is 20% (December 31, 2013 - 20%). Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

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

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

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

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

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

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

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

The Company capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code. As of December 31, 2014 the Company used R&D deduction of TL 101,538,224 (December 31, 2013: TL 94,456,192) in return for the legal tax.

The decree on Government Subsidies for Incentives regulating investment incentives was published in the official gazette and became effective on 16 July 2009. Within the scope of this decree, the Company acquired a large-scaled investment incentive certificate subject investment is located in the 1. Region and has a 30% rate of contribution to investment. As of the statement of the financial position date, in the framework of the related investment incentive certificates, an investment expense of TL 559,294,788 (December 31,2013: TL 559,816,554) was made and subject to document expenditures is completed. The Company used a discount on corporate tax for its Transit Custom model for TL 133,302 and this amount has been deducted from the total deferred tax asset (December 31,2013: TL 812,070).

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

The decree on Government Subsidies for Incentives re-regulating investment incentives was published in the official gazette and became effective on 19 June 2012. The Company reevaluated its existing investments and within the scope of above mentioned new decree acquired a privileged investment incentive certificate amounting to TL 1,194,397,995 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. The investments will benefit from the 5. Region contributions according to the new incentive regulation and has a 40% rate of contribution to investment. Since the Privileged Investment Incentive Certificate amounting to TL 1,194,397,995 received for the New Generation Transit expenses exceeds TL 1 billion, The company can benefit from the additional 10% rate of contribution to investment.

As of the date of statement of financial position, the investment expenditures amounting to TL 1,720,868,735 (December 31,2013: TL 630,033,496) was made in the framework of the related new investment incentive certificates and the Company utilized discounted corporate taxation amounting to TL 2,302,054 (December 31,2013: TL 12,324,418) in the current year and this amount has been deducted from the total deferred tax asset.

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

	December 31, 2014	December 31, 2013
Current year corporate tax expense	708,815	3,893,175
Prepaid tax and withholding	(708,815)	(3,893,175)
	-	-

The taxation on income for the periods ended December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Current year corporate tax expense	(708,815)	(3,893,175)
Current year tax effect of cash flow hedge	24,002,090	(25,448,879)
Deferred tax income	181,150,586	218,709,034
	<b>204,443,861</b>	<b>189,366,980</b>

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at December 31, 2014 and 2013 and current tax ratio based on income before tax is as follows:

	December 31, 2014	December 31, 2013
<b>Income before tax:</b>	<b>390,412,250</b>	452,104,806
Effective tax rate	20%	20%
Current year tax expense	(78,082,450)	(90,420,961)
R&D deduction	20,307,645	18,891,238
Investment incentive exemption	261,954,296	260,408,438
Other temporary differences	264,370	488,265
	<b>204,443,861</b>	<b>189,366,980</b>

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.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>Deferred tax assets:</b>				
Investment incentive tax asset	1,840,604,884	1,152,846,619	665,294,714	405,775,774
Expense accruals and other provisions	55,984,341	74,089,837	12,111,313	15,111,217
Employee benefits provision	87,700,826	79,586,962	18,454,610	16,210,642
Warranty expense provision	61,084,163	57,685,649	12,216,833	11,537,130
Inventories	21,192,176	47,030,202	4,238,435	9,406,040
			<b>712,315,905</b>	<b>458,040,803</b>
<b>Deferred tax liabilities:</b>				
Tangibles and intangibles	986,635,389	758,636,788	(222,297,918)	(151,727,358)
Income accruals and other	32,507,837	21,995,304	(6,501,568)	(4,399,061)
			<b>(228,799,486)</b>	<b>(156,126,419)</b>
<b>Net deferred tax asset</b>			<b>483,516,419</b>	<b>301,914,384</b>

Deferred tax movements are as follows:

	January 1, 2014	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	December 31, 2014
	<b>Deferred tax liabilities:</b>			
Tangible and intangible assets	(151,727,358)	(70,570,560)	-	(222,297,918)
Income accruals and other	(4,399,061)	(1,879,306)	(223,201)	(6,501,568)
<b>Deferred tax assets:</b>				
Investment incentive tax asset	405,775,774	259,518,940	-	665,294,714
Expense accruals and other	15,111,217	(3,084,643)	84,739	12,111,313
Provision for employee benefits	16,210,642	1,654,057	589,911	18,454,610
Warranty expense provision	11,537,130	679,703	-	12,216,833
Inventories	9,406,040	(5,167,605)	-	4,238,435
<b>Deferred tax asset, net</b>	<b>301,914,384</b>	<b>181,150,586</b>	<b>451,449</b>	<b>483,516,419</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

	January 1, 2013	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	December 31, 2013
	<b>Deferred tax liabilities:</b>			
Temporary difference between financial statements adjusted under TFRS and tax:				
Tangible and intangible assets	(114,728,151)	(36,999,207)	-	(151,727,358)
Income accruals and other	(4,359,493)	26,514	(66,082)	(4,399,061)
<b>Deferred tax assets:</b>				
Investment incentive tax asset	158,503,824	247,271,950	-	405,775,774
Expense accruals and other	13,285,962	2,014,958	(189,703)	15,111,217
Provision for employee benefits	14,575,381	1,342,011	293,250	16,210,642
Warranty expense provision	13,836,471	(2,299,341)	-	11,537,130
Inventories	2,053,891	7,352,149	-	9,406,040
<b>Deferred tax liability, net</b>	<b>83,167,885</b>	<b>218,709,034</b>	<b>37,465</b>	<b>301,914,384</b>

#### 25. Earnings per share

	December 31, 2014	December 31, 2013
Net income for the year (TL)	594,856,111	641,471,786
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000
<b>Earnings per share with nominal value of Kr 1 each</b>	<b>1.70 Kr</b>	<b>1.83 Kr</b>

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

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

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### a) Receivables from related parties:

##### i) Trade receivable from related parties

	December 31, 2014	December 31, 2013
<b>Due from shareholders:</b>		
Ford Motor Company and its subsidiaries	588,906,685	654,172,884
	<b>588,906,685</b>	<b>654,172,884</b>
<b>Due from group companies (*):</b>		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	335,195,671	321,909,112
Other	7,815,883	3,239,372
	<b>343,011,554</b>	<b>325,148,484</b>
Less: Unearned credit finance income	(2,378,919)	(2,986,474)
	<b>929,539,320</b>	<b>976,334,894</b>

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

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

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company's receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 25 days on average and spare part sales from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 70 days on average.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### b) Payables to related parties:

##### i) Trade payables to related parties

	December 31, 2014	December 31, 2013
<b>Due to shareholders::</b>		
Ford Motor Company and its subsidiaries	385,850,467	205,020,830
	<b>385,850,467</b>	<b>205,020,830</b>
<b>Due to group companies (*):</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	35,718,844	28,945,112
Ram Dış Ticaret A.Ş.	27,844,300	13,612,335
Setur Servis Turistik A.Ş.	4,523,762	3,009,643
Eltek Elektrik Enerjisi İth.İhr.ve Top.Tic. A.Ş.	3,821,017	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	2,517,307	1,904,462
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	2,368,753	5,042,210
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	1,772,226	1,451,733
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	968,527	880,764
Ark İnşaat A.Ş.	546,052	-
Ram Sigorta Aracılık Hizmetleri A.Ş.	334,758	855,710
Other	5,450,827	1,791,238
	<b>85,866,373</b>	<b>57,493,207</b>
Less: Unearned credit finance expense	(513,147)	(224,750)
	<b>471,203,693</b>	<b>262,289,287</b>

(\* The Company's shareholders' subsidiaries, business associates and affiliates

##### ii) Other payables to related parties

	December 31, 2014	December 31, 2013
Koç Tüketici Finansmanı A.Ş.	5,708,354	149,784
Koç Holding A.Ş.	3,136,045	204,856
Yapı ve Kredi Bankası A.Ş.	1,815,783	5,263,690
	<b>10,660,182</b>	<b>5,618,330</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

	December 31, 2014	December 31, 2013
Ford Motor Company ve iştirakleri (*)	7,522,035,457	7,148,628,222
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.(**)	1,296,436,288	1,336,319,739
Other	28,396,334	62,811,372
	<b>8,846,868,079</b>	<b>8,547,759,333</b>
Less: Financial income from credit sales	(13,126,540)	(11,149,834)
	<b>8,833,741,539</b>	<b>8,536,609,499</b>

(\*) 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:

	January 1 - December 31, 2014			Total
	Material	Service	Fixed Assets	
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	8,535,471	162,509,645	80,124	171,125,240
Ram Dış ticaret A.Ş.	95,815,113	-	-	95,815,113
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	75,565,048	75,565,048
Eltak Elektrik Enerjisi İth.İhr.ve Top.Tic. A.Ş.	-	31,975,370	-	31,975,370
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	17,362,621	-	-	17,362,621
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	8,295,918	5,204,389	13,500,307
Setur Servis Turistik A.Ş.	-	13,409,807	-	13,409,807
Koç Holding A.Ş.	-	12,280,000	-	12,280,000
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	8,429,560	934,815	9,364,375
Ram Sigorta Aracılık Hizmetleri A.Ş.(*)	-	7,747,257	-	7,747,257
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	6,546,647	-	76,522	6,623,169
Opet Petrolcülük A.Ş.	5,549,024	-	-	5,549,024
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	4,650,867	-	-	4,650,867
Diğer	1,418,060	5,494,619	180,000	7,092,679
	<b>139,877,803</b>	<b>250,142,176</b>	<b>82,040,898</b>	<b>472,060,877</b>
Less: Financial expense from credit sales	(2,353,692)	-	-	(2,353,692)
	<b>137,524,111</b>	<b>250,142,176</b>	<b>82,040,898</b>	<b>469,707,185</b>

(\*) Contains paid and accrued premium amounts for the interim periods ended December 31, 2014 and 2013 within the context of insurance policies signed with insurance Companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

	January 1 - December 31, 2013			Total
	Material	Service	Fixed Assets	
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	8.139.178	149.262.769	97.057	157.499.004
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	74.822.453	74.822.453
Ram Dış ticaret A.Ş.	61.856.877	3.100	-	61.859.977
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	8.561.874	6.861.126	15.423.000
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	15.274.789	-	-	15.274.789
Setur Servis Turistik A.Ş.	-	9.632.000	-	9.632.000
Koç Holding A.Ş.	-	9.132.730	-	9.132.730
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	8.356.103	-	-	8.356.103
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7.950.174	-	7.950.174
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	7.361.058	-	431.950	7.793.008
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	4.544.092	1.721.452	6.265.544
Opet Petrolcülük A.Ş.	3.661.317	-	-	3.661.317
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1.684.792	-	1.684.792
Callus Bilgi ve İletişim Hizmetleri A.Ş.(*)	-	1.020.146	-	1.020.146
Divan Turizm İşletmeleri A.Ş.	-	555.078	-	555.078
Koç Üniversitesi	-	443.000	-	443.000
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	394.726	-	394.726
Promena Elektronik Ticaret A.Ş.	-	388.000	-	388.000
Otokar Otomotiv ve Savunma Sanayi A.Ş.	785	218.828	-	219.613
Moment Eğitim Araştırma Sağlık Hiz.Tic.A.Ş.	-	179.047	-	179.047
Aygaz A.Ş.	106.450	-	-	106.450
Tofaş Türk Otomobil Fabrikası A.Ş.	-	58.245	-	58.245
Arçelik A.Ş.	1.254	-	508	1.762
	<b>104.757.811</b>	<b>194.028.601</b>	<b>83.934.546</b>	<b>382.720.958</b>
Less: Financial expense from credit sales	(1.267.604)	-	-	(1.267.604)
	<b>103.490.207</b>	<b>194.028.601</b>	<b>83.934.546</b>	<b>381.453.354</b>

(\*) Koç Holding A.Ş. has transferred Callus Bilgi ve İletişim Hizmetleri A.Ş. shares as of July 2, 2013.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

	December 31, 2014	December 31, 2013
Ford Motor Company and its subsidiaries	4,634,719,963	4,863,365,905

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

	December 31, 2014	December 31, 2013
	80,023,983	61,727,345

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

	December 31, 2014	December 31, 2013
	16,168,862	8,210,299

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

	December 31, 2014	December 31, 2013
	8,020,204	10,777,946

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

Deposits in related banks:	December 31, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş.		
- Banks - foreign currency time deposits	103,811,998	54,622,940
- Banks - TL demand deposits	75,300,493	15,631,713
- Banks - TL time deposits	3,766,408	-
- Banks - foreign currency demand deposits	13,657,312	153,211
	196,536,211	70,407,864

##### Loans obtained from related banks

	December 31, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş.	10,970,246	10,432,157

##### i) Commission income:

	December 31, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş.	4,103,976	7,209,509

##### i) Commission expense:

	December 31, 2014	December 31, 2013
Koç Tüketici Finansmanı A.Ş.	35,511,123	824,930
Yapı ve Kredi Bankası A.Ş.	22,580,673	34,133,867
	58,091,796	34,958,797

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

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

##### j) Interest income:

	December 31, 2014	December 31, 2013
Yapı ve Kredi Bankası A.Ş.	2,445,163	2,375,453

##### k) Dividend income:

	December 31, 2014	December 31, 2013
Otokar Otomotiv ve Savunma Sanayi A.Ş.	585,830	374,931

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

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

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

The total amount of compensation given to key management personnel of the Company as of December 31, 2014 was TL 20,849,674 (December 31, 2013 - TL 16,763,843).

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 27. Financial instruments and financial risk management

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

##### December 31, 2014

	TL (Functional currency)	USD	Euro	GBP
1. Trade receivables	622,702,244	9,606,819	212,750,045	89,246
2. Monetary financials assets (including cash and cash equivalents)	405,925,946	700,998	143,057,316	216,520
3. Other	72,186,327	1,799,732	23,929,423	143,268
<b>4. Current assets (1 + 2 + 3)</b>	<b>1,100,814,517</b>	<b>12,107,549</b>	<b>379,736,784</b>	<b>449,034</b>
5. Monetary financial assets	-	-	-	-
<b>6. Non-current assets (4+6)</b>	<b>1,100,814,517</b>	<b>12,107,549</b>	<b>379,736,784</b>	<b>449,034</b>
8. Trade payables	455,531,517	25,083,134	139,682,834	935,143
9. Financial liabilities	876,984,412	-	310,910,203	-
10. Other monetary liabilities	3,275,252	1,093,284	152,900	85,857
<b>11. Short term liabilities (8 + 9 + 10)</b>	<b>1,335,791,181</b>	<b>26,176,418</b>	<b>450,745,937</b>	<b>1,021,000</b>
12. Financial liabilities	1,360,646,538	-	482,379,033	-
<b>13. Long term liabilities (12)</b>	<b>1,360,646,538</b>	<b>-</b>	<b>482,379,033</b>	<b>-</b>
<b>14. Total liabilities (11 + 13)</b>	<b>2,696,437,719</b>	<b>26,176,418</b>	<b>933,124,970</b>	<b>1,021,000</b>
<b>15. Net foreign currency assets / (liabilities) position (7 - 14)</b>	<b>(1,595,623,202)</b>	<b>(14,068,869)</b>	<b>(553,388,186)</b>	<b>(571,966)</b>
<b>16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)</b>	<b>(1,667,809,529)</b>	<b>(15,868,601)</b>	<b>(577,317,609)</b>	<b>(715,234)</b>

(\*) The Company's net foreign exchange position is mainly due to long term Euro denominated loans obtained to fund its investments. The Company is hedged for the foreign currency exchange risk of a portion of those Euro denominated loans amounting to TL 1,665,624,667 (December 31, 2013 - TL 691,450,364) by export agreements signed with Ford Motor Company.

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### December 31, 2013

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### Foreign exchange risk

The Company is exposed to foreign exchange risk primarily against to Euro and partly against to USD. The foreign exchange risk of the Company arises from long-term Euro investment loans.

December 31, 2014

	Profit/(loss) before taxation	
Appreciation in foreign currency / Depreciation in foreign currency	Increase by %10	Decrease by %10
<b>Change in USD against TL</b>		
US Dollar net (liabilities) / assets	(3,262,430)	3,262,430
US Dollar net hedged amount	-	-
<b>US Dollar net (loss) / gain</b>	(3,262,430)	3,262,430
<b>Change in Euro against TL</b>		
Euro net (liabilities) / assets	(156,094,206)	156,094,206
Euro net hedged amount	166,590,542	(166,590,542)
<b>Euro net (loss) / gain</b>	10,496,336	(10,496,336)
<b>Change in other foreign currency against TL</b>		
Other foreign currency denominated net assets/(liabilities)	(205,684)	205,684
Other foreign currency denominated- hedged amount	-	-
<b>Other foreign currency denominated net gain/(loss)</b>	(205,684)	205,684

December 31, 2013

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

The comparative amounts for total export and import amounts for the year ended December 31, 2014 and 2013 are as follows;

	December 31, 2014	December 31, 2013
Total export amount	7,687,446,929	7,299,181,116
Total import amount	5,817,722,210	6,162,335,697

The Company's net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk the Company follows a balanced foreign currency position policy. The foreign currency exposure arising from foreign currency denominated borrowings and trade payables is managed through assets denominated in foreign currency.

##### Interest rate risk

The Company's interest rate sensitive financial instruments are as follows:

	December 31, 2014	December 31, 2013
<b>Fixed interest rate financial instruments</b>		
Financial assets	548,926,849	213,301,075
Financial liabilities	1,211,675,030	904,174,322
<b>Floating interest rate financial instruments</b>		
Financial liabilities(*)	1,118,601,879	1,369,230,992

(\*) As of December 31, 2014, the Company, signed an interest swap agreement in order to mitigate the cash flow interest risk related to the floating interest loan amounting to Euro 17,572,537 (TL 49,566,857) with a maturity of December 9, 2015.

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 TL 2,035,479.58 at December 31, 2014 (December 31, 2013 - TL 1,386,362.93) due to higher/lower interest expense.

## Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2014

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

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

#### Likidite riski

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

December 31, 2014	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
<b>Non-derivative financial instruments</b>						
<b>Financial liabilities</b>	<b>2,349,987,527</b>	<b>2,444,575,377</b>	<b>279,990,058</b>	<b>726,379,072</b>	<b>1,264,204,264</b>	<b>174,001,983</b>
Trade payables						
- Related party	471,203,693	471,716,840	471,716,840	-	-	-
- Other	1,325,187,809	1,332,727,390	1,332,727,390	-	-	-
Other liabilities						
- Related party	10,660,182	10,660,182	10,660,182	-	-	-
- Other	39,685,718	39,685,718	39,685,718	-	-	-
<b>Derivative financial liabilities</b>						
Derivative financial instruments	344,734	344,734	-	344,734	-	-

## Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2014

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

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

December 31, 2013	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
<b>Non-derivative financial instruments</b>						
<b>Financial liabilities</b>	<b>2,291,215,803</b>	<b>2,388,821,952</b>	<b>113,600,631</b>	<b>972,175,285</b>	<b>995,929,686</b>	<b>307,116,351</b>
Trade payables						
- Related party	262,289,287	262,514,037	262,514,037	-	-	-
- Other	919,806,623	923,138,810	923,138,810	-	-	-
Other liabilities						
- Related party	5,618,330	5,618,330	5,618,330	-	-	-
- Other	21,602,967	21,602,967	21,602,967	-	-	-
<b>Derivative financial liabilities</b>						
Derivative financial instruments	713,095	713,095	-	-	713,095	-

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

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

##### Fair value hierarchy table

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

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

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

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

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

December 31, 2014	Level 1(*)	Level 2(**)	Level 3
<b>Assets at fair value</b>			
Financial asset available-for-sale -Otokar	12,196,978	-	-
<b>Total assets</b>	<b>12,196,978</b>	<b>-</b>	<b>-</b>
<b>Liabilities at fair value</b>			
Cash flow hedge swap transaction	-	344,734	-
<b>Total Liabilities</b>	<b>-</b>	<b>344,734</b>	<b>-</b>

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

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

December 31, 2013	Level 1(*)	Level 2(**)	Level 3
<b>Assets at fair value</b>			
Financial asset available-for-sale -Otokar	7,732,955	-	-
<b>Total Assets</b>	<b>7,732,955</b>	<b>-</b>	<b>-</b>
<b>Liabilities at fair value</b>			
Cash flow hedge swap transaction	-	713,095	-
<b>Total Liabilities</b>	<b>-</b>	<b>713,095</b>	<b>-</b>

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

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

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 28. Derivative financial instruments

	December 31, 2014	December 31, 2013
<b>Derivative financial instruments:</b>		
Long term financial derivatives	344,734	713,095
	<b>344,734</b>	<b>713,095</b>

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

As of December 31, 2014, the Company has entered into swap transaction for Euro 17,572,537 with a maturity of December 9, 2015 to hedge itself from the risk caused by fluctuations in interest rates. The critical terms of the swap contract such as due date, repayment, and changes in interests are in line with the foreign currency loan agreement subject to the swap transaction as of December 31, 2014. The fair value of the related swap transaction as of December 31, 2014 is amounting to TL 344,734 and presented in "Non-current liabilities".

	December 31, 2014	December 31, 2013
<b>Cash flow hedge reserve:</b>		
Amount recognized in other comprehensive income	(55,615,261)	150,814,957
Amount recycled from other comprehensive income to statement of profit or loss	(64,395,189)	(23,570,560)
	<b>(120,010,450)</b>	<b>127,244,397</b>

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

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

	December 31, 2014	December 31, 2013
<b>Income from investing activities:</b>		
Gain on sales of property, plant and equipment	3,673,630	555,056
Dividend income	585,830	374,931
	<b>4,259,460</b>	<b>929,987</b>
<b>Expenses from investing activities:</b>		
Loss on sales of property, plant and equipment	(7,027,419)	(5,253,888)
	<b>(7,027,419)</b>	<b>(5,253,888)</b>

## Ford Otomotiv Sanayi A.Ş.

### Notes to financial statement for the period ended December 31, 2014

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

#### 30. Deferred revenue

	December 31, 2014	December 31, 2013
Advances taken	9,548,207	2,869,027
	9,548,207	2,869,027

#### 31. Government incentives and grants

The Company received two investment incentives both greater than TL 250 million in December 2010, under the scope of the Council of Minister's decision numbered 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of the costs of fixed assets purchases related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned. Of these investments, the investment on the New Transit Custom factory amounting to TL 559,294,788 was completed and the rate of contribution to investment is used in tax calculations. The incentive certificate received as per the Decree of the Council of Ministers numbered 2009/15199 for the investment of the new lightweight commercial vehicle Transit Courier was cancelled upon request of the Company since the investment will continue with the incentive which has a 40% rate of contribution to investment as explained below.

Additionally, the Company reevaluated its existing investments within the scope of the decree on Government Subsidies for Incentives re-regulating investment incentives, which was published in the official gazette in 2013 and became effective on 19 June 2012, and in order to benefit from privileged investment incentive regarding new decree, acquired a privileged investment incentive certificate amounting to TL 1,194,397,995 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. Subject investment incentives has a 40% rate of contribution to investment. Since the Privileged Investment Incentive Certificate amounting to TL 1,194,397,995 received for the New Generation Transit expenses exceeds TL 1 billion, the Company can benefit from the additional 10% rate of contribution to investment.

In December 2014, the Company received a privileged investment incentive amounting to TL 331,362,274 and with a 40% rate of contribution to investment for the expanding investment for the production of Euro 6 emission trucks which will be put into use in the year 2018 in the Eskişehir İnönü plant.

#### 32. Subsequent events

There is no significant subsequent event to be disclosed.

#### 33. Disclosure of other matters

There are no other matters other than stated above, which would materially affect or that would have material effect on the financial statements, required for the purpose of understanding and interpreting the financial statements or on their interpretation and understandability.

## FORD OTOSAN

#### Trade Name:

Ford Otomotiv Sanayi A.Ş.

#### Authorized Capital:

TL 500,000,000

#### Trade Registry Number:

73232

#### Paid-in Capital:

TL 350,910,000

#### Central Registration System

##### Number (MERSIS):

6151881823298226

#### Centers:

##### Kocaeli Plants

Denizevler Mah. Ali Uçar Cad. No:53

Gölcük / Kocaeli

Tel: +90 262 315 50 00

##### İnönü Plant

Bozüyük - Kütahya Yolu Üzeri 8. km

26670 İnönü / Eskişehir

Tel: +90 222 213 20 00

##### Sancaktepe Parts Distribution Center

Akpınar Mah. Hasan Basri Cad. No:2

34885 Sancaktepe / İstanbul

Tel: +90 216 564 71 00

##### Sancaktepe Engineering Center

Akpınar Mah. Hasan Basri Cad.

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#### Legal Disclaimer:

This Annual Report ("Report"), including the Board of Directors' Report about the operations and financials of 2014, 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 23<sup>rd</sup> of March 2015 Monday at 15:00 in Divan Hotel İstanbul, Elmadağ at the address Asker Ocağı Caddesi No. 1, 34367 Şişli, İstanbul. 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.