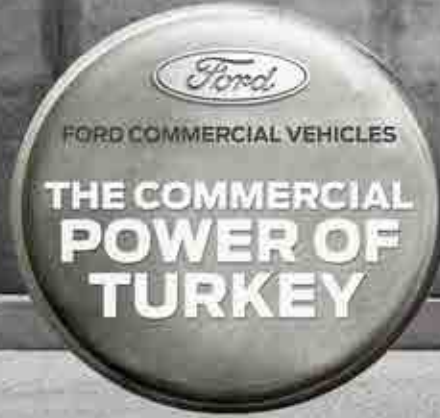


# FORD OTOSAN

On the Right Track  
to the Future



CONTENTS

01

Ford Otosan  
at a Glance



- 1 - Ford Otosan in Brief
- 2 - Summary Results
- 3 - Main Indicators
- 4 - Ford Otosan by Numbers
- 6 - Vision, Mission and Strategies
- 7 - Our Values

08

Management and  
Assessments



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

20

Ford Otosan  
in 2013



- 20 - 2013 Highlights and Achievements
- 22 - Awards
- 24 - Investor Relations
- 26 - The Turkish Automotive Industry and Ford Otosan
- 29 - Exports
- 31 - Production and Capacity
- 33 - Investments and Growing Capacity
- 40 - Extensive Product Range
- 42 - Plants
- 47 - R&D

48

Sustainability



- 48 - Quality
- 49 - Occupational Health and Safety
- 50 - Human Resources
- 55 - Environment
- 57 - Corporate Social Responsibility

60

Reports



- 61 - Agenda of the Ordinary General Assembly
- 62 - Board of Directors' Report
- 72 - Dividend Distribution Proposal
- 73 - Corporate Governance Principles
- 80 - Risk Management and Report on the Activities of the Early Determination and Management of Risk Committee
- 82 - Legal Disclosures
- 83 - Report on Related Party Transactions for 2013
- 84 - Remuneration Policy for the Board of Directors and Senior Executives
- 85 - Independent Auditor's Report on Annual Report
- 87 - Independent Auditor's Report and Financial Statements as of December 31, 2013

Legal Disclaimer:  
This Annual Report ("Report"), including the Board of Directors' Report about the operations and financials of 2013, 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 25<sup>th</sup> of March 2014 Tuesday at 15:00 in Divan Hotel Istanbul, Elmadağ at the address Asker Ocağı Caddesi No. 1, 34367 Şişli, Istanbul. The Report was written only to inform the shareholders, and does not serve the purpose to lay the ground for any investment decision. The opinions stated in the Report regarding the future and projections reflect the Company Management's view on the future situation; their materialization may differ depending on the variables and assumptions that yield the projections. Accordingly, the Company or Members of the Board of Directors, advisors or employees cannot be held liable for any information or communication conveyed as part of this Report or for any direct or indirect loss and damages that may be incurred on any individual because of information based on/omitted from the content of this report. It is believed that all information in the Report was accurate at the time of preparation. The Company rejects any responsibility for errors that may occur during writing or printing.

FORD OTOSAN  
IN BRIEF

The  
Pioneer  
Force

Founded in 1959 as "Otosan A.Ş.", Ford Otosan was the first automotive company in Turkey. In 1966, it manufactured the first domestic passenger car Anadolu, which was designed by Turkish engineers, and in 1986 the first diesel engine ERK. In 2009, it was the first Turkish company to export automobiles to the USA.

By supporting social responsibility projects for the benefit of society in the areas of education, health, environment, culture, arts and sports, Ford Otosan strives to fulfill its responsibility to society.

Corporate  
Citizenship

R&D  
Proficiency

Ford Otosan has the biggest R&D center of the Turkish automotive industry, and the 3<sup>rd</sup> largest R&D center of Ford Motor Company, with 1,277 engineers developing advanced technologies and products to dominate in global competition. It is the global design and engineering center for Ford's heavy commercial vehicles and diesel engines.

Ford Otosan has been the best selling automotive brand in Turkey for 12 consecutive years. It is Turkey's export champion in automotive thanks to an extensive export program supported by its competitive production. It accounts for 57% of Turkey's commercial vehicle production and 61% of exports.

The  
Leader in  
Automotive

"Go Further" is Ford's global brand promise launched in 2012. It is our global brand promise for providing great products, building a stronger business and a better world.

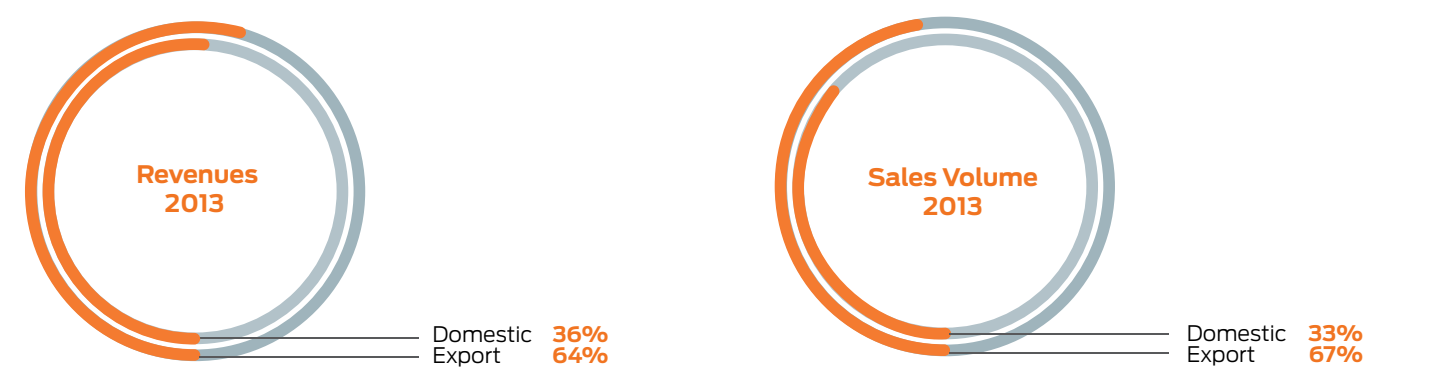
Go Further

With a capacity of 330,000 commercial vehicles and 66,000 engines at the Kocaeli and İnönü Plants, Ford Otosan will reach a capacity of 415,000 units at the end of 2014. The Kocaeli Plant has its own port, and resides in proximity to the supplier park, giving rise to the company's logistical superiority.

Logistical  
Superiority

SUMMARY  
RESULTS

Financial Highlights	2013	2012	2011	2010	2009
Revenues (Million TL)	11,405	9,768	10,445	7,649	5,574
Domestic Revenues	4,106	3,832	4,591	3,544	2,411
Export Revenues	7,299	5,936	5,854	4,105	3,164
Gross Profit (Million TL)	1,128	1,087	1,202	985	667
Operating Profit (Million TL)	670	631	729	610	389
EBITDA (Million TL)	856	772	875	785	561
Profit Before Tax (Million TL)	452	654	800	619	409
Net Profit (Million TL)	641	685	662	505	333
Capex (Million TL)	1,312	935	377	85	73
Financial Debt (Million TL)	2,291	1,260	877	528	388
Net Cash / (Debt) (Million TL)	-2,053	-958	-68	-7	-16
Net Financial Debt / Tangible Equity	1.13	0.55	0.04	-	0.01
Gross Margin	9.9%	11.1%	11.5%	12.9%	12.0%
EBITDA Margin	7.5%	7.9%	8.4%	10.3%	10.1%
Operating Margin	5.9%	6.5%	7.0%	8.0%	7.0%
Net Profit Margin	5.6%	7.0%	6.3%	6.6%	6.0%
Return on Equity	28.7%	34.3%	34.9%	28.8%	20.2%
Dividend Payment (Million TL)	300	579	519	400	397
Year-End Market Cap. (Billion US\$)	3.7	4.1	2.5	2.4	1.5

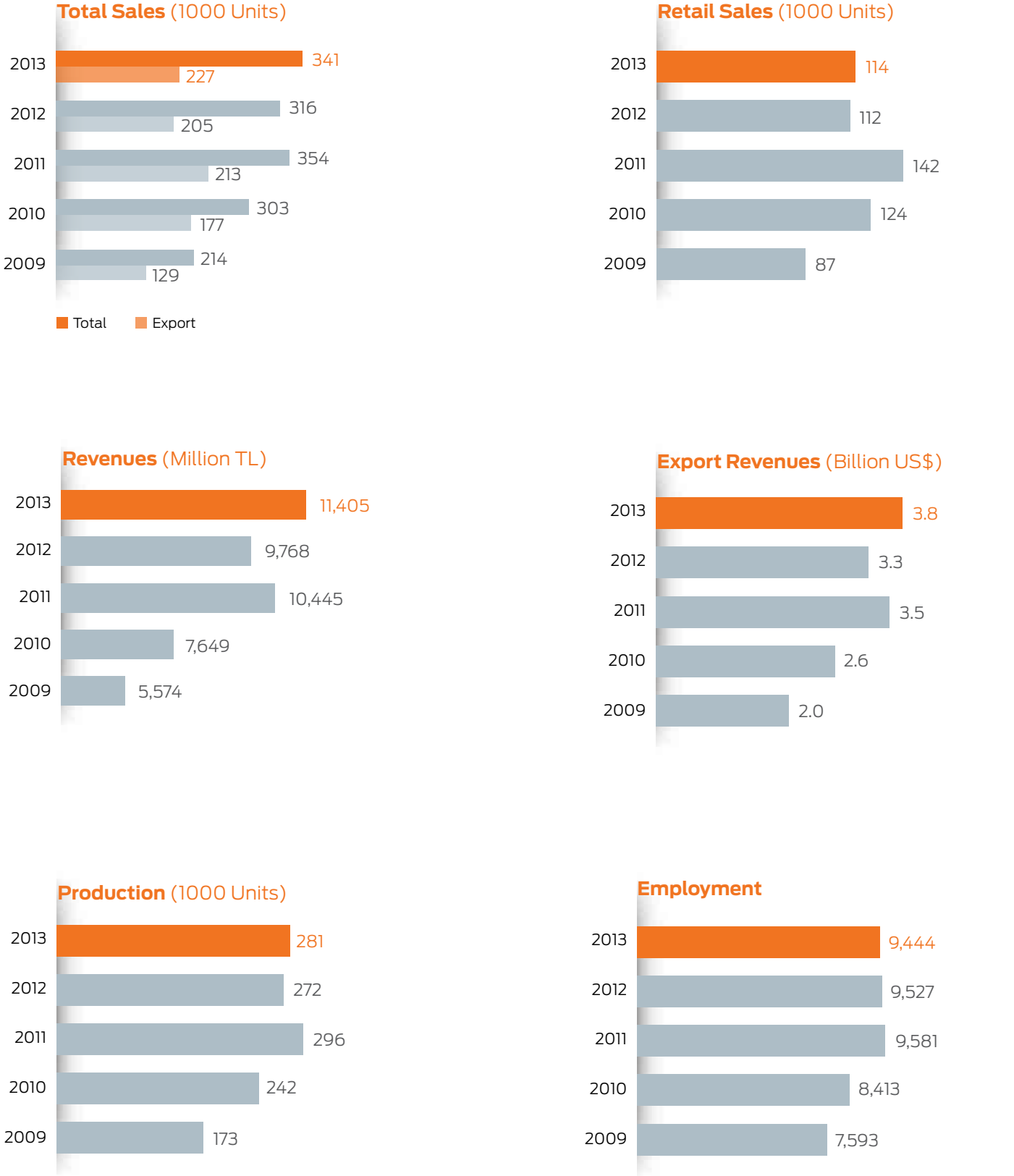


Ford Otosan Market Shares

Segments	Turkish Automotive Industry	Ford Otosan Sales	Market Share (%)	Ranking
Passenger Cars	664,655	58,405	8.8	3
Light Commercial Vehicles	103,446	21,402	20.7	2
Medium Commercial Vehicles	85,277	28,348	33.2	1
Trucks	28,159	5,986	21.3	2
Total	885,180*	114,141	12.9	1

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

MAIN  
INDICATORS

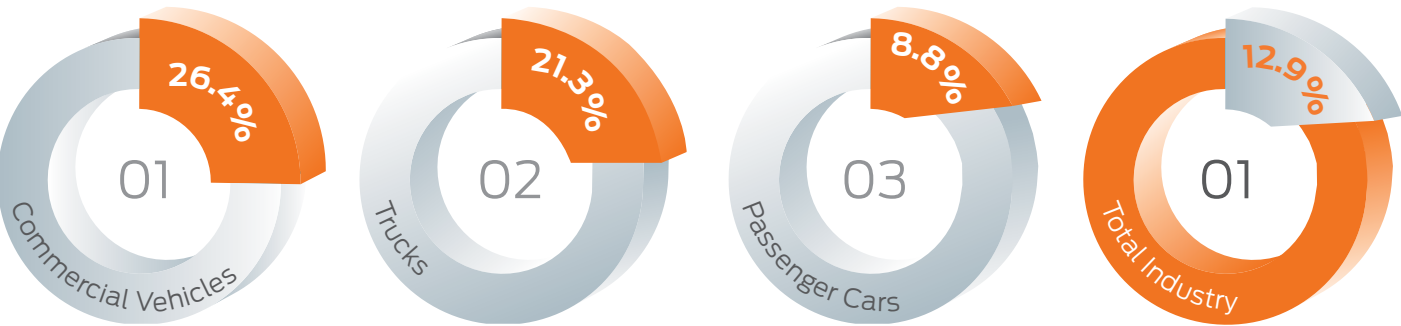




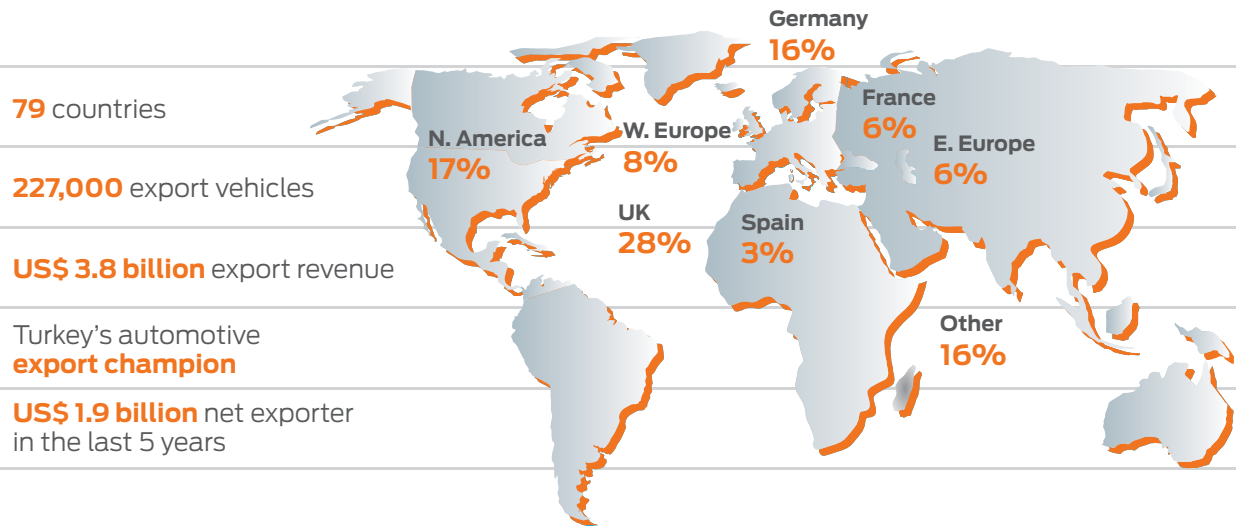
# 1,204,600

Ford vehicles sold in Turkey over the last 12 years

## Market Shares



The leader of the Turkish automotive industry for 12 consecutive years



79 countries

227,000 export vehicles

US\$ 3.8 billion export revenue

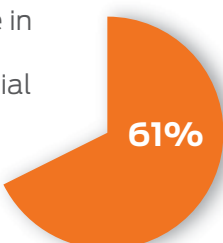
Turkey's automotive  
export champion

US\$ 1.9 billion net exporter  
in the last 5 years

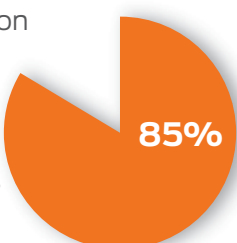
Our share  
in Turkey's  
commercial  
vehicle  
production



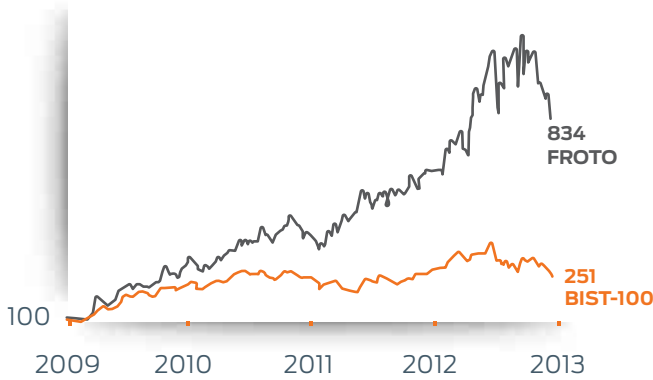
Our share in  
Turkey's  
commercial  
vehicle  
exports



Efficient production  
with a capacity  
utilization rate  
above European  
and Turkish  
industry averages



## Stock Performance



72% foreign share

US\$ 3.7 billion market  
capitalization

US\$ 4.9 million average daily  
trading volume



**5.7 million kwh**  
Energy saving obtained  
through energy efficiency  
projects

Ford's global design and  
engineering center for heavy trucks  
and diesel engines



**2,843 tons**  
CO<sub>2</sub> reduction

Ford's 3<sup>rd</sup> largest R&D  
center globally



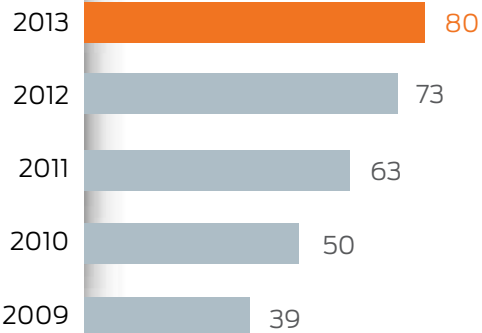
**377,000 tons**  
waste water treatment

Turkey's biggest R&D organization  
with 1,277 engineers



**1,543 tons**  
hazardous waste  
recycling

## Number of Patent Applications





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



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

Vision

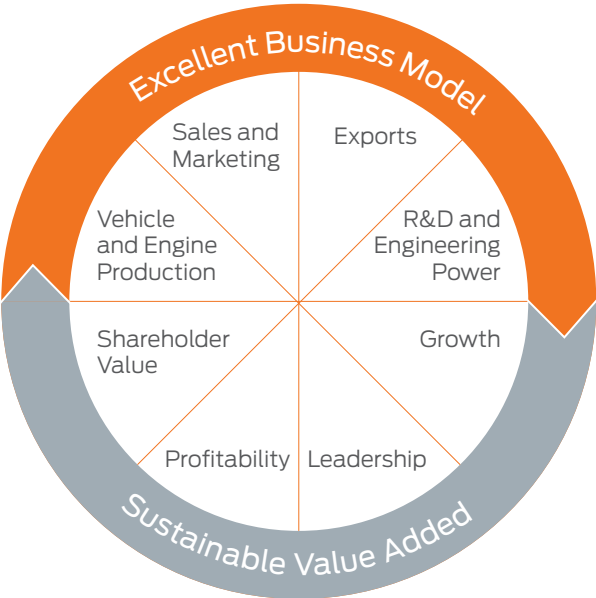
To be the leading consumer-oriented company in Turkey in automotive products and services.

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
- 6. To fulfill our social responsibilities



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.



Dear shareholders, business partners and employees,

It is with great pride and excitement that I address you for the first time as Chairman of Ford Otosan. I became a member of the Board of Directors of Ford Otosan in 1997, when the Company was in the process of signing the joint venture agreement with Ford Motor Company, and I was appointed Chairman in 2012. I owe my sincere gratitude to Mr. Rahmi Koç for placing his trust in me and handing over this vital duty, and to our partner Ford, for supporting this decision. Mr. Rahmi Koç will continue to serve Ford Otosan as Honorary Chairman and a member of the Board of Directors in the coming years.

Our company marked its 54<sup>th</sup> anniversary in 2013, the last 16 years of which have been in equal partnership with Ford Motor Company.

**As the pioneering force of the Turkish automotive industry, Ford Otosan accomplished many firsts and has gone through a major growth phase since the equalization of our partnership with Ford Motor Company in 1997. During this period, Ford Otosan has undoubtedly emerged as one of the flagships of the Koç Group and of our country. We have continued to create added value for Turkey and our partners, at an accelerating rate, without compromising on our goals and principles.**

We have covered enormous ground in 16 years and achieved tremendous results and successes on domestic and international platforms, and on the Koç Group foundation.

At this point, I feel the need to reiterate just how far we, the Ford Otosan Company, and the Ford brand have come and the levels attained.

- In 1997, we had a production capacity of 40,000 units in the Istanbul Plant. In 2014, our capacity in the Kocaeli Plant will reach 400,000 units after the completion of investments.
- Our total production volume, once 43,000 units, exceeded 281,000 units in 2013.
- In 2013, we reached a record level of 226,671 vehicles on our export journey, from just 667 vehicles at the outset.
- Our export revenues have burgeoned incrementally, from US\$ 16 million to US\$ 3.8 billion.
- Our total revenues have grown 10-fold to US\$ 6 billion.
- The number of employees has risen approximately 3 times during this period. Today, we are the largest employer in the automotive industry, with nearly 10,000 employees.
- The market capitalization of our company has risen from US\$ 1.1 billion to US\$ 3.7 billion as of the end of 2013. We are ranked among the most valuable 25 companies on Borsa Istanbul wherein more than 350 companies are traded.

- We have shared the value created during this period with our esteemed shareholders, distributing a total dividend payment of TL 4.1 billion.

We have adorned this excellent development, which I have tried to express in numbers, with a large number of domestic and international achievements.

- We have incessantly maintained our total industry leadership in our country for 12 years.
- We maintained our ranking amongst Turkey's top 3 largest exporter companies over the last 10 years, and have enjoyed the position of being the automotive export leader 5 times.
- We have become the first Turkish company to export automobiles to the USA, motherland of the automotive industry.
- We have been honored with numerous awards for our level of quality, safety, design, efficiency and environmentally-friendly vehicles and plants.

Today, as we gaze at this picture, we are overcome with tremendous pride in the added value we have created in the name of our country and our Group.





# CHAIRMAN'S STATEMENT

## Ford Otosan in 2013

We have left behind a year full of uncertainties, continuing global economic and political volatility, and weakening outlook of developing countries. In 2013, during which the shift to passenger cars accelerated in the industry and commercial vehicle sales volume contracted rapidly, Ford Otosan achieved a sales volume of 114,141 units, and maintained its market leadership thanks to its flexible and sound strategy. Our total sales volume grew by 8%, and our revenues rose by 17% to TL 11.4 billion. In addition to the old product range, the rise of the share in total sales volume of passenger cars, which are less profitable than our commercial products, in line with the industry trends negatively impacted Ford Otosan's profitability. This was further exacerbated by the sharp depreciation of the Turkish Lira. As a result, profit before tax fell by 31% YoY to TL 452 million, while net profit contracted by 6% to TL 641 million.

As the weakness in the European automotive industry abated, we expanded our exports by 11% on the back of our market diversification and the success of our new products. We reached a new peak in our history, with an export volume of 226,671 vehicles.

**Turkey's commercial powerhouse, Ford Otosan accounted for 57% of Turkey's commercial vehicle production and 61% of commercial vehicle exports in 2013.**

The automotive industry dominates Turkey's exports. We have made a significant contribution to our economy by once again becoming the automotive export champion this year. Furthermore, we feel justifiably proud of our export surplus of US\$ 1.9 billion over the last 5 years, despite the rising share of imports in the industry.

In 2013, the existing Transit and Transit Connect models were phased out, leaving behind numerous achievements. We started to manufacture the new Ford Cargo truck and the medium-roof model of Ford Transit Custom, which was "2013 International Van of the Year".

**While we continued to invest heavily throughout the year, test production has begun in Yeniköy, our 3<sup>rd</sup> plant, the construction of which was completed in a record period of just 16 months. The Yeniköy Plant boasts a number of high technologies, used for the first time in the Ford universe. This plant is the only production center in the world for the Ford Courier model, our brand new light commercial vehicle, which will be launched on the market in 2014.**

Yeniköy will raise the annual production capacity of the Kocaeli Plant up to 400,000 units, after being commissioned with a capacity of 110,000 units.

This year, we decided to make an investment worth US\$ 100 million towards the production of the new 11-liter and 13-liter Ecotorq engines, developed by Ford Otosan engineers, the intellectual property rights of which are wholly owned by Ford Otosan.

**It also gives me great pleasure to express that Ford Otosan, continuing its R&D activities since 1961, has become an engineering center which provides employment to approximately 1300 engineers, develops and manufactures domestic engines, and provides licenses in accordance with international agreements. This year, we broke further ground in the Turkish automotive industry by exporting engine technology to China.**

By means of an agreement signed with JMC, Ecotorq Engines including intellectual property rights wholly owned by Ford Otosan, will be produced in the world's largest truck market, China.



The new Ford Cargo 1846T model, developed by Ford Otosan engineers and manufactured at our İnönü Plant as a result of the Global Cargo agreement signed in 2010, was placed third in the European "2013 Truck of the Year" competition, and was awarded the title of "2013 Logistics Truck of the Year" in the International Logitrans Transport Logistics Exhibition.

At this point, I would like to mention our manufacturing and engineering capability. As you are aware, Ford Otosan was founded in 1959 as an assembly plant. We hit the road with a daily production capacity of 4 vehicles, and currently:

- We are the global lead manufacturing center of the Transit, which is the longest running Ford model in Europe, and of which more than 7 million units have been manufactured since its introduction 1965.
- We are the only manufacturing center in the world for the newest members of the commercial vehicle range, Ford Custom and Ford Courier.
- There are only two manufacturing plants in the world producing Ford Cargo trucks, the engineering and design of which was totally conducted in Turkey: One in Brazil and the other is our İnönü Plant in Eskişehir.
- Our Kocaeli and İnönü Plants export to 79 different countries worldwide.
- Ford Otosan boasts the largest R&D center in Turkey, and one of Ford's 3 largest global R&D centers. We are the global design and engineering center for Ford's heavy commercial vehicles, and Ford's center for development and calibration, thus ensuring the efficient and silent functioning of Ford's low emission diesel engines.

## The outlook for 2014

Dear shareholders, business partners and employees,

In 2014, we are faced with a very challenging landscape, both in terms of the economy and the dynamics of our industry. We expect to face a temporary weakness in production, sales and export figures since it will be a year of transition, during which we will phase out our old products and successfully launch new ones. However, I am confident that we have already taken the necessary measures in order to comfortably overcome this challenging period before us.

As well as launching our vehicles on the market at exactly the planned time in this challenging backdrop of the year 2014, we will continue our operations and sail through this period in the best way possible, thanks to our strong financial structure and experience, by rapidly adjusting our business program to the changing conditions, and focusing on our effective risk management policies.

**2014 will represent a milestone for our company. By increasing our production capacity and completely revamping our products with the latest technologies within the scope of fixed asset investments, in excess of US\$ 1 billion, we will have completed a phase which is significant for our sustainable growth, and also our profitability.**

Within this context, we, at Ford Otosan, clearly express our confidence in our country and the Turkish automotive industry in all of the investments we make.

I hereby express my deepest gratitude to my colleagues at Ford Otosan, ever by our side to the present day, partner suppliers, valuable dealers, loyal customers and to you, our esteemed shareholders.

I greet all of you with love and respect.

**Ali Y. Koç**

Chairman



# 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 the 10<sup>th</sup> of 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 TISK (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 on the 21<sup>st</sup> of May 1998, Eskişehir Anadolu University on the 28<sup>th</sup> of September 1998, İzmir Ege University on the 14<sup>th</sup> of May 1999, Ankara Bilkent University on the 14<sup>th</sup> of June 2000, Constanta Ovidius University on the 23<sup>rd</sup> of April 2001 and Aydın Adnan Menderes University on the 26<sup>th</sup> of May 2008. Rahmi M. Koç was honored by the President of Turkey with the "State Medal of Distinguished Service" on the 27<sup>th</sup> of October 1997 for his contributions to Turkey in the vital areas of health, education and social services. In addition to being awarded with the "Grosses Verdienst Kreuz" (Great Cross of Merit of Germany) by the German government on the 5<sup>th</sup> of July 1982 for his contributions to Turkish-German trade and industry, Mr. Rahmi M. Koç was also honored with the "Order of Merit of the Italian Republic" on the 19<sup>th</sup> of April 2001 for his contributions to the development of the economic and commercial cooperation between Italy and Turkey. Furthermore, the Presidency of the Republic of Austria honored him with the Order of Merit on the 5<sup>th</sup> of December 2003 for his support to expanding trade in the Balkans and Eastern European countries, and for his contributions to the development of trade relations between Austria and Turkey. Finally, Mr. Rahmi M. Koç was appointed to the rank of (Honorary) Commander of the Most Excellent Order of the British Empire (CBE), in recognition of his distinguished contribution to British-Turkish relations over many years, on the 22<sup>nd</sup> of June 2011.



## 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 the 10<sup>th</sup> of December 2012.

## Stephen T. Odell

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

Mr. Stephen T. 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<sup>nd</sup> of 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<sup>st</sup> of December 2012, he was appointed as Executive Vice President and President of Europe, Middle East and Africa of Ford Motor Co. He has been serving on the Board of Directors of Ford Otosan since the 14<sup>th</sup> of October 2010. Mr. Odell is also currently a Member of the Remuneration Committee of Ford Otosan.



## Bülent Bulgurlu

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

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



## 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. After becoming AGM 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 appointed to the position of Koç Holding Automotive Group President. He served as Deputy CEO of Koç Holding after 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. Mr. Durak is also currently a Member of the Remunerations Committee of Ford Otosan.



## John Fleming

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

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



# BOARD OF DIRECTORS



## Lyle A. Watters

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

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. Mr. Watters has been serving on the Board of Directors of Ford Otosan since March 2012. He also is currently a Member of the Early Determination and Management of Risk and Corporate Governance Committees 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 the 1<sup>st</sup> of November 2013. She has been serving on the Board of Directors of Ford Otosan since the 10<sup>th</sup> of December 2013.



## 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<sup>th</sup> of June 2002, he retired from Ford Otosan, ending his professional career. From February 2006 to February 2010, he provided honorary services as a member of the Board of Directors and treasurer in Koç Executives Association (KOÇYÖNDER) for 4 years 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 currently 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 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. In parallel, he is currently the Chairman of Ford Otosan's Corporate Governance Committee.



## Haydar Yenigün

Member - Board of Directors  
General Manager

Mr. Haydar Yenigün graduated from Yıldız Technical University in Mechanical Engineering and joined Ford Otosan in 1987, serving as Method Engineer until 1990. He worked as Project engineer between 1992 and 1996. He then 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 and the related agreement was signed in 1997. He became Project Leader in 1998. He participated in the production process of the Transit model, and the design and production processes of the Transit Connect model. He worked as Welding Area Manager in the Kocaeli Plant between 1999 and 2007, and then 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 the 15<sup>th</sup> of February 2012. At the same time, he currently is a member of the Board of Directors of the Automotive Manufacturers Association (OSD), the Board of Directors of Kocaeli Chamber of Industry (KSO), Turkish Industry and Business Association (TÜSIAD), the US - Turkey Business Council and the U.S.-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 from the Business Management and Administrative Sciences Department at Manchester University (United Kingdom). He joined Ford as an Investment Analyst in the United Kingdom in 1989. Mr. Periam worked as Financial Analyst and Supervisor at the Europe Business Unit until he was appointed to the position of Treasury Portfolio Associate at Ford of America in 1995. Mr. Periam has been in charge of various managerial positions at Ford, such as Director, Chief Financial Officer and Controller in the Credit, Business Development and Business Strategy departments in various countries including Germany, Brazil and China. Having served as Business Strategy Director in China for Ford's Asia Pacific operations, he has been serving as Deputy General Manager and Member of the Board of Directors of Ford Otosan since the 11<sup>th</sup> of September 2013.

## EXECUTIVE MANAGEMENT



### Haydar Yenigün

General Manager and Member of the Board of Directors

Mr. Haydar Yenigün graduated from Yıldız Technical University in Mechanical Engineering and joined Ford Otosan in 1987, having served as Method Engineer until 1990. He worked as Project engineer between 1992 and 1996. He then 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, and the related agreement was signed in 1997. He became Project Leader in 1998. He participated in the production process of the Transit model, and the design and production processes of the Transit Connect model. He worked as Welding Area Manager at the Kocaeli Plant between 1999 and 2007, and then 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 the 15<sup>th</sup> of February 2012. At the same time, he currently is a member of the Board of Directors of the Automotive Manufacturers Association (OSD), the Board of Directors of Kocaeli Chamber of Industry (KSO), Turkish Industry and Business Association (TÜSIAD), the US - Turkey Business Council and the U.S.-Turkey Framework for Strategic Economic and Commercial Cooperation (FSECC).



### William R. Periam

Deputy General Manager and Member of the Board of Directors

Mr. Periam earned a bachelor's degree from the Business Management and Administrative Sciences Department at Manchester University (United Kingdom). He joined Ford as an Investment Analyst in the United Kingdom in 1989. Mr. Periam worked as Financial Analyst and Supervisor at the Europe Business Unit until he was appointed to the position of Treasury Portfolio Associate at Ford of America in 1995. Mr. Periam has been in charge of various managerial positions at Ford, such as Director, Chief Financial Officer and Controller in the Credit, Business Development and Business Strategy departments in various countries including Germany, Brazil and China. Having served as Business Strategy Director in China for Ford's Asia Pacific operations, he has been serving as Deputy General Manager and Member of the Board of Directors of Ford Otosan since the 11<sup>th</sup> of September 2013.



### Oğuz Toprakoğlu

Assistant General Manager - Finance and Accounting (CFO)

Mr. Toprakoğlu graduated from the Economics Department of Boğaziçi University in 1991, and joined Ford Otosan in the same year as 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. Mr. Toprakoğlu has been serving as Assistant General Manager (CFO) of Finance and Accounting since 2006.



### Aykut Özüner

Assistant General Manager - Marketing, Sales and After Sales

Mr. Özüner graduated from the Mechanical Engineering Department of Boğaziçi University in 1991, where he also completed his MBA in 1995. He joined Ford Otosan in 1993 as Marketing Strategies Manager. After having worked as Car Product Manager, he has been in charge of various managerial positions, such as Marketing Manager (1997) and Sales Manager (2000). He then worked at the Sales Planning and Product Management departments of Ford of Europe after 2001. He became Marketing and Customer Relations Director in 2002, and served as Assistant General Manager of Marketing and Sales from 2004 to 2010. Since 2010, he has been serving as Assistant General Manager of Marketing, Sales and After Sales.



### 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. Since 2008, he has been serving as Assistant General Manager of Product Development.



### 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 served as Internal Purchasing Supervisor and then Internal Purchasing Manager in 1987. He worked as Sales Director from 1997 to 2000, and was appointed Assistant General Manager of Purchasing in 2000. Since 2010, he has been serving as Assistant General Manager of the Cargo Business Unit.



### Cengiz Kabatepe

Assistant General Manager - Purchasing

Mr. Kabatepe is a graduate of the Mechanical Engineering Department of Yıldız Technical University, and holds an MBA from Istanbul University. He joined Ford Otosan as an Intern Engineer in 1975. He became Method Engineer in the project coordination office in 1982 and the 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 was appointed Assistant General Manager of Materials Planning and Logistics in 2000. Since 2010, he has been serving as Assistant General Manager of Purchasing.



### 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. Since 2002, he has been serving as Assistant General Manager of New Projects.



## EXECUTIVE MANAGEMENT



### **Mehmet Candan Günel**

Assistant General Manager - Kocaeli Plants Manager

Mr. Günel graduated from the Mechanical Engineering Department of Middle East Technical University in 1977. He embarked on his business career at Anadolu Cam San. A.Ş. in 1978. 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 February 2012, and Assistant General Manager Kocaeli Plants in July 2013.



### **Gültekin Hanlioğlu**

Director – İnönü Plant Manager

Mr. Hanlioğlu holds an undergraduate degree from the Department of Physics at Middle East Technical University in 1986, and a Master's from the Mechanical Engineering Department at the same university in 1989. In the same year, he started to work at Ford Otosan as Assembly Process Engineer. After having served as Project Engineer from 1992 to 1996, he worked as Manufacturing Engineering Team Leader until 2000. While serving as Deputy Prototype Manager in the Connect vehicle development process between 2000 and 2003, he took over various duties in the process of the commissioning of the Lean Manufacturing Systems, and the design and foundation of the Kocaeli Plant accordingly. He worked as Assembly Area Deputy Manager between 2003 and 2007 and as Assembly Area Manager between 2007 and 2013. He was appointed İnönü Plant Manager in 2013.



### **Güven Özyurt**

Assistant General Manager - Material Planning and Logistics

Mr. Özyurt graduated from the Mechanical Engineering Department of Istanbul Technical University in 1989, and completed an MBA at Istanbul University in 1990. In the same year, he joined Ford Otosan as 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 Project Team of the Kocaeli Plant in 1997. He worked as Project Leader of the same team from 1998 to 1999. In 2000, he was appointed Material Planning Manager. Since 2010, he has been serving as Assistant General Manager of Material Planning and Logistics.



### **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. Finally, she received the title of corporate coach, after completing the ADLER certificate program of coaching by the end of 2013. She currently serves as Corporate Coach in the Group.



### **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 started to serve as Assistant general Manager of Engineering at the Product Development Department in 2009. He worked as Assistant Director of Engineering at Ford Motor Company in the UK from 2011 to 2013. He currently serves as Assistant General Manager of Engineering at the Product Development Department.



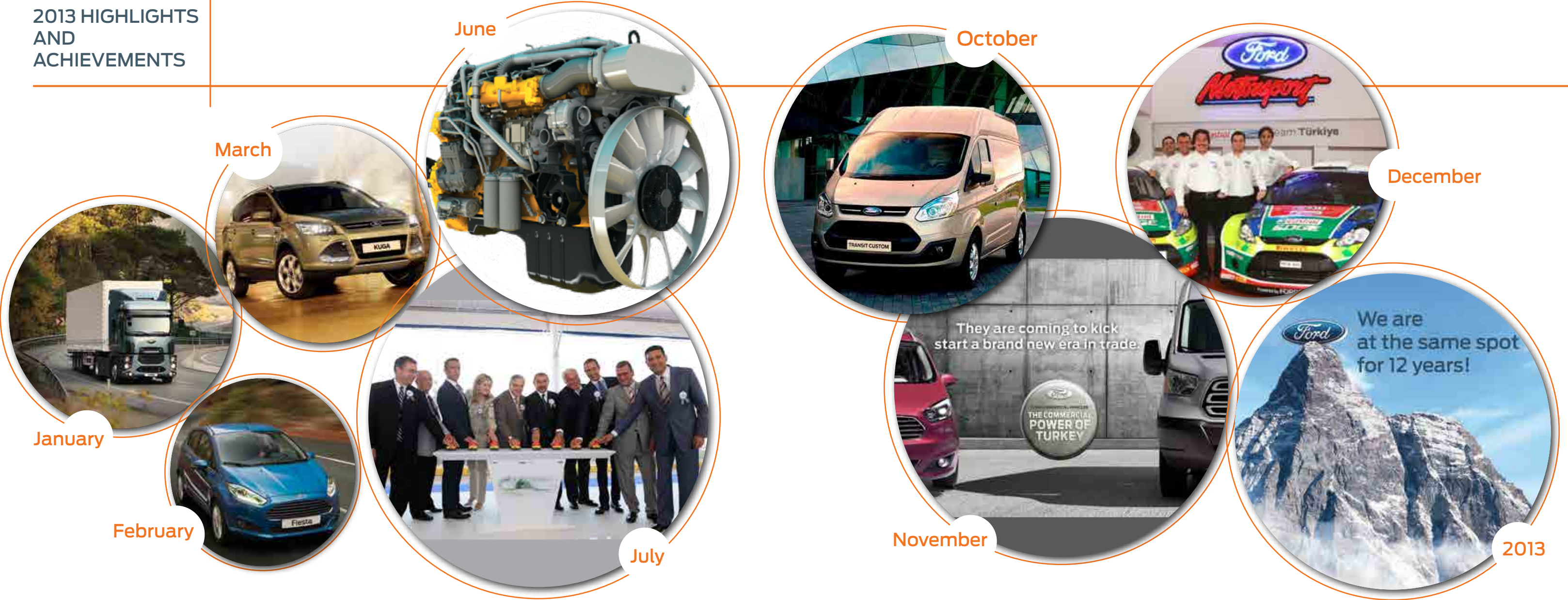
### **Bülent Akdoğan**

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.



2013 HIGHLIGHTS  
AND  
ACHIEVEMENTS



<p>The launch of the New Ford Cargo 1846T, product of Turkish engineers, on the global market</p> <p><b>January</b></p>	<p>Engine technology export to the world's largest truck market, China</p> <p>Ford Otosan signed a licensing agreement with the Chinese truck manufacturer, Jiangling Motor Corporation pertaining to Chinese production of the Ecotorq engines, the intellectual property rights of which are wholly owned by Ford Otosan, to be used on the JMC brand vehicles.</p> <p><b>April</b></p>	<p>Decision on investment exceeding US\$ 100 million for the Ecotorq engine</p> <p>The new 11-liter and 13-liter Ecotorq engines, which have been developed by Ford Otosan engineers, and the intellectual property rights of which are wholly owned by Ford Otosan, target wide areas of use, including heavy commercial, industrial and marine applications.</p> <p><b>June</b></p>	<p>Groundbreaking ceremony for the Engineering Center</p> <p>The new Engineering Center, to be opened in Sancaktepe in 2014, will serve with 1,300 R&amp;D engineers as the Turkish automotive industry's biggest R&amp;D center, and Ford Motor Company's 3<sup>rd</sup> largest R&amp;D center.</p> <p><b>July</b></p>	<p>A new member of the Ford Transit Custom Family</p> <p>The new medium-roof model Ford Transit Custom, which won the "2013 International Van of the Year" award, was added to the Custom Family's broad product range.</p> <p><b>October</b></p>	<p>The Commercial Power of Turkey, Ford Otosan, introduced the newest commercial vehicle product range to the sector</p> <p>Sporting Turkey's newest and broadest commercial vehicle family, Ford Otosan introduced the new Ford Cargo 1832, together with the Courier, the new Connect and the new Transit models, at the launch in the Comvex Commercial Vehicles and Components Expo.</p> <p><b>November</b></p>	<p>"Castrol Ford Team Türkiye" completed the season with the championship title</p> <p>Castrol Ford Team Türkiye completed the 2013 Turkey Rally Championship as Champions in the Teams, Drivers, Young Drivers, and Two-Wheels categories. As a result of this victory, Castrol Ford Team Türkiye has now won the Turkey Teams Championship 4 times in a row.</p> <p><b>December</b></p>	<p>Ford Otosan, sector leader for the 12<sup>th</sup> time</p> <p><b>2013</b></p>
---	---	---	--	---	---	---	---



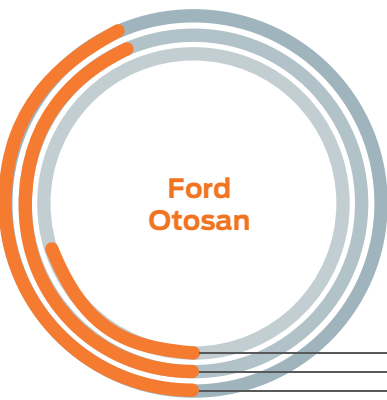
# AWARDS



<p><b>2013 Engine Test Facility of the Year</b></p> <p>Serving as a model for the entire world with its innovative approach, flexible solutions, and studies on effective and developed measurement capabilities, Ford Otosan was honored with the "2013 Engine Test Facility of the Year" award by the Automotive Testing Technology International Magazine, and became the first Ford center to win this special award.</p>	<p><b>ISO Large Scale Enterprise Energy Saving Application Project Award</b></p> <p>Ford Otosan Kocaeli Plant won this award with its Energy Saving Project through Damper Application in Press Lines.</p> <p><b>Turkish Healthy Cities Association Green Facility Award</b></p> <p>This award was given by the "Turkish Healthy Cities Association", which was founded in order to support the development in Turkey of the "Healthy Cities" movement, initiated by the World Health Organization.</p> <p><b>"Sectoral Performance Assessment Organization" Large Scale Enterprise Award</b></p>	<p><b>Ministry of Labor and Social Security, Gender Equality in Working Life Award</b></p> <p>Ford Otosan was honored with this award thanks to its 845 female employees, its stance against gender discrimination in working and social life, studies on advancing the employment of women, and positive discrimination policies in favor of female employees.</p>	<p><b>Within the scope of the 2013 ODD (Automotive Distributors' Association) Sales and Communication Awards, Transit was selected as the Best Selling Light Commercial Vehicle, while Ford won the Best Selling Light Commercial Vehicle Brand Award.</b></p>	<p><b>Ford of Europe Chairman's Leadership Awards for Diversity 2013</b></p> <p>Ford Otosan's "Leaders Without Barriers" project, which created a proper working environment for employees with hearing difficulty, was honored with the "Chairman's Leadership Awards for Diversity".</p>	<p><b>Ford Cargo 1846 T - Logistics Truck of the Year</b></p> <p>The Ford Cargo 1846T Truck was recognized as the "2013 Logistics Truck of the Year" in the 7<sup>th</sup> International Logitrans Transport Logistics Exhibition.</p> <p><b>Ford Cargo 1846 T - 2014 Truck of the Year - 3<sup>rd</sup> Place</b></p> <p>The Ford Cargo 1846T Truck stepped forward in the contest, held in Russia, with its power, efficiency, comfort and durability features.</p>	<p><b>New Transit Connect - 2014 International Commercial Vehicle of the Year</b></p> <p>Ford's new commercial vehicle, Transit Connect, the bodywork engineering of which was conducted by Ford Otosan, won the "2014 International Van of the Year" award. Having also received the "2013 International Van of the Year" award with Transit Custom, Ford has become the first company to win this award for two consecutive years.</p>	<p><b>"Automotive Supply Chain Global Awards" Purchasing Executive of the Year</b></p> <p>Ford Otosan's Assistant General Manager of Purchasing, Mr. Cengiz Kabatepe, who stepped forward with his innovative applications, received the "Purchasing Executive of the Year" award in the Automotive Supply Chain Global Awards Ceremony.</p>
---	---	---	--	--	---	--	--

# INVESTOR RELATIONS

## Strong and Committed JV Partners



Free Float  
Ford Motor Co.  
Koç Group

17.92%  
41.04%  
41.04%

### Koç Holding A.Ş.

Established in 1926, Koç Holding is Turkey's largest conglomerate in terms of revenues, exports, share of the Borsa İstanbul (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 automobile brands of the global automotive sector. The company manufactures and distributes automobiles across six continents with the Ford and Lincoln brands, and employs approximately 180,000 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)

## Value Created by Ford Otosan for Investors

### Economies of scale and new projects to boost profitability

- 57% of Turkey's commercial vehicle production
- 61% of Turkey's commercial vehicle exports
- Customer-focused extensive service network
- New projects to strengthen the product range and to expand capacity

### Resilient structure and high efficiency

- Resilient structure due to the diversity of export markets
- High capacity utilization rate
- Efficient, flexible and low-cost production
- Well positioned to benefit from European recovery

### Strong financial position and prudent risk management

- High cash-generating capacity
- Strong financial structure
- Natural hedge due to fx-denominated export revenues against fluctuations in the exchange rate

### Commitment to Corporate Governance Principles

- Separate CEO and Chairman roles
- Executive Committee
- Audit Committee
- Corporate Governance Committee
- Early Determination and Management of Risk Committee
- Remunerations Committee

## 2013 Main Indicators

Ford Otosan has been trading on the Borsa İstanbul (BIST) since January 13, 1986 under the ticker symbol FROTO.IS.

22.70 ₺  
Closing price

32.00 ₺  
Highest price

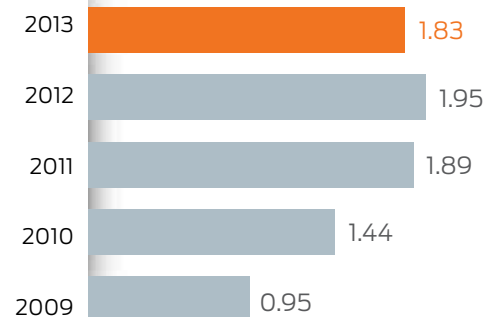
18.83 ₺  
Lowest price

US\$ 3.7 billion  
Highest market cap in the automotive sector on the BIST

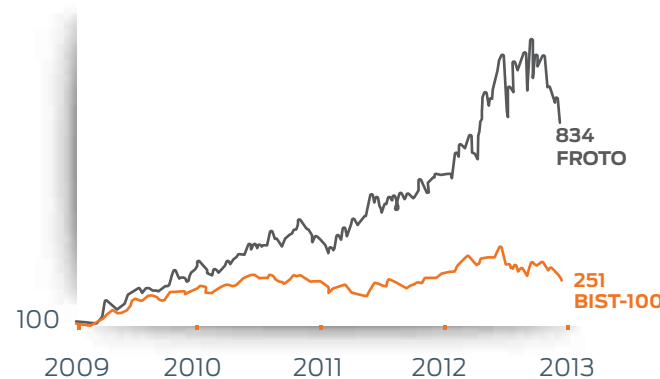
US\$ 4.9 million  
Average daily trading volume

72%  
Foreign share in free float

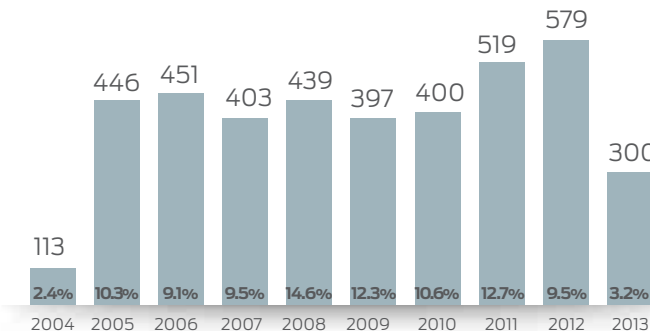
## Earnings Per Share (TL)



## Share Price Performance



## Dividend Payments and Yield (Million TL, %)



## 2013 Investor Relations Activities

During the year, Ford Otosan participated in a total of 16 conferences and roadshows in Turkey and abroad. One-on-one meetings were held with 331 investors and analysts. 82 people were welcomed during 11 site visits. 105 analysts and fund managers participated in 4 meetings, during which the quarterly financial results were evaluated by the senior management.

### IR Contacts

**Aslı Selçuk**  
IR Manager  
[aselcuk@ford.com.tr](mailto:aselcuk@ford.com.tr)  
+90 216 564 74 99

**Gülçin Öztitiz**  
IR Specialist  
[goztitiz@ford.com.tr](mailto: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.

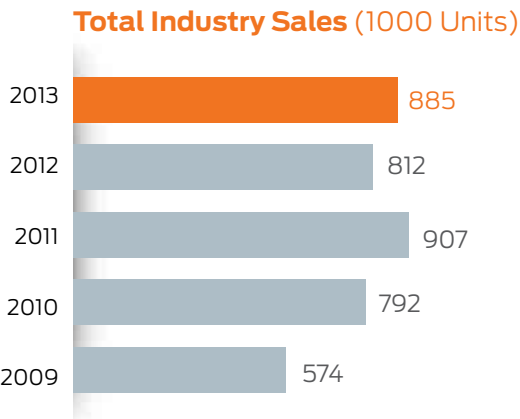
Ford Otosan paid a total dividend of TL 4.0 billion between the years 2004 and 2013.



THE TURKISH  
AUTOMOTIVE  
INDUSTRY AND  
FORD OTOSAN

Ford Otosan maintained its domestic market leadership for 12 consecutive years, reaching 1,204,600 vehicle sales over the last 12 years.

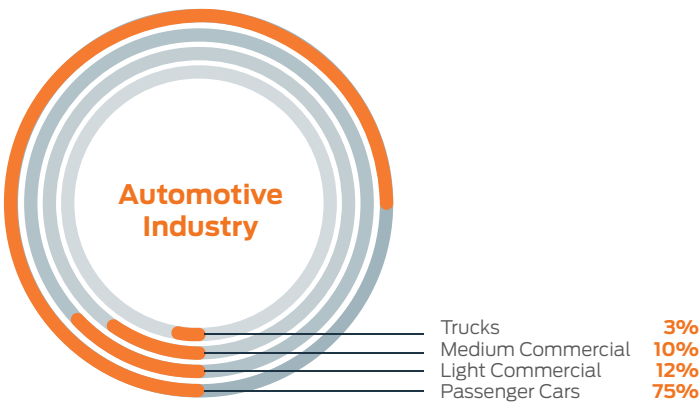
The only growth segment in the Turkish automotive industry in 2013 was passenger cars.



Second highest year in the history of the industry

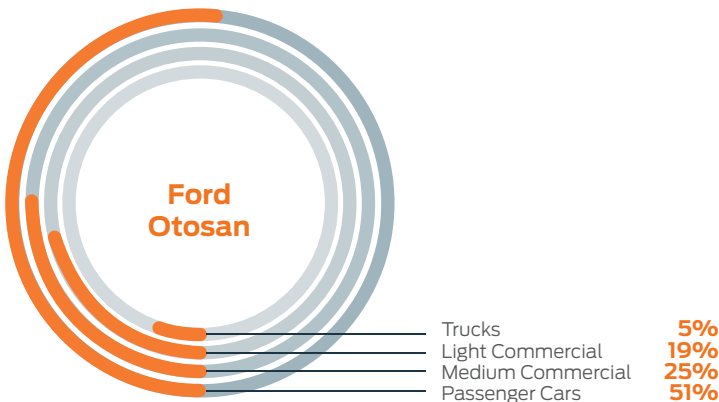
The sales volume of the Turkish automotive industry grew by 9% in 2013 over the previous year, with domestic market sales of 885,180 units. The low interest rate environment in the first five months of the year, and the high level of the consumer confidence index, had a positive impact on passenger car sales. In addition to rising FX and interest rates due to developments in Turkey and abroad after June, the expectation of higher prices and financial costs led to pull forward demand. As sales remained strong during July and August, despite the periods of Ramadan and the Eid, the highest July and the second highest August sales figures were achieved. 2013 recorded the second highest sales volume following 2011's record-breaking figures in sector history. Price competition was fierce throughout the year.

Sales by Segment



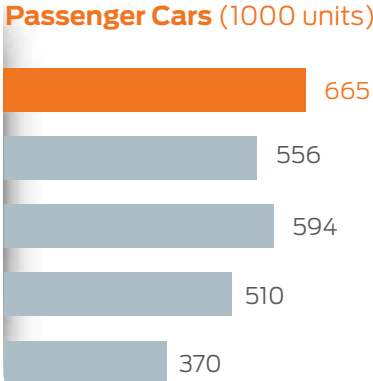
The shift from light commercials to passenger cars continues

664,655 passenger cars, 103,446 light commercial vehicles, 85,277 medium commercial vehicles and 28,159 trucks were sold over the course of the year. The entire growth in the sector stemmed solely from passenger cars, the sales volume of which grew by 19%. The contraction in commercial vehicle sales continued, despite the low base year, due to the slowdown in the economy. While the shift from light commercial vehicles to passenger cars continued, the total market share of passenger cars, which stood at 69% in 2012, rose to 75% in 2013.

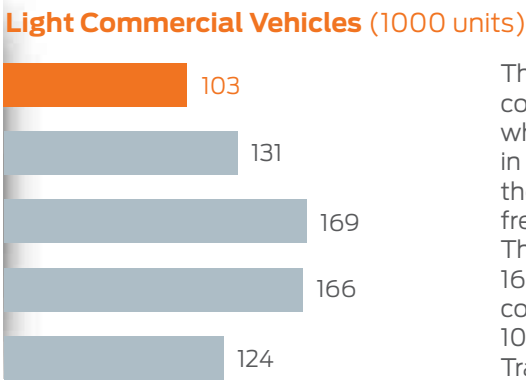


Ford Otosan maintains its industry leadership

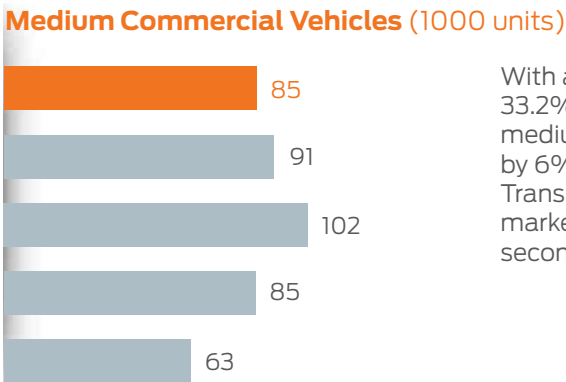
Ford Otosan recorded a market share of 12.9%, with a sales volume of 114,141 vehicles in 2013, and succeeded in maintaining its market leadership for the 12<sup>th</sup> consecutive year, thanks to its broad product range and flexible strategy, despite the changing macro conditions and intensifying competition.



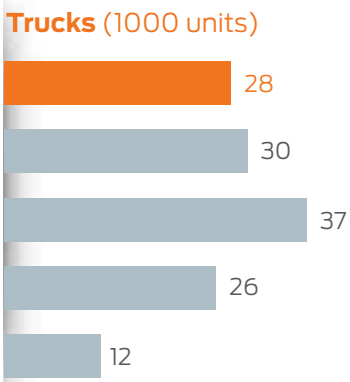
The only growth segment in the Turkish automotive industry in 2013 was passenger cars. Sales volume grew by 19% and reached 664,655 units. As well as intense price competition in the segment, the total market share of imported vehicles, which stood at 74% in 2012, rose to 78%. While the shift from light commercial vehicles to passenger cars continued, the total market share of passenger cars rose from 69% to 75%. Ford Otosan captured 3<sup>rd</sup> place in the passenger car segment, with a sales volume of 58,405 units, and a market share of 8.8%.



The segment with the greatest contraction in 2013 was light commercial vehicles which fell by 21%. The contraction, which began with the Special Consumption Tax (SCT) hike in October 2011, continued because of the slow course of the economy, and higher operating costs due to licenses and frequent inspection requirements in commercial vehicles. The total market share of light commercial vehicles fell from 16% to 12%. Ford Otosan captured 2<sup>nd</sup> place in the light commercial vehicles segment, in which a total number of 103,446 vehicles were sold, with a sales volume of 21,402 Transit Connect vehicles, and a market share of 20.7%.



With a sales volume of 23,348 units, and a market share of 33.2%, Ford Otosan was again the indisputable leader of the medium commercial vehicles segment, which contracted by 6% with a total sales volume of 85,277 vehicles in 2013. Transit, the key brand of the segment, captured a greater market share than the sum of the market shares of the second and third placed brands.



In 2013, the trucks segment contracted by 6%, with a total sales volume of 28,159 units. Ford Otosan captured 2<sup>nd</sup> place in the trucks segment, with a sales volume of 5,986 Cargo vehicles, and a market share of 21.3%.





Ford Otosan Kocaeli Plant Port

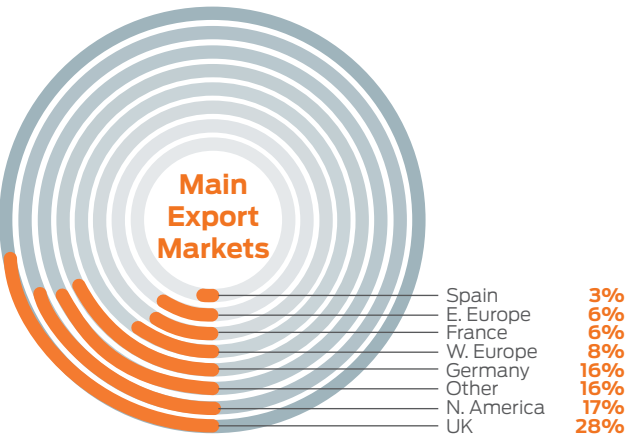
Vehicle locations are monitored in real time by means of the **RTLS (Real Time Location System)** used in our plants.

**16,000** vehicles are transiently monitored in the Kocaeli Plant, while **800** vehicles are transiently monitored in the İnönü Plant.

The vehicles are directed by **smart algorithms** to the **most optimal** location in the stock areas, according to their destination in the country or abroad, after completion of production.

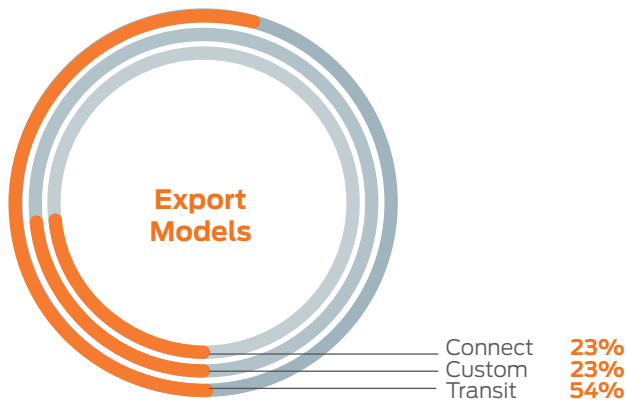
## EXPORTS

Despite the weak course of the European market, Ford Otosan reached the highest export figure in its history with 226,671 units, thanks to its market diversity and new products.



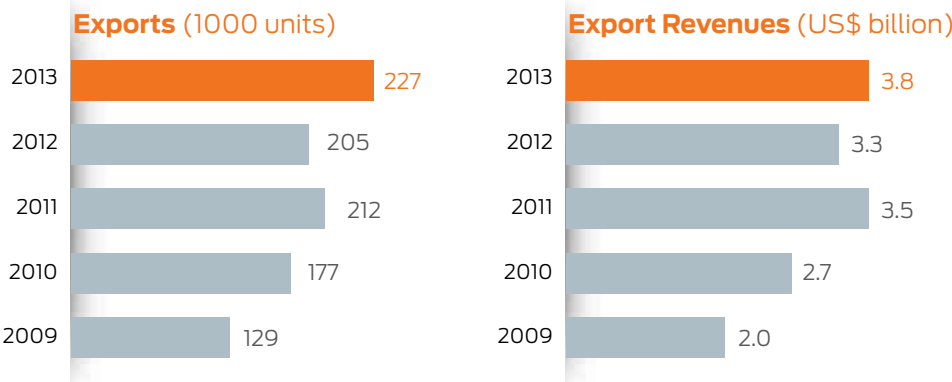
### Commercial vehicle sales rose by 1% in Europe

Although commercial vehicle sales made a weak start to 2013 in Europe, it is observed that the contraction slowed down later in the year. According to data provided by the European Automobile Manufacturers' Association (ACEA), commercial vehicle sales, reached 1,711,843 units throughout the year, climbing slightly by 1% with respect to 2012. While the UK recorded the highest growth in the region, at 14.5% in this period, Spain captured 2<sup>nd</sup> place with growth of 9.7%. On the other hand, the sales volume of Germany, France and Italy contracted by 2.0%, 3.7% and 11.7%, respectively.



### Ford Otosan achieved its highest ever exports

Despite the weak trend in the European market, Ford Otosan reached its highest ever export figures with a total export volume of 226,671 units. During 2013, in which commercial vehicle sales rose by 1% in Europe, Ford Otosan's export figures rose by 11% thanks to the diversity of its export markets. Ford Otosan exported vehicles and parts to 79 countries, spanning 5 continents, adding Azerbaijan, Egypt, Mexico, Singapore and Taiwan to its export destinations in 2013.



**US\$ 1.9 billion** net exports over the last 5 years

Vehicle and parts exports to **79 countries in 5 continents**

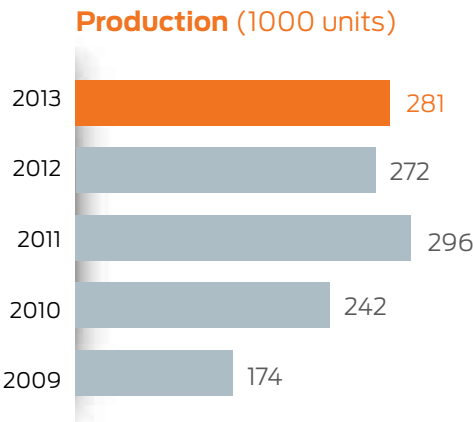
**61%** of Turkey's commercial vehicle exports





PRODUCTION  
AND CAPACITY

Ford Otosan reached a capacity utilization rate of 85% in 2013, which is above the averages of Europe and Turkey.

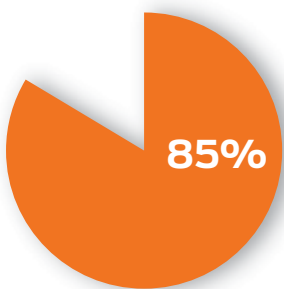


Ford Otosan manufactured 281,287 vehicles in 2013, and worked efficiently with a capacity utilization rate of 85%, which is above the averages of both the European and Turkish industries. Our company bolstered its success in the efficient use of capacity by boosting its performance in quality and occupational safety. Thanks to its flexible planning, high engineering prowess and work discipline, Ford Otosan has successfully commissioned its new vehicle lines into the existing field, without interrupting production. During the year, the Kocaeli Plant manufactured 144,101 Transit, 75,600 Transit Connect, and 55,293 Transit Custom and Tourneo Custom vehicles, while 6,293 Cargo trucks were manufactured at the İnönü Plant.

Our share  
in Turkey's  
commercial  
vehicle  
production



Efficient  
production with  
a total capacity  
utilization rate  
above the  
averages of  
Europe and  
Turkey

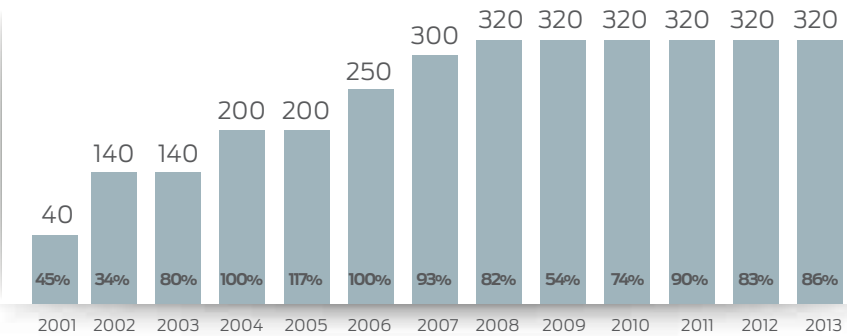


Manufacturing with the latest technologies, **376 robots** are used in the Kocaeli Plant, while **130 robots** are used in the Yeniköy Plant.

**Laser welding** technologies, which have been in use in the Kocaeli Plant since 2009, generate products that are **lighter**, structurally more **robust**, and more **efficient** in terms of operating costs.

**Sunlight** is the main source of **lighting** in our workshops, reducing the need for an external power supply, and leading to **energy savings**, thanks to Suntracker technology.

Capacity and Capacity Utilization of the Kocaeli Plant  
(1000 units,%)



The existing Transit model, manufactured in the Kocaeli Plant since 2001, and the Transit Connect model, manufactured in the Kocaeli Plant since 2002, completed their product lives in December with numerous achievements. Production of the new generation Transit and our brand new light commercial vehicle Courier will begin in the first quarter of 2014. By the end of 2014, the Kocaeli and İnönü Plants will reach annual production capacities of 400,000 commercial vehicles and 15,000 trucks, respectively, after the completion of investments that started in 2010.





**INVESTMENTS  
AND GROWING  
CAPACITY**

By the end of 2014, the Kocaeli and İnönü Plants will reach annual production capacities of 400,000 commercial vehicles and 15,000 trucks, respectively, after the completion of investments that started at the end of 2010.

Ford Otosan is capable of manufacturing the Transit model with over **1,200 different body styles.**

Ford Otosan is capable of manufacturing its vehicles with **114,400 different color and body style combinations.**

**A vehicle** is painted in an average of **79 seconds** thanks to the advanced technologies used in our paint shop.

130,000



Custom

160,000



New Transit

110,000



Courier

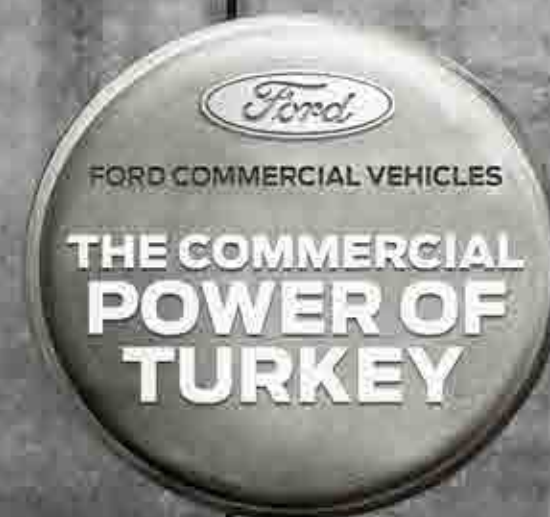
15,000



Cargo



They are coming to kick start  
a brand new era in trade.





TRANSIT



*The experience of half a century,  
the technology of tomorrow.*



Go Further



CUSTOM



Go Further





COURIER

CARGO



Go Further



Go Further



EXTENSIVE PRODUCT RANGE

Visionary. Ingenious. Remarkable.  
Every car bears his signature.

*Henry Ford*



Kuga



Focus



C-Max



Mondeo



S-Max



Fiesta



B-Max



Ranger



Galaxy



# PLANTS

## Kocaeli Plants

### Kocaeli Plant

The lead manufacturing plant of the new generation Transit

Opened in 2001, the Kocaeli Plant has been the Transit's lead manufacturing plant since 2004, thanks to the high quality output of Turkish workers and the advanced manufacturing technology in use at the facility. The Kocaeli Plant stands out among global Ford manufacturing facilities for its top quality standards. In addition, the Kocaeli Plant has won many domestic and international awards for its environment-friendly production.

The fact that the Kocaeli Plant, covering a total area of 1,600,000 m<sup>2</sup>, including an indoor area of 340,000 m<sup>2</sup>, is conducive to its supplier park and has its own port, provides a major logistics advantage to Ford Otosan.

The brand-new models, Transit Custom and Tourneo Custom, which have been adopted into the Transit family since 23<sup>rd</sup> of June, 2012, entered into production in the 3<sup>rd</sup> line established in the Kocaeli Plant in 2012. Transit Connect, which used to be manufactured in the Kocaeli Plant since 2002, completed its product life with many achievements in 2013. As the production of the existing Transit model was ended, the test production of the new generation Transit, which will be launched in the first quarter of 2014, was successfully commissioned.

After the completion of the US\$ 630 million investment at the Kocaeli Plant for the production of the new Transit Family, and the engagement of the Yeniköy Plant, the total capacity of the Kocaeli Plant will expand from 320,000 units to 400,000.

### Yeniköy Plant

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

In relation to capacity growth and new product projects, Ford Otosan laid the foundations of its third plant, the Yeniköy Plant, on 19<sup>th</sup> of March 2012, within the scope of the fixed assets investment, exceeding US\$ 1 billion in total. The Yeniköy Plant, construction of which was rapidly completed within 16 months in the Kocaeli Plant, covers an indoor area of 70,000 m<sup>2</sup>, and test production has already been initiated. The plant will have an annual production capacity of 110,000 units, and is the only production center in the world of Ford's new light commercial vehicle models, Transit Courier and Tourneo Courier, to be launched in 2014. This new facility, which is one of Ford's most significant light commercial vehicle production bases, is fully equipped with eco-friendly high-tech applications.

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





## 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 66,000 engines (11,000 truck engines and 55,000 Transit Duratorq engines), 11,000 trucks and 140,000 rear axles. 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 vehicle class.

The İnönü Plant covers a total indoor area of 81,600 m<sup>2</sup>. The plant will reach a production capacity of 15,000 trucks after the completion of investments in the coming years. Cargo trucks manufactured in the İnönü Plant will be exported to 65 countries on 3 continents. 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.

This year, 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.



## Kartal 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.



## Gebze Engineering Center



### Ford's diesel engine development center

The Gebze Engineering Center was established in 2007 in order to accelerate Ford Otosan's success in domestic and export markets, and to seize the advantage in global competition by developing the newest products and the most advanced technologies. The Center pioneers the engineering of Ford's global diesel engine production, with 1,277 R&D engineers.







R&D

As the biggest R&D center in the Turkish automotive industry, Ford Otosan R&D department is one of Ford's 3 largest global R&D centers.

Long-established R&D Culture

The Ford Otosan Product Development division, 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. Also, Ford Otosan works hard on advanced technologies in order to offer products that can compete not only in the domestic market, but also in all potential export markets, such as the European and North American markets.

The biggest R&D center in the Turkish automotive industry

Achieving engineering exports with 1,277 R&D engineers, Ford Otosan R&D Center is not only the biggest R&D center in the Turkish automotive industry, but is also one of Ford's 3 largest global R&D centers. 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 in the testing processes.

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

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

Ford Otosan's signature on commercial vehicle design and technology

Ford Otosan has completed development studies related to the Transit Courier, which will form a new light commercial vehicle segment within the global Ford family. The test production of the vehicle, which will be launched in 2014, has been started in the Yeniköy Plant, the construction of which commenced in 2012, and was completed within 16 months.

Ford Otosan engineered the Top Hat of next generation Transit Connect, which will be produced in Ford's Valencia plant in Spain. Connect has won the "2014 International Van of the Year" award.

The engineering work for the engine and powertrain systems of the new Transit, which will be manufactured in the Kocaeli Plant, has also been carried out by Ford Otosan.

Our company continues to participate more and more in the global Ford diesel engine projects. Development work will continue on the new Ecotorq engine family, which is compatible with EU6 emissions and will be used in Ford Cargo trucks.

"2013 Engine Test Facility of the Year" award to Ford Otosan

Engaged in 2013, Ford Otosan's engine test center has been acclaimed for its innovative approach, advanced technology and efficiency, and it was honored with the "2013 Engine Test Facility of the Year" award by the Automotive Testing Technology International Magazine, becoming the first center in the Ford world to be conferred this special award.

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 wholly owned by Ford Otosan, to be used on JMC brand vehicles. Ford Otosan achieved another first with the 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.

436 patents and 40 utility models

Ford Otosan believes that the sustainable growth of the Turkish automotive industry on a global scale is dependent upon the improvement and proliferation of R&D competence. Creating or developing a new product that meets all standards in the automotive sector, against a background of intense competitiveness and rapidly changing technology, can only be achieved by means of long-term studies with proficient engineering teams. Therefore, it is crucial to preserve or advance market position by driving on R&D activities without interruption, to protect the industrial property rights of the developed products, and to secure patents on them. Having filed 80 patent applications during 2013, Ford Otosan has reached 40 utility models and 436 patents in total.

University - Industry cooperation

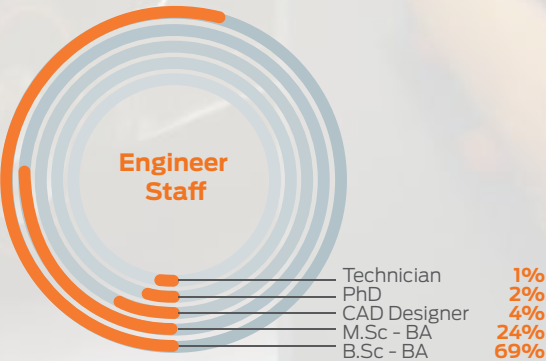
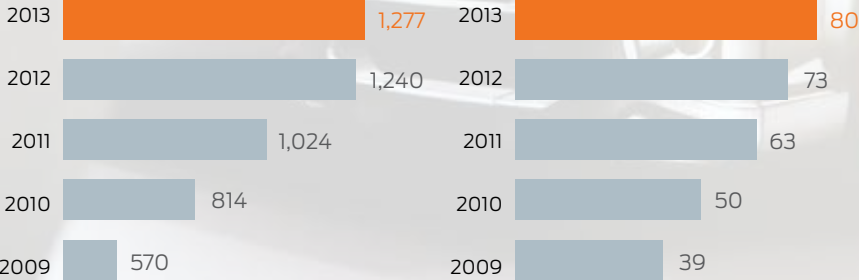
University - Industry cooperation provides universities with the opportunity to develop the fundamental sciences, publish articles, and all in all, to contribute to national and global science. It also provides the industry with the opportunity to meet technological information requirements, solve any problems encountered, and present product quality appropriate to changing market conditions. Towards these ends, various cooperation agreements have been signed with several universities, such as Boğaziçi University, Istanbul Technical University, Middle East Technical University, Koç University, Kocaeli University and Okan University.

The New Ford Otosan R&D Center

Ford Otosan's R&D investments continue in parallel with new vehicle and engine projects. Within this context, Turkey's biggest automotive R&D center, the foundations of which were laid in 2013, will be integrated in Sancaktepe in 2014.

Number of R&D Engineers

Number of Patent Applications





QUALITY

Ford Otosan’s primary task is to consistently develop its products and services to meet the requirements and expectations of customers.

Quality comes to the fore as Ford Otosan’s most distinguishing feature in the existing intensely competitive environment.

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 differentiates itself with its quality management

Along with all employees, Ford Otosan strives for every action and decision taken, and each product and service provided, to enhance customer satisfaction. To this end, Ford Otosan obtained the ISO 27001 Information Security Management Certification and ISO 50001 Energy Management Certification in 2013, in addition to its existing certifications; ISO 9001, ISO 10002, ISO 14001, ISO 14064 and OHSAS 18001.

Rules of Excellent Total Quality

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

- **Ford Otosan also aims 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

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

Occupational Health and Safety Policy

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

Production and support services departments abide by this policy for designing, operating and maintaining all plant and equipment. All employees meticulously follow current occupational safety rules and procedures. The employees and the administration expend enormous efforts and 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 engineer / technician, process engineer, environmental engineer and ergonomics officer. Risk analysis is based on a review of physical, chemical, ergonomic and hygienic risk potential in the course of operations, and on taking the relevant measures to prevent such risks. Risk analysis is also conducted for activities of the production line. Risk analysis is conducted again in the event of any change in processes and / or layout, acquisition of new equipment or adoption of a new system, and after any occupational accident. Risk analyses are reviewed once a year regardless of whether or not any of the aforementioned extraordinary situations occur.

Health Center

Employees enjoy an annual health examination at Health Centers, which are accessible every day during work hours at all locations. 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. Recently, the Team’s volunteers participated in rescue efforts in the aftermath of the Van earthquake. FOKE’s 76 members 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 motto is “Each employee is a talent”.

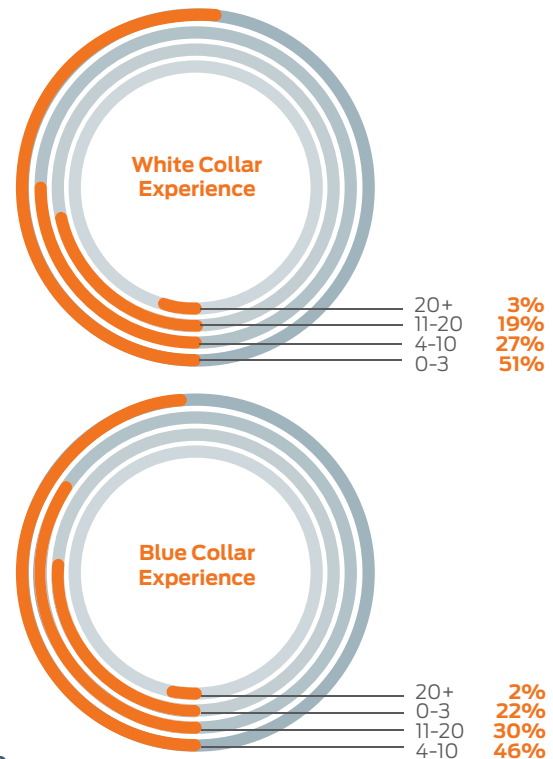
Ford Otosan’s Human Resources (HR) Department aims to improve the skills of the Company’s employees. To accomplish this objective, the Department blends its vision: “To become the most preferred automotive company by employees with a high level of loyalty in Turkey through Innovative Human Resources 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 loyalty, by continuously improving its processes in order to apply HR systems, in all units and at all locations, at the same quality level.

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

Integrated HR Applications

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



Talent Management System

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

All Ford Otosan employees are subject to 360 Degrees Competency 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.

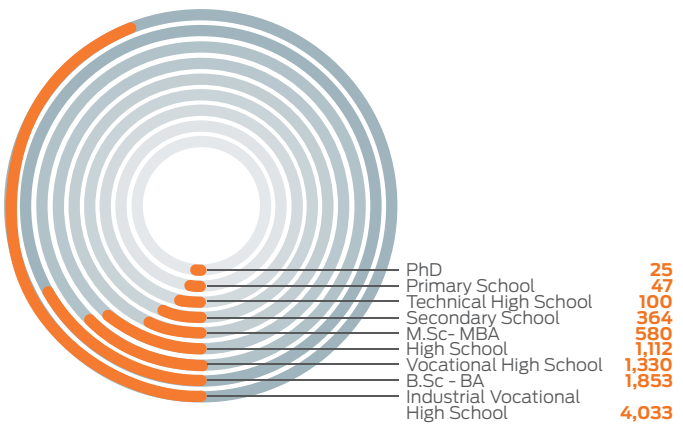


Training and Development Management

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 2013. 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.

Personal Development Planning, which is regularly carried out every year, targets both the organizational and the employees’ development. In 2013, 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 2013.

Educational Background of Staff



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.

Development Planning

Designed to map out developments for white-collar employees, this process determines primary areas to be developed and prepares development plans. The process also considers the requirements of the position, performance targets, competency evaluation results and needs of the employees.

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.



## HUMAN RESOURCES

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

### Intra-Company Communication

#### Internal Communications

By means of the internal communication activities, the Human Resources Department offers Company personnel a variety of platforms on which they can query all developments pertaining to Ford Otosan, follow the achievements of the Company, and share their opinions.

#### Open Door Meetings

“Open Door” Meetings are held in the middle and at the end of every year at all business locations. They are attended by senior management and all employees at the relevant location. An open communication environment is created as the employees share their opinions and thoughts with the senior management in the Open Door Meetings. Employees who conduct successful and differentiating works throughout the year are honored at the award ceremony, held at the year-end meeting. Moreover, employees who have completed a certain period of seniority at Ford Otosan are also honored with seniority service awards.

#### Leadership Meetings

Leadership Meetings are held at the end of each quarter to share information about Ford Otosan’s financial position, Turkey’s political and economic conditions, and current developments pertaining to HR applications, and the Company’s strategic plans and targets. The information is gradually disclosed to all employees through the internal communication meetings held between the executives and their own teams.

#### Intranet Portal

Information on Ford Otosan’s financial developments, investments, organizational changes, appointments and social activities are published via Intranet Portal, giving employees access to up-to-the-minute detail. Moreover, employees are informed by e-mail about all developments. A live communication platform is created, as employees share their opinions and thoughts in the forum section of the intranet portal.

#### Newsletter

A newsletter, which contains a letter from the Ford Otosan General Manager, is published at regular intervals in order to inform employees about the executive management’s agenda. The newsletter contains information about current business processes, as well as ongoing and completed projects.

#### Internal Communication Activities

A variety of social activities are organized in order to help our employees come together socially during the year. Employees participate in our traditional events, including End of Year Party, Management Dinner, Ramadan Festivals and circumcision feasts, which are organized for the children of Ford Otosan’s employees, with their families.

The Otosan Dinner is organized annually for former employees who have retired from Ford Otosan.

The company also supports social club organizations formed by employees.

#### “Aramızda” Magazine

The latest information about the company, current news about employees, social responsibility projects and marketing activities are shared, as well as current news that may be of interest to employees, in the monthly “Aramızda” magazine, a Ford Otosan Corporate publication.

#### Sports Activities

Athletes from our company participate in teams in the annual Koç Sports Festival. Our athletes won 15 cups in this year’s festival, in individual or team categories. In addition to the Koç Sports Festival, our employees are also encouraged to participate in the Dragon Festival in order to further support their sporting activities. One of our teams, “Koçum Benim”, was ranked 1<sup>st</sup> in the Fun Category, while another team, “Deli Kürek”, came 3<sup>rd</sup> in the same category. In addition, one of our employees won the “Special Jury Award” in the costume contest, with the handmade “No Barriers For My Country” costume in the “Best Social Message Category”.

#### Special Day Celebrations

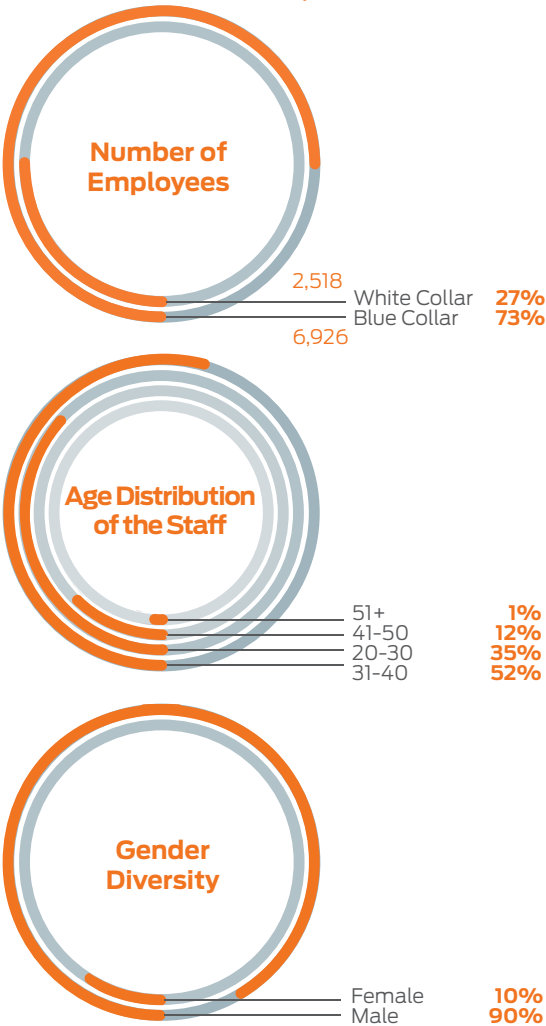
Motivational events are carried out for employees on special occasions, such as International Women’s Day, 23<sup>rd</sup> April National Sovereignty and Children’s Day, and 10<sup>th</sup> November Atatürk Commemoration Ceremony.

#### International Women’s Day

Social responsibility projects supporting women’s labor are encouraged on International Women’s day, and gifts are presented to all women employees. Bags, made by the handiwork of mothers of children with leukemia, were given as a gift to female employees in 2013, and the income earned from these bags was donated to LÖSEV. At the same time, internal and external communication was conducted by shooting a film in the company, with the theme of “Women’s Fingerprints”, starring Ford Otosan’s women employees. This video, prepared for our women, got 3836 hits on YouTube, and received 763 likes and 174 shares on Facebook, after being shared via our social media accounts.

#### 10<sup>th</sup> November Atatürk Commemoration Ceremony

The silhouette of the Great Leader Mustafa Kemal Atatürk in Kocatepe was painted by our employees on the 75<sup>th</sup> anniversary of his death. This unique work by our employees was exhibited on the Assembly Area Directorate building.



### Social Benefits Provided to Employees

#### Social Benefits

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

#### Koç Holding Retirement and Support Fund Foundation

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

#### Relations with the Labor Union

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

In May 2013, Ford Otosan signed a two-year collective labor contract, effective from 1<sup>st</sup> of September 2012, with blue-collar personnel through the Turkish Employers’ Association of Metal Industries (MESS). The collective labor contract negotiations, to be effective between 2014 and 2016, will start in August 2014. The HR Department conducts all relations with the Labor Union.



“Ford Otosan No Barriers Drama Club”, won first prize in the “Adding Value to Life” category of the 2013 Koç Holding Most Successful Koç Members competition.





**5,713,008 kWh**  
energy saving

**2,843 tons**  
CO<sub>2</sub> emissions  
reduction

**376,666 m<sup>3</sup>**  
waste water  
treatment

**1,543 tons**  
recycled  
hazardous waste

### 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 Inönü Plants have passed all environmental inspections with "zero" non-conformity.
- The main drivers of the Company's environmental initiatives are respect for the environment and raising environmental awareness among Ford Otosan personnel in 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.

## ENVIRONMENT

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

### 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.

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

### Energy

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

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 certificate for all operations in its 4 plants in June 2012. The certification process for ISO 50001 started in 2012, and the certificate was obtained in 2013.

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

- Use of energy saving photocell and "reduction" systems in the lighting of outdoor areas,
- Energy conservation through the use of well-insulated, automatic doors at the personnel and vehicle entrances,
- Use of 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:

- Energy Saving Project through Cooling Tower Motor-Drive Application
- Energy Saving Project through Economizer and O<sub>2</sub> trim on Boiler Application
- Energy Saving Project through IE3 High Efficiency Engine Application
- Energy Saving Project through Suntracker Application



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.

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 2013 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. The awards were presented to our company in a ceremony held in 2013.

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.

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

To this end, 34 social responsibility projects were implemented in 2013.

Education

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

**Kocaeli University VKV Ford Otosan Gölcük - İhsaniye Automotive Vocational High School:** Students who will receive education at Kocaeli University VKV Ford Otosan Gölcük - İhsaniye Automotive Vocational High School, in accordance with international educational standards and professional criteria, will be able to work in design, production, marketing and sales services in the sector. In addition to the concept of practical vocational training to be implemented for the first time in Higher Education, the disabled-friendly structure of the school is of great importance in terms of enabling students with disabilities to receive vocational education.

Health

309 units of blood have been donated to the Turkish Red Crescent throughout the year as a result of blood and organ donation awareness campaigns conducted by Ford Otosan. 80 Ford Otosan employees volunteered to donate organs after informational talks during the Organ Donation campaign, carried out with Gölcük State Hospital.

130 people attended the Occupational Health and Safety panel, accompanied by speakers and participants from different sectors.

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 theater group, consisting of 26 Ford Otosan employees, put on 6 performances of the play "Ferhad ile Şirin" in 4 cities, and met a total audience of 1575 people.

"Ford Otosan No Barriers Drama Club", which was launched as a social responsibility project, also won first prize in the People Adding Value to Life category of the 2013 Koç Holding, Most Successful Koç Members competition.

Sports

**15<sup>th</sup> Football Tournament:** "Kaynak Sessizler - Mute Welders", a team of disabled employees entered the 15<sup>th</sup> Ford Otosan Internal Football Tournament to enhance awareness.



Ford Otosan Gönül Park, Kocaeli



Opening Ceremony of the Kocaeli University VKV Ford Otosan Gölcük - İhsaniye Automotive Vocational High School



**“No Barriers for My Country” Project**

The 2012 - 2015 theme of Koç Group’s “For My Country” Project was determined as “No Barriers for My Country”.

Disabled people make up 12.29% of Turkey’s population. With this Project, we aim to enhance the quality of life of disabled people at work and socially, and to create social awareness and sensitivity about disability. The project hit the road with the aims of; organizing and spreading, “The Right Approach to the Disabled” trainings primarily to Ford Otosan employees; inspiring the practices which place this awareness across the company and dealer network; fulfilling the minimum standards to become a “Disabled-Friendly Workplace”; and transforming schools in the provinces into “Disabled-Friendly Schools”, in order to support participation of the disabled in educational life.

**Ford Otosan won the 2013 Best Company Practice Award**

43 employees volunteered for the “For My Country” Project, and planned training programs for more than 200 groups, reaching 11,886 employees, and thus delivered training to 125.96% of our current staff.

Ford Otosan was honored with this award for special practices, successful communication studies, and awareness-creating projects, such as Test Drive 1 Ford and Renovate 1 School for the Disabled, which were designed, within the scope of the project, among our dealers and all locations wherein we operate.



Ford Otosan wins the 2013 Best Company Practice Award in Koç Holding’s “For My Country” project.

**Voluntary Initiatives**

The “ITU Science Center Visit” took place again this year, thanks to the Volunteer Initiative of Ford Otosan Employees.

124 primary school students from 7 different centers of TEGV (Education Volunteers Foundation of Turkey) participated in the “ITU Science Center Visit”, which was organized with the cooperation of Ford Otosan employees and TEGV.

The students were taken by service buses from the following TEGV centers: Semave Aydın Doğan Education Park in Fındıkzade, Ferit Aysan Education Park in Bakırköy, Beykoz Education Unit in Beykoz, Gültepe Education Unit in Gültepe, Semiha Şakir Education Unit in Kartal, Yeniköy Education Unit in Sarıyer and Zeyrek Education Unit in Zeyrek. The students experienced delightful hours during the visit to the ITU Science Center. The entertaining experiments displayed at the museum were amazing and spectacular, and captivated the students’ interest. The museum official explained the experiments and gave the children information about physical principles and natural events. The students then had the pleasure of completing the trip in a most productive way by partaking in experiments themselves.

**Gender Equality**

As a company employing nearly 900 women employees in a heavy branch of industry like the automotive sector, we continue our practices and intra-company 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 0 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.



**“2013 Most Successful Company in Gender Equality “ Award from the Ministry of Labor**

Ford Otosan was honored with this award thanks to its employment of 845 women, its attitude against gender discrimination in working and social life, studies on growing employment of females, and the positive discrimination policies in favor of female employees.

Ford Otosan was honored with the “Gender Equality in Working Life” Award by the Ministry of Labor and Social Security, Labor General Directorate, because of its positive discrimination policies in favor of women employees. A commission consisting of workers, employers and representatives of academic and public institutions evaluated Ford Otosan’s stance against gender apartheid in working and social life, efforts in growing the employment of women, and positive discrimination policies in favor of women employees. HR Director Nursel Ölmez Ateş accepted the award on behalf of Ford Otosan. Ms. Ateş said, “As a woman employee, I feel delighted to be part of an organization that accords me and my fellow colleagues the value that we deserve.”

**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.

**159,933** visitors in 2013 A total of **208** activities

**21** exhibitions

**24** theater plays

**21** children’s theater shows

**31** concerts and shows

**68** educational, health and environmental seminars

**21** courses and workshops

**10** workshops for children

**12** panel discussions and recitals



Agenda of the Ordinary General Assembly	61
Board of Directors' Report	62
Dividend Distribution Proposal for the Year 2013	72
Corporate Governance Principles Compliance Report	73
Risk Management and Report on the Activities of the Early Determination and Management of Risk Committee	80
Legal Disclosures	82
Report on Related Party Transactions for 2013	83
Remuneration Policy for the Board of Directors and Senior Executives	84
Independent Auditor's Report on Annual Report	85
Independent Auditor's Report and Financial Statements as of December 31, 2013	87

# AGENDA OF THE ORDINARY GENERAL ASSEMBLY

1. Opening and election of Chairmanship Panel,
2. Reading, discussion and approval of the Annual Report of year 2013 prepared by the Board of Directors,
3. Reading of the summary report of the Independent Audit Firm of 2013 Fiscal Period,
4. Reading, discussion and approval of the Financial Statements of 2013 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 2013,
6. Release of the members of the Board of Directors separately for year 2013 activities,
7. Submitting the Company's Profit Distribution Policy for 2013 and the following years to the approval of the General Assembly, in accordance with the regulations of the Capital Markets Board,
8. Approval, or approval with amendments or refusal of the Board of Directors' proposal for profit distribution for the year 2013 and the distribution date,
9. 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,
10. 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,
11. Determination of the monthly gross fees to be paid to the members of the Board of Directors.
12. 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,
13. Giving information to the shareholders regarding the transactions made with related parties in 2013, in the context of the regulations of the Capital Markets Board,
14. Giving information to the shareholders regarding the donations made by the Company in 2013 and determination of a upper limit for donations to be made in 2014,
15. 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 2013 pursuant to the Capital Markets Board's Communiqué on Corporate Governance,
16. Wishes and opinions.



BOARD OF  
DIRECTORS'  
REPORT

Dear Shareholders, Business Partners and Employees,

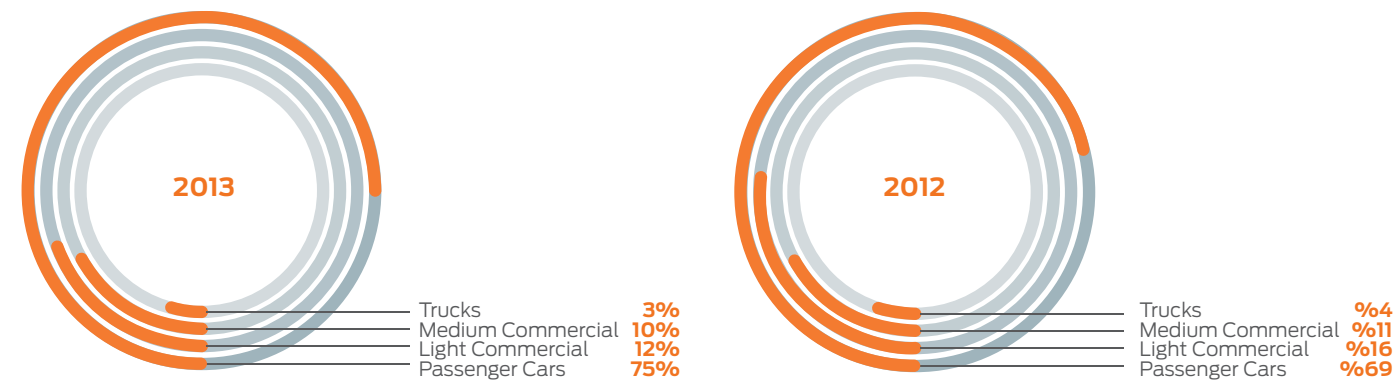
We welcome all of our esteemed shareholders, honoring the 55<sup>th</sup> Ordinary General Assembly, as we submit the Board of Directors' Report on the operations of Ford Otomotiv Sanayi A.Ş. in 2013 for your examination.

Economic and political fluctuations continued to rock the world during 2013. Developments regarding the American Central Bank FED's asset purchase program have been the most significant factors in determining the direction of the global economic outlook and the financial markets throughout the year. The FED's announcement on reducing the asset purchase program, together with the continuing improvement in the USA's economic figures, led to expectations of a global liquidity crunch. Interest rates rose in developing economies, while their currencies depreciated against the US dollar. Meanwhile, in contrast with signs of gradual improvement in Europe's core economies, the outlooks of the developing countries have weakened.

Sales in the automotive industry

The low interest rate environment in the first five months of the year, the high level of consumer confidence index, and the new model year all made a positive impact on sales of passenger cars in our country. As well as rising foreign exchange and interest rates due to developments in Turkey and abroad after June, the expectation of hikes in vehicle prices and finance costs led to pull forward demand. As a result, the Turkish automotive industry's sales volume grew by 9% in 2013 over the previous year. The entire growth in the sector stemmed solely from passenger cars, the sales volume of which climbed by 19%. The contraction in commercial vehicle sales continued, despite the low base year, due to the lack of significant mobility in the economy. The sales volume of light commercial vehicles contracted by 21%, whereas that of medium commercial vehicles and trucks fell by 6%. While the shift from light commercial vehicles to passenger cars continued, the total market share of passenger cars, which stood at 69% in 2012, rose to 75% in 2013.

Distribution of Sales on a Segment Basis in the Automotive Industry



The total sales volume in 2013 amounted to 885,180 units, which consists of 664,655 passenger cars, 103,446 light commercial vehicles, 85,227 medium commercial vehicles, and 28,159 trucks. 2013 recorded the second highest sales volume following 2011's record-breaking figures in the history of the industry. Intense price competition was the backdrop throughout the year.

Exports in the Industry

According to data provided by the European Automobile Manufacturers' Association (ACEA), total vehicle sales volume in Europe, reaching 14 million units throughout the year, declined by 1.4% with respect to the previous year. The sales volume of passenger cars, which fell by 1.8% over 2012, to 11.9 million units, continued its contraction of the last 6 years, and reached its lowest level since 1995. On the other hand, commercial vehicle sales showed a limited rise by 0.8% to 1.7 million units. This figure corresponds to the third-lowest year since 1997.

Despite the continued weakness in the European automotive industry, Turkey's total automotive exports grew by 14% compared to the previous year, and amounted to 828,471 units. Moreover, production volume grew by 5% to 1,125,534 units. **Ford Otosan conducted 57% of Turkey's commercial vehicle production and 61% of exports during this period.** (Source: Automotive Manufacturers Association)



The total market share of import vehicles grew rapidly during the year. The market share of imported passenger cars rose by 4 percentage points, when compared to 2012, to 78%, whereas the market share of imported light commercial vehicles grew from 42% to 48%. The total market share of import vehicles went up by 6 percentage points to 71%.

Rising share of imports in the industry

	Passenger Cars	Light Commercial Vehicles	Total
2013	78%	48%	71%
2012	74%	42%	65%

Source: Automotive Distributors' Association

Our company has continued to create value for Turkey by maintaining its net exporter position with an US\$ 1.9 billion net exports within the last 5 years.

Ford Otosan in 2013

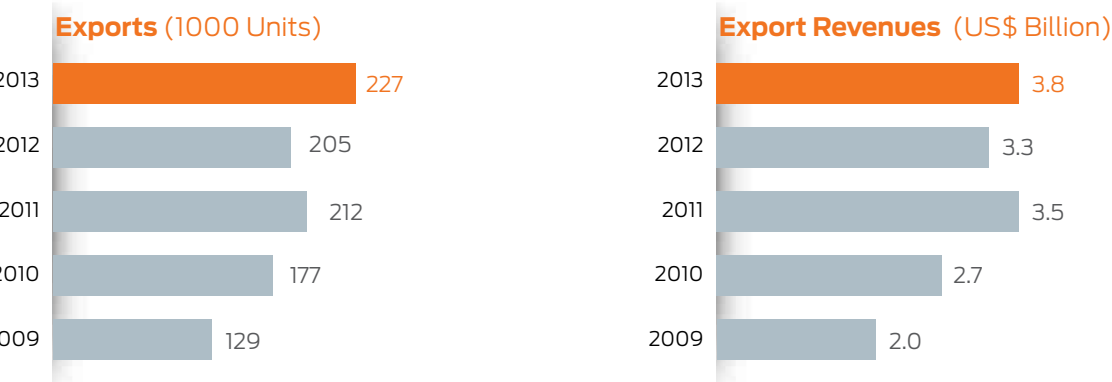
In 2013, during which the shift to passenger cars in the industry accelerated rapidly, and the light commercial vehicles segment contracted by 21%, Ford Otosan obtained a market share of 12.9%, with a sales volume of 114,141 vehicles, bucking the negative trend. **Our company succeeded in managing the changing economic conditions and intensifying competition, and maintaining its market leadership for the 12<sup>th</sup> consecutive year, thanks to its flexible strategy.** The main contributory factors of these achievements were our broad product range, strong products, competitive pricing policy, well-placed marketing strategy, wide distribution channels, and customer-focused after sales services.

In 2013, Ford Otosan captured 3<sup>rd</sup> place in the passenger cars segment with a market share of 8.8%, 2<sup>nd</sup> place in the light commercial vehicles segment with a market share of 20.7%, 1<sup>st</sup> place in the medium commercial vehicles segment with a market share of 33.2%, and 2<sup>nd</sup> place in the trucks segment with a market share of 21.3%. Ford Otosan overtook 39 European countries, including the UK, in 2013 and achieved the highest Ford market share (26.4%) in commercial vehicles in Europe.



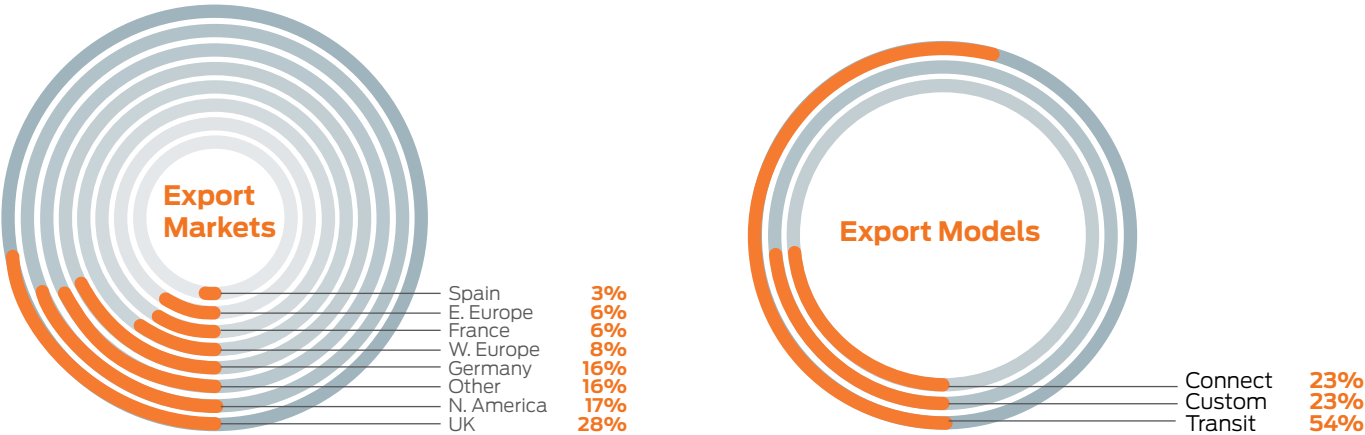
Exports

Thanks to the market diversification strategy in recent years, Ford Otosan continued its large-scale exports program in 2013, and reached the highest export figure in its history with 226,671 units. Ford Otosan has always been ranked among the top 3 highest exporting companies in Turkey over the last 10 years, and became the automotive export champion in 2013 for the 5<sup>th</sup> time, with an export volume of US\$ 3.8 billion. On the other hand, our engineering export volume, which amounted to US\$ 53 million in 2012, maintained its upward trend and reached US\$ 73 million.



The weak trend in Europe continued in 2013. Commercial vehicle sales in the UK, our largest export market, and to Spain, one of our major markets, grew by 14.5% and 9.7% respectively, whereas other markets continued to contract. However, our new vehicles Transit Custom and Tourneo Custom, which were launched on the market in the final quarter of 2012, boosted the market share by attaining a strong sales volume, even in the contracting markets. Moreover, Ford's strategy of focusing on growing its commercial vehicle market share in Europe provides a key impetus in terms of our exports. In 2013, Ford's sales volume grew by 6.3% in Europe, and its commercial vehicles market share reached its highest level since 2007, with 9.2%. As Ford's largest commercial vehicle production base in Europe, Ford Otosan is perfectly positioned to benefit the most from European growth with its commercial vehicle range that will be completely revamped in 2014.

Ford Otosan exported vehicles and parts to 79 countries, adding Azerbaijan, Egypt, Mexico, Singapore and Taiwan to its export destinations in 2013.



Total Sales Volume

In 2013, Ford Otosan achieved a total sales volume of 340,642 units, 226,671 of which were shipped to international markets and 113,971 sold in Turkey. Domestic sales volume, export volume and total sales volume grew by 3%, 11% and 8%, respectively, over the previous year.



Production and Vehicles

Ford Otosan manufactured 281,287 vehicles in 2013, and worked efficiently with a capacity utilization rate of 85%, which is above the averages of both the European and Turkish industries. During the year, the Kocaeli Plant manufactured 144,101 Transit, 75,600 Transit Connect, and 55,293 Transit Custom and Tourneo Custom vehicles, while 6,293 Cargo trucks were manufactured in the İnönü Plant. Our company strengthened its success in the efficient use of capacity by boosting its performance in quality and occupational safety.

The new Ford Cargo truck, which started to be manufactured in 2013 in line with the Global Cargo agreement, and the engineering export of which was also conducted by Ford Otosan, was introduced to the market. At the same time, the medium-roof version of Ford Transit Custom model, which won the "2013 International Van of the Year" award, was added to the product range.





Transit Connect, which used to be manufactured in the Kocaeli Plant since 2002, completed its product life with many achievements in 2013. New Transit Connect, the top hat of which was designed by Ford Otosan, won the “2014 International Van of the Year” award. The existing Transit model, which has been manufactured since 1967, bequeathed its place to the new generation Transit.

The productions of the new generation Transit and our brand new light commercial vehicle Courier will begin in the first quarter of 2014. By the end of 2014, the Kocaeli and İnönü Plants will reach annual production capacities of 400,000 commercial vehicles and 15,000 trucks, respectively, after the completion of investments that started at the end of 2010.



After this great transformation, Ford Otosan will be Ford's largest commercial vehicle manufacturing center in Europe and one of the most important global Ford centers. We are the leading manufacturing center of the Transit, which is the longest ever Ford model in Europe, and of which more than 7 million units have been manufactured since 1965. We are the only manufacturing center in the world for the newest members of the commercial vehicle range, Ford Custom and Ford Courier. We are also one of the two production centers for the new Ford Cargo trucks, the engineering and design of which was totally conducted by Ford Otosan.

#### Investments

During 2013, Ford Otosan continued its huge investment program, which was started at the end of 2010. Within the scope of the program, the construction of the Yeniköy Plant, the foundations of which was laid by Ford Otosan on 19<sup>th</sup> of March 2012, was rapidly completed within 16 months and test production has already been initiated in the plant. Yeniköy Plant has some high technologies used for the first time in the Ford world. The plant will have an annual production capacity of 110,000 units and is the only production center in the world of Ford's new light commercial vehicle models, Transit Courier and Tourneo Courier, to be launched in 2014.

This new facility, which will be one of Ford's most significant light commercial vehicle production bases, is fully equipped with eco-friendly high-tech applications. Energy consumption is minimized thanks to the painting system, which is used for the first time in Turkey. The waste paints are decomposed without the need for water thanks to the technology, which is used for the first time in Ford of Europe. Approximately 130 advanced technology robots are used in the production lines to maintain our efficiency and vehicle quality. The “Disabled- Friendly Plant” will provide employment to a greater number of disabled citizens. Within the plant, all work areas and all equipment in these areas are designed ergonomically in order to support workers' health and the workspace.

By means of these investments, Ford Otosan strengthened its place as the most significant light commercial vehicle development center and production base of Ford in Europe.

In 2013, it was decided to make an investment worth US\$ 100 million for the production of the new 11-liter and 13-liter Ecotorq engines, developed by Ford Otosan engineers and the intellectual property rights of which are wholly owned by Ford Otosan. Within this context, an additional building, which covers an area of 2,025 m<sup>2</sup>, and a new dynamometer are being built in the İnönü Plant.

TL 1,312 billion was spent in 2013 on new projects and ordinary annual maintenance activities (2012: TL 935 million).

The Company received a Large-Scale Investment Incentive Certificate worth TL 1,342,219,988 in December 2010 to be used for new projects. These investments, sporting a contribution rate of 30%, are placed in the 1<sup>st</sup> Region according to the incentive legislations. Information pertaining to the use of the incentives is summarized in the footnotes of our Financial Statements.

Ford Otosan re-evaluated its projects within the context of the decision of the Cabinet on State Aids in Investments regulating the investment incentive system, which was published on the Official Gazette and went into force on June 19, 2012. Thus, a Priority Investment Incentive Certificate worth TL 1,839,588,573 to be used in the projects was received. These investments, sporting a contribution rate of 40%, are placed in the 5<sup>th</sup> Region according to the incentive legislations. Information pertaining to the use of the incentives is summarized in the footnotes of our Financial Statements.

#### R&D activities

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

This year, Ford Otosan again broke new ground in the Turkish automotive industry, by exporting technology to China. By means of the agreement that we signed with JMC, we agreed upon the production of the Ecotorq engines, the intellectual property rights of which are wholly owned by Ford Otosan, in the world's largest truck market, China.

Ford Otosan R&D Center, exporting vehicles, engines and engineering with 1,277 R&D engineers, is not only the Turkish automotive industry's largest R&D center, but also ranks among Ford's top three R&D Centers worldwide. Ford Otosan, retaining its status as the company with the highest R&D expenditure rate in Turkey in 2013, is proud to be already exceeding a 3% R&D expenditure rate, which is the national target set for 2023.

Ford Otosan laid the foundations of the largest technology and R&D base of the Turkish automotive industry, with an investment of TL 60 million in 2013. Our company will produce global engineering service for Ford Otosan and Ford Motor Company in this new engineering center. Ford Otosan is the global design and engineering center for Ford's light and heavy commercial vehicles as well as the Ford center which carries out the development and calibration of the diesel engines.

In 2013, the Company spent TL 366,042,905 (2012: TL 257,295,589), prior to capitalization and TL 145,889,919 (2012: TL 112,084,954) after capitalization, on R&D expenditures covering ongoing projects. R&D projects are carried out in accordance with product programs.



Social Responsibility and Donations

Ford Otosan and its employees contribute to numerous social responsibility projects in the fields of education, health, environment and culture. The largest projects are usually implemented by the Vehbi Koç Foundation. Including the donation to the Vehbi Koç Foundation, total donations in 2013 amounted to TL 12,235,154. (2012: TL 13,214,246)

Awards

Ford Otosan fully reaped the fruits of its operations by receiving several awards from the sector’s most prestigious global organizations.

Serving as a model for the entire world with its innovative approach, flexible solutions and studies on effective and developed measurement capabilities, Ford Otosan, was honored with the “2013 Engine Test Facility of the Year” award by Automotive Testing Technology International Magazine, and became the first center in the Ford world to win this special award.

Ford’s new commercial vehicle, Transit Connect, the top hat design of which was conducted by Ford Otosan, won the “2014 International Van of the Year” award.

The Ford Cargo 1846T Truck, developed by Ford Otosan engineers, captured 3<sup>rd</sup> place in the “2014 Truck of the Year” contest. At the same time, it was recognized as the “Logistics Truck of the Year” in the 7<sup>th</sup> International Logitrans Transport Logistics Exhibition.

Changeovers in the Board of Directors

Mr. Grant Edward Belanger, who was elected to the Board of Directors after being nominated by Group C in the Ordinary General Assembly held on March 21, 2013, resigned from his Board membership as of September 11, 2013 as he was appointed to another position within Ford Motor Company. Pursuant to the decision taken at the Board of Directors’ meeting on September 11, 2013, Mr. William Richard Periam was appointed a Board member to serve until the next Ordinary General Assembly Meeting.

Mr. Jeffery Carter Wood, who was elected to the Board of Directors in the Ordinary General Assembly, held on March 21, 2013, resigned from his Board membership as of December 10, 2013. Pursuant to the decision taken at the Board of Directors’ meeting on December 10, 2013, Ms. Barbara Jean Samardzich was appointed a Board member to serve until the next Ordinary General Assembly Meeting.

Changeovers in Company Management

Mr. Grant Edward Belanger, who has been acting in the company as Deputy General Manager, left his job in Ford Otosan as of September 1, 2013, since he was appointed to a new position at Ford Motor Company. Pursuant to the decision taken at the Board of Directors’ meeting on July 26, 2013, Mr. William Richard Periam was appointed Deputy General Manager as of September 1, 2013 to replace Mr. Grant Edward Belanger.

Pursuant to the decision taken at the Board of Directors’ meeting on July 26, 2013, Mr. Hasan Kazım Burak Gökçelik was appointed Assistant General Manager (Engineering) as of August 1, 2013.

Employment and Personnel

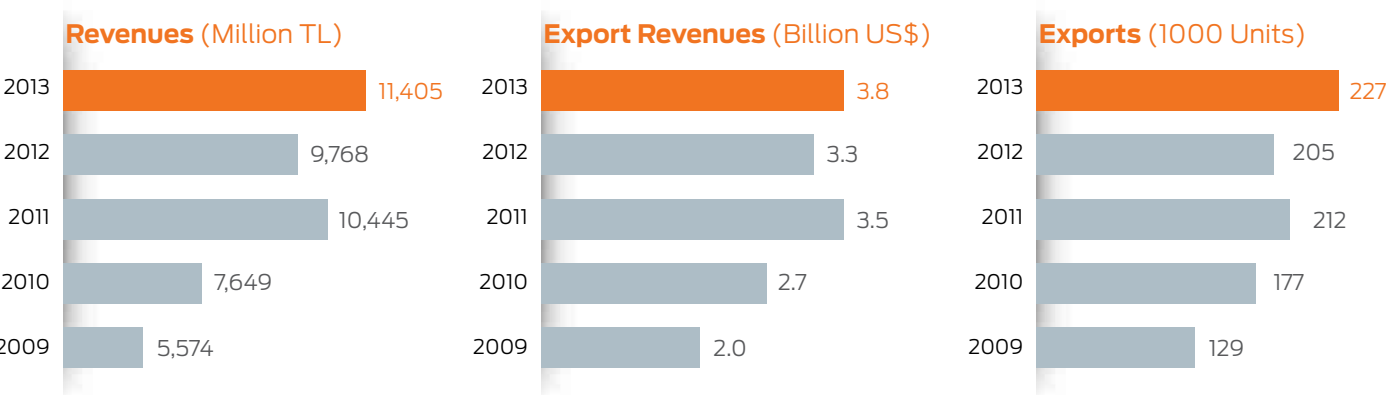
Ford Otosan employed 6,926 blue-collar and 2,518 white-collar employees, totaling 9,444 personnel. Ford Otosan retained its position as the automotive company with the highest employment rate. (December 31, 2012: 7,069 blue-collar and 2,458 white-collar employees, totaling 9,527 personnel).

The Company’s blue-collar 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, 2014. Following the communication of the authorization determinations to MESS after the Unions and Collective Labor Contracts Law number 6356 went into effect on November 7, 2012, the new period Group Collective Labor Contract, covering September 1, 2012 – August 31, 2014, was signed on May 31, 2013 between the Turkish Metal Union and MESS, the employers’ union in the metal works branch of which the Company is a member.

Financial Results

The 2013 Financial Statements and their explanatory footnotes, audited by the Independent Auditors, have been submitted for your review in the relevant sections of the Annual Report.

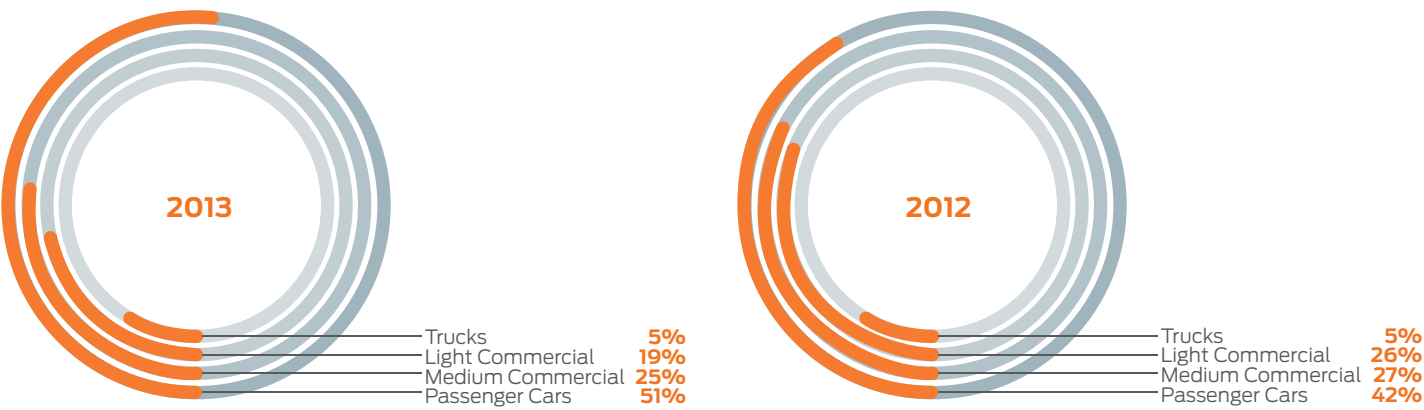
Revenues rose by 17% in 2013, when compared to the previous year, to TL 11,405 million as a result of our strong export revenues. Domestic revenues grew by 7% to TL 4,106 million, while total domestic sales figures climbed 3% to 113,971 units, which were sold to the dealers. On the other hand, export figures rose by 11% to 226,671 units. Export revenues rose by 23%, due to a combination of the sales volume and foreign exchange rate, to TL 7,299 million. The share of exports in total revenues rose from 61% to 64%.



The cost of imports rose significantly in 2013 due to the 25% depreciation of the Turkish Lira against the Euro. This cost hike could not be reflected onto sales prices to the same extent because of the intense competition in the market, and the considerable aging of our commercial vehicles. The devaluation of the Turkish Lira led to a significant loss in profit margins despite price rises and cost cutting measures taken. The rise in the share of passenger cars, which are less profitable among our other products, in total sales volume in parallel with the trend in the sector, negatively impacted the profitability of the company.



Distribution of Ford Otosan's domestic sales on a model basis



In addition, the annual depreciation and amortization charges jumped by 32%. As a result, the operating profit margin, which was 6.5% in 2012, fell to 5.9%, and operating profit grew by 6% to TL 670 million, in 2013. EBITDA rose by 11% and reached TL 856 million. The EBITDA margin dropped by 0.4 percentage points, when compared to 2012, to 7.5%. As a result of the hike in the TL equivalent of financial debts due to the depreciation of the Turkish Lira, net financial expenses rose and this led to a contraction by 31% in profit before tax. Our profit before tax was posted at TL 452 million. Net profit fell by 6%, when compared to 2012, to TL 641 million. Deferred tax assets, which are calculated over the tax advantage due to investment incentive certificates, limited the decline in the net profit. Net profit margin fell by 1.4 percentage points to 5.6%, in 2013.

In 2013, the Company obtained fresh borrowings of €491 million and repaid debt of €248 million. As a result, total financial liabilities rose by €243 million. According to the Balance Sheet dated December 31, 2013, the Company holds TL 238 million in cash versus TL 2,291 million in financial debts.

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

Dividend Policy and Proposal

Ford Otosan paid a total dividend of TL 4 billion between the years 2004 and 2013.

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.

In 2013, Ford Otosan maintained its dividend distribution policy, and this allowed the Company to make a dividend distribution of TL 300 million despite the ongoing investments. As a result, Ford Otosan's total dividend payment between 2004 and 2013 exceeded TL 4 billion.

Taking into consideration the funding requirement of our company in this large scale investment period, expectations of the market, and financial policies, we propose not to distribute any dividends out of 2013 profits as indicated in the attached Dividend Distribution Proposal Table.

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 2014 financial year. We submit this selection for the approval of the General Assembly.

2014 Outlook

In 2014, we are faced with quite a challenging landscape in terms of both the economy and the dynamics of our industry. We anticipate a contraction in the total automotive industry market in 2014 compared to the previous year, due to the measures taken by the Banking Regulation and Supervision Agency (BRSA) regarding vehicle loans, the hike in Special Consumption Tax rates on passengers cars as of January 1, 2014, vehicle prices which rose significantly as a result of the depreciation of the Turkish Lira, rising interest rates and the high base year.

We expect to face a temporary weakness in our production, sales and export figures since it will be a year of transition, during which we will phase our old products out and successfully launch the new ones. However, we are confident that we have already taken the necessary measures in order to comfortably overcome this challenging period before us.

As well as launching our vehicles on the market at exactly the planned time in this challenging backdrop of the year 2014, we will continue our operations and sail through this period in the best way possible, thanks to our strong financial structure and experience, by rapidly adjusting our business program to the changing conditions, and focusing on our effective risk management policies.

2014 will represent a milestone for our company. By completely renewing our products with the latest technologies within the scope of fixed asset investments, in excess of US\$ 1 billion, on capacity enhancement and new product projects, we will have completed a phase which is significant for our sustainable growth, as well as our profitability. Within this context, we, at Ford Otosan, clearly express our confidence in our country and, the automotive industry in all of the investments we make.

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 making Ford Otosan one of the largest and most successful industrial corporations in Turkey.

Best regards,

FORD OTOMOTİV SANAYİ A.Ş.  
BOARD OF DIRECTORS



Ford Otomotiv Sanayi A.Ş. 2013 Dividend Distribution Proposal Table (TL)

1. Paid-in / Issued Capital	350,910,000
2. Total Legal Reserves (According to Tax Book)	454,687,974
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	452,104,806	149,067,009
4. Taxes Payable	189,366,980	(3,893,175)
5. Net Income for the Period (=)	641,471,786	145,173,834
6. Retained Losses (-)	-	-
7. First Series of Legal Reserves (-)	0	0
8. DISTRIBUTABLE NET INCOME FOR THE PERIOD (=)	641,471,786	145,173,834
9. Donations within the year (+ )	12,235,154	
10. Distributable Net Income for the Period including Donations to Calculate First Dividend	653,706,940	
11. First Dividend to the Shareholders	0	
- Cash	0	
- Bonus	0	
- Total	0	
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	0	
16. Second Series of Legal Reserves	0	
17. Statutory Reserves	0	0
18. Special Reserves	0	0
19. EXTRAORDINARY RESERVES	641,471,786	145,173,834
20. Other Reserves Distributable		
- Retained Earnings		
- Extraordinary Reserves		
- Other Reserves Distributable per Law and Articles of Association		

1. 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 “Vol:IV, No.56 Communiqué on Determination and Implementation of Corporate Governance Principles” during the period of its operation ending on December 31, 2013 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 2013, significant efforts were made for compliance with the Capital Markets Law and new Turkish Commercial Code. All the changes in the Articles of Association required by law have been fulfilled in 2013 Extraordinary General Assembly Meeting. The procedure for determining and announcing independent candidate members became effective and election process was completed accordingly. Confirmation was obtained from the Capital Markets Board for the determination of independent board member number as two according to the relevant communiqué and also approved in General Assembly meeting. The Committees founded in the Board of Directors carried out their activities efficiently. Remuneration Policy for Board and Executive Management was explained to shareholders in the general assembly. Information about preferred shares, shareholder rights, organizational changes, candidate members of the Board, reports for transactions made with related parties were announced three weeks in advance of the general assembly meeting. All related party transactions have been submitted to the Board of Directors and resolutions for continuation were obtained with the approval of independent Board members. The Company website and annual report have been reviewed and revised for full compliance with the principles of the Capital Markets Board.

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

SECTION I – SHAREHOLDERS

2. Shareholder Relations Unit

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

The Investor Relations Team is responsible for updating the stakeholders correctly and equivalently about the company in line with the Corporate Disclosure Policy. For achieving this objective, meetings are organized with the concerned parties, investor conferences and road shows are attended and all incoming telephone or e-mail questions are answered. In 2013, the Team attended 16 investor conferences and held one-on-one meetings with 331 investors and analysts. 82 people were hosted in 11 factory visits. 105 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 convention in the company website on a regular basis.

3. 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 9 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.

**4. General Shareholders Meetings**

During the calendar year of 2013, two General Shareholders’ Meetings were held; one ordinary meeting on March 21<sup>st</sup> and one extraordinary meeting on June 28<sup>th</sup>. Both meetings achieved a participation of on average 89% and convened at sessions that were open to the public. The meetings can be attended by stakeholders and the media. Executive Management and minimum two Board members are present in the General Shareholders’ Meetings.

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

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

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

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

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

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

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

**5. Voting Rights and Minority Rights**

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

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

There are no companies that are reciprocal shareholders.

**6. 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. (The Dividend Policy was last updated on February 28, 2014.)

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 300,028,050 gross dividend was paid on April 3, 2013.

**7. Transfer of Shares**

The restrictions for share transfers are stated in article 8 of the Company’s Articles of Incorporation.

**SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY**

**8. Disclosure Policy**

Ford Otosan is committed to a policy of complete, true, clear, transparent and accurate public disclosure of all material information in a timely manner, in order to keep shareholders and the investing public informed about the company’s operations. In this frame, company’s Corporate Disclosure Policy was published in the website and announced to the public.

The Board of Directors is responsible for preparing, overseeing and updating the Disclosure Policy. Principles regarding the announcement of forward looking information are stated in this policy. If it is perceived that such information or forecasts shall not be realized, updated data is provided.

**9. The Company’s Website and Its Content**

The address for access to the Ford Otomotiv Sanayi A.Ş. official website is [www.fordotosan.com.tr](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 Information”, “Investor Relations” and “Corporate Governance” sections of the website encompass trade register information, the latest shareholder and management structure, the Company’s Articles of Incorporation, annual reports, periodical financial statements and reports, agendas and meeting minutes of the General Shareholders’ Meetings, auditors’ reports, investor presentations, Corporate Governance principles, standards of corporate conduct, announcements and special case disclosures made by the company, contact information and all related data.

**10. Annual Report**

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



SECTION III – STAKEHOLDERS

11. Disclosure to Stakeholders

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

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

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

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

12. Stakeholders Participation in the Company Management

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

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

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

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

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

13. Human Resources Policy

As in other companies of the Koç Group, the tenet “Our most valuable capital is our human resources” comprises the essence of human resources policies at Ford Otosan. The vision 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 create high performance culture, to train leaders digesting the latest technology using their social and technical abilities moderately, to develop a learning organization, to form an HR process conducting the evolution, to improve and to perpetuate. The Company principle of announcing job descriptions and performance evaluation criteria is applied. The “Employee Engagement Survey” distributed every year measures employee satisfaction, loyalty and pinpoint areas for development, facilitating taking steps for improvement.

The company has signed a 2 year agreement in May 2013, effective from September 1<sup>st</sup>, 2012, 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.

14. Ethical Rules and Social Responsibility

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

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

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

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

SECTION IV – BOARD OF DIRECTORS

15. The Structure and Formation of the Board of Directors

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

Name - Surname	Executive	Inde- pendent	Appoint. Date	Duration	Membership in Board Committees	Duties outside Company
Y. Ali Koç	No	No	21.03.2013	12 Months	-	Koç Holding
Stephen T. Odell	No	No	21.03.2013	12 Months	Remuneration Committee	Ford Motor Company
M. Rahmi Koç	No	No	21.03.2013	12 Months	-	Koç Holding
					Risk Committee /Corp.Gov Committee	Koç Holding
Bülent Bulgurlu	No	No	21.03.2013	12 Months	Remuneration Committee	Koç Holding
O. Turgay Durak	No	No	21.03.2013	12 Months	Risk Comm.Pres./Remun.Comm. Pres. /Audit Comm.	-
Mehmet Barmanbek	No	Yes	21.03.2013	12 Months	-	Ford Motor Company
John Fleming	No	No	21.03.2013	12 Months	Corporate Governance Committee / Risk Committee	Ford Motor Company
Lyle A. Watters	No	No	21.03.2013	12 Months	-	Ford Motor Company
Barbara J. Samardzich	No	No	10.12.2013	3 Months	Corp.Gov.Committee Pres. / Audit Committee	-
Günter Verheugen	No	Yes	21.03.2013	12 Months	-	-
Haydar Yenigün	Yes	No	21.03.2013	12 Months	-	-
William R. Periam	Yes	No	11.09.2013	6 Months	-	-

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. There is 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 January 18, 2013. All the independent board members have submitted their independence declarations to Audit Committee and no condition which cancels the independency has been observed in 2013.

**16. 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 2013, 25 Board of Directors’ resolutions are taken and one 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.

There is no related party or significant transaction in 2013 that needs General Assembly approval due to disapproval of independent board member.

**17. 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.

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

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

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

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

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

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

**18. Risk Management and Internal Control Mechanism**

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

**19. Strategic Objectives of the Company**

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

**20. Financial 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 March 21, 2013 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

## Activities of the Early Determination and Management of Risk Committee

### a. Risk Management

The primary goal of Ford Otosan in risk management is to foresee, manage and 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 Department has been established as of September 1, 2012 under Treasury Department. This department led the establishment of cross functional ERM (Enterprise Risk Management) team in October 2012. 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 department is responsible for reporting ERM studies to Ford Otosan Executive Management and to "Early Determination of Risk Committee".

The Company monitors the risk management under four categories.

### Financial Risks:

**Credit Risk:** Direct Debiting System, which is an effective way to guarantee the receivables, is applied to dealer receivables from domestic vehicle and spare-part sales. Most of the export sales are made to Ford Motor Company and its affiliates with 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 payment methods.

**Liquidity risk:** Ford Otosan keeps cash, credit commitment and factoring capacity to maintain 21 days' cash outflow to manage the liquidity risk. Within this context, €80 million credit commitment and €70 million equivalent factoring agreements are established with financial institutions if required. As of December 31, 2013 net financial debt is TL 2,053 million.

**Interest rate risk:** The policy dictates balancing the outstanding 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, 2013 net exchange position is TL 58 million negative as a result of this policy. Total exports and imports are TL 7,299 million and TL 6,162 million, respectively, in 2013.

**Capital risk:** Ford Otosan's objectives when managing capital are to safeguard the ability to continue providing maximum returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. As of June 2013, 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 the 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, İnönü, Kartal and Gebze 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 of 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 staff and leads training activities to prevent any incompliance with the regulations. Any important discrepancies and serious litigation requirements are being reported to "Internal Audit Committee" and "Early Determination and Management of Risk Committee" and action plans are determined.

### b. Early Determination and Management of Risk Committee Activities

Early Determination and Management of Risk Committee has been founded in 2012 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 2013. 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 3,000 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 the Board of Directors where required.

Koç Holding, Ford Motor Company and Internal Control Department performs audits in the Company on an annual basis. Additionally, some public authorities such as Ministry of Finance and Customs may request information. Results of these reports are presented to 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 Holder	Group	Bearer / Registered	Number of shares	Total (TL)	Share in Capital (%)	Type of Privilege	Publicly Traded (Y/N)
Ford Motor Company	C	Registered	14,399,703,676	143,997,036.76	41.0353	Management Privileged	N
Koç Holding A.Ş.	B	Registered	13,495,335,714	134,953,357.14	38.4581	Management Privileged	N
Other (Free Float)	A	Registered	6,291,592,649	62,915,926.49	17.9294	-	Y
Vehbi Koç Foundation	A	Registered	342,859,230	3,428,592.30	0.977	-	N
Koç Holding Retirement and Support Fund Foundation	A	Registered	325,920,231	3,259,202.32	0.9288	-	N
Temel Ticaret A.Ş.	A	Registered	235,588,500	2,355,885.00	0.6714	-	N
<b>Total</b>			<b>35,091,000,000</b>	<b>350,910,000.00</b>	<b>100</b>		

### c. Share Information

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

Ford Otosan shares are included in the following indices: BIST Kocaeli / -BIST METAL PRODUCTS AND MACHINERY / -BIST INDUSTRIAL / -BIST DIVIDEND / -BIST DIVIDEND 25 / -BIST ALL / -BIST NATIONAL / -BIST 100 / -BIST 100-30 / -BIST 50.

#### d. Information on the Extraordinary General Assemblies held in 2013

Ford Otosan's Extraordinary General Assembly Meeting was held on June 28, 2013, at 15:00 at the address: Akpınar Mahallesi, Hasan Basri Caddesi, No: 2 Sancaktepe, Istanbul, at the Company's Head Office. Provided that the necessary permits are obtained from the Capital Markets Board and the Ministry of Customs and Trade; the proposal of the Board of Directors concerning the amendment of the Articles of Association between Articles 2 and 22 (including Articles 2 and 22), except for Article 1 titled "Establishment", and the cancellation of Article 23 and subsequent articles in compliance with Turkish Commercial Code Numbered 6102 and the Company's requirements, was accepted by majority vote at the meeting.

### e. Organizational Changes in 2013

Mr. Grant Edward Belanger, who was elected to the Board of Directors after being nominated by Group C in the Ordinary General Assembly held on March 21, 2013, resigned from his Board membership as of September 11, 2013. Pursuant to the decision taken at the Board of Directors' meeting on September 11, 2013, Mr. William Richard Periam was appointed a Board member to serve until the next Ordinary General Assembly Meeting.

Mr. Jeffery Carter Wood, who was elected to the Board of Directors in the Ordinary General Assembly, held on March 21, 2013, resigned from his Board membership as of December 10, 2013. Pursuant to the decision taken at the Board of Directors' meeting on December 10, 2013, Ms. Barbara Jean Samardzich was appointed a Board member to serve until the next Ordinary General Assembly Meeting.

Mr. Grant Edward Belanger, who has been acting in the company as Deputy General Manager, left his assignment in our company as of September 1, 2013, since he was appointed to a new position at Ford Motor Company. Pursuant to the decision taken at the Board of Directors' meeting on July 26, 2013, Mr. William Richard Periam was appointed Deputy General Manager as of September 1, 2013, to replace Mr. Grant Edward Belanger.

Pursuant to the decision taken at the Board of Directors' meeting on July 26, 2013, Mr. Hasan Kazım Burak Gökçelik was appointed Assistant General Manager (Engineering) as of August 1, 2013.

## REPORT ON RELATED PARTY TRANSACTIONS FOR 2013

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 March 3, 2014 that, “In all transactions made between Ford Otomotiv Sanayi A.Ş. and the parent company and other subsidiaries of that parent company in 2013, 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.

## INDEPENDENT AUDITOR'S REPORT ON ANNUAL REPORT

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

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Ford Otomotiv Sanayi A.Ş. ("the Company") prepared as of December 31, 2013 are consistent with the audited financial statements as of the same date.

2. Management is responsible for the preparation of the annual report in accordance with "the Communiqué related to the Determination of the Minimum Content of the Companies' Annual Report".

3. Our responsibility as independent auditors is to express an opinion on whether the financial information provided in the annual report is consistent with the audited financial statements on which we have expressed our opinion dated February 14, 2014.

Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. In our opinion, the financial information and the assessment and explanations of the Board of Directors in the accompanying annual report of Ford Otomotiv Sanayi A.Ş. are consistent with the audited financial statements as at December 31, 2013.

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



Ferzan Ülgen, SMMM  
Partner

March 3, 2014  
İstanbul, Turkey



## **Ford Otomotiv Sanayi Anonim Şirketi**

**Financial statements for the period  
January 1- December 31, 2013 together with report  
of independent auditors**



Ford Otomotiv Sanayi A.Ş.

Contents	Page
Independent auditor’s report	89
Statement of financial position	90-91
Statement of profit or loss	92
Statement of other comprehensive income	93
Statement of changes in equity	94
Statement of cash flows	95
Notes to the financial statements	96-153



Güney Bağımsız Denetim SMMM A.Ş.

Büyükdere Cad. Beytem Plaza No:20 K:9-10, 34381 - Şişli  
İstanbul - Turkey  
Tel: +90 212 315 30 00  
Fax: +90 212 230 82 91  
www.ey.com

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

Introduction

We have audited the accompanying statement of financial position of Ford Otomotiv Sanayi A.Ş. (the Company) as at 31 December 2013 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 these financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and for such internal controls as management determines is necessary to enable the preparation 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. 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.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The 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 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. An 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly the financial position of Ford Otomotiv Sanayi A.Ş. as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on independent auditor’s responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code (“TCC”); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, 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 2013 is not in compliance with the code and provisions of the Company’s articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor’s report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 10 July 2012 and it is comprised of 1 president and 2 members. The committee has met 8 times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has presented the relevant reports to the executive management.

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



Ferzan Ülgen, SMMM  
Partner in charge

İstanbul, 14 February 2014



FORD OTOMOTİV SANAYİ A.Ş.

Statement of financial position as at December 31, 2013

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)  
(Convenience translation of financial statement originally issued in Turkish)

	Notes	Current period Audited December 31, 2013	(Restated) Prior period Audited December 31, 2012
<b>Assets</b>			
<b>Current assets</b>		<b>2,443,438,405</b>	2,438,262,072
Cash and cash equivalents	4	<b>238,128,147</b>	301,518,353
Trade receivables			
- Due from related parties	26	<b>976,334,894</b>	752,478,555
- Trade receivables, third parties	7	<b>474,919,300</b>	478,607,642
Other receivables			
- Other receivables, third parties	8	<b>330,799</b>	4,552,464
Inventories	9	<b>563,888,556</b>	678,220,879
Prepaid expenses	12	<b>22,250,708</b>	53,341,648
Other current assets	16	<b>167,586,001</b>	169,542,531
<b>Non-current assets</b>		<b>3,547,751,814</b>	2,208,855,227
Financial investments	5	<b>7,732,955</b>	5,961,405
Trade receivables			
- Trade receivables, third parties	7	<b>458,542</b>	537,623
Property, plant and equipment	10	<b>2,231,069,051</b>	1,556,458,799
Intangible assets	11	<b>415,312,279</b>	238,360,675
Prepaid expenses	12	<b>591,264,603</b>	324,368,840
Deferred tax asset	24	<b>301,914,384</b>	83,167,885
<b>Total assets</b>		<b>5,991,190,219</b>	4,647,117,299

The financial statements were approved for issue by the Board of Directors on February 14, 2014 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager - Chief Financial Officer (“CFO”) and Devrim Kılıçoğlu, Finance and Accounting Director.

FORD OTOMOTİV SANAYİ A.Ş.

Statement of financial position as at December 31, 2013

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)  
(Convenience translation of financial statement originally issued in Turkish)

	Notes	Current period Audited December 31, 2013	(Restated) Prior period Audited December 31, 2012
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>2,396,989,476</b>	1,633,055,371
Short term financial liabilities			
- Bank loans	6	<b>629,929,557</b>	96,326,666
Short term portion of long term financial liabilities			
- Bank loans	6	<b>441,633,045</b>	267,189,582
Trade payables			
- Due to related parties	26	<b>262,289,287</b>	292,778,669
- Trade payables, third parties	7	<b>919,806,623</b>	827,494,766
Other payables			
- Due to related parties	26	<b>5,618,330</b>	1,449,061
- Other payables, third parties	8	<b>24,471,994</b>	21,750,636
Provision for taxation on income	24	<b>-</b>	7,741,631
Short term provisions			
- Other short term provisions	13	<b>58,009,620</b>	72,343,835
Employee benefit obligations	15	<b>55,231,020</b>	45,980,525
<b>Non-current liabilities</b>		<b>1,357,596,409</b>	<b>1,018,397,093</b>
Long term financial liabilities			
- Bank loans	6	<b>1,219,653,201</b>	896,037,316
Derivative financial instruments	28	<b>713,095</b>	1,683,905
Long term provision			
- Provision for employee benefits	15	<b>94,304,955</b>	85,541,327
- Other long term provisions	13	<b>42,925,158</b>	35,134,545
<b>Equity</b>	<b>17</b>	<b>2,236,604,334</b>	<b>1,995,664,835</b>
<b>Equity attributable to the equity holders of the Company</b>	<b>17</b>	<b>2,236,604,334</b>	<b>1,995,664,835</b>
Share capital		<b>350,910,000</b>	350,910,000
Adjustment to share capital		<b>27,920,283</b>	27,920,283
Share premium		<b>8,252</b>	8,252
Other comprehensive income/expense not to be reclassified to profit or loss			
- Acturial (loss) arising from employee benefit		<b>(11,053,834)</b>	(9,880,836)
Other comprehensive income/loss to be reclassified to profit or loss			
- Revaluation fund of available for sale financial assets		<b>6,418,090</b>	4,712,623
- Cash flow hedge reserve		<b>(102,334,951)</b>	(1,298,245)
Restricted reserves		<b>460,680,315</b>	432,432,060
Retained earnings		<b>862,584,393</b>	505,957,103
Net income for the year		<b>641,471,786</b>	684,903,595
<b>Total equity and liabilities</b>		<b>5,991,190,219</b>	<b>4,647,117,299</b>



FORD OTOMOTİV SANAYİ A.Ş.

Statement of profit or loss for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

		Current period Audited December 31, 2013	(Restated) Prior period Audited December 31, 2012
	Notes		
<b>Continuing operations</b>			
Revenue	18	11,404,912,894	9,767,937,257
Cost of sales	18	(10,277,155,728)	(8,681,010,804)
<b>Gross profit</b>		<b>1,127,757,166</b>	<b>1,086,926,453</b>
Sales and marketing expenses	19	(269,943,658)	(231,097,209)
General administrative expenses	19	(154,244,846)	(120,582,112)
Research and development expenses	19	(145,889,919)	(112,084,954)
Other operating income	21	175,973,737	102,306,416
Other operating expenses	21	(64,009,849)	(94,285,461)
<b>Operating profit</b>		<b>669,642,631</b>	<b>631,183,133</b>
Income from investing activities	29	929,987	3,070,317
Expenses from investing activities	29	(5,253,888)	(539,646)
<b>Operating income before financial income/(expense)</b>		<b>665,318,730</b>	<b>633,713,804</b>
Financial income	22	82,732,501	153,678,681
Financial expenses	23	(295,946,425)	(133,458,883)
<b>Income before tax from continuing operations</b>		<b>452,104,806</b>	<b>653,933,602</b>
<b>Tax income/(expense) from continuing operations</b>		<b>189,366,980</b>	<b>30,969,993</b>
- Taxes on income	24	(29,342,054)	(89,919,272)
- Deferred tax income	24	218,709,034	120,889,265
<b>Net income for the period</b>		<b>641,471,786</b>	<b>684,903,595</b>
<b>Earnings per share with a nominal value Kr 1</b>		<b>25</b>	<b>1,83</b>
			<b>1,95</b>

The accompanying notes form an integral part of these financial statements

FORD OTOMOTİV SANAYİ A.Ş.

Statement of other comprehensive income for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

		Current period Audited December 31, 2013	(Restated) Prior period Audited December 31, 2012
	Notes		
<b>Net income for the period</b>		<b>641,471,786</b>	684,903,595
<b>Other comprehensive income/(expense)</b>			
<b>Not to be reclassified to profit or loss</b>			
Actuarial loss arising from employee benefit	17	(1,466,248)	(12,351,043)
Actuarial loss arising from employee benefits, tax effect	17	293,250	2,470,207
<b>To be reclassified to profit or loss</b>			
Change in revaluation fund of available for sale financial assets	17	1,771,550	2,502,665
Change in revaluation fund of available for sale financial assets, tax effect	17	(66,083)	(125,133)
Loss from cash flow hedge reserve	17	(126,295,882)	(1,190,549)
Loss from cash flow hedge reserve, tax effect	17	25,259,176	238,110
<b>Other comprehensive loss, after tax</b>		<b>(100,504,237)</b>	<b>(8,455,743)</b>
<b>Total comprehensive income</b>		<b>540,967,549</b>	<b>676,447,852</b>

The accompanying notes form an integral part of these financial statements



FORD OTOMOTİV SANAYİ A.Ş.

Statement of changes in equity for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

	Share capital	Inflation adjustment to share capital	Share premium	Revaluation fund of sale financial assets	Cash flow hedge reserve	Accumulated other comprehensive income/(loss) to be reclassified to profit or loss	Accumulated other comprehensive income/(loss) not to be reclassified to profit or loss	Restricted reserves	Retained earnings	Net income for the period	Share capital
<b>Balance at January 1, 2012</b>	350,910,000	27,920,283	8,252	2,335,091	(345,806)	-	-	390,964,519	464,337,418	662,088,726	1,898,218,483
Net income for the period	-	-	-	-	-	-	-	-	-	684,903,595	684,903,595
Other comprehensive income/(loss)	-	-	-	2,377,532	(952,439)	(9,880,836)	(9,880,836)	-	-	-	(8,455,743)
Total comprehensive income	-	-	-	2,377,532	(952,439)	(9,880,836)	(9,880,836)	-	-	684,903,595	676,447,852
Transfers	-	-	-	-	-	-	-	41,467,541	620,621,185	(662,088,726)	-
Dividend paid (Note 17)	-	-	-	-	-	-	-	-	(579,001,500)	-	(579,001,500)
<b>Balance at December 31, 2012 (restated)</b>	<b>350,910,000</b>	<b>27,920,283</b>	<b>8,252</b>	<b>4,712,623</b>	<b>(1,298,245)</b>	<b>(9,880,836)</b>	<b>432,432,060</b>	<b>505,957,103</b>	<b>684,903,595</b>	<b>1,995,664,835</b>	
<b>Balance at January 1, 2013 (previously reported)</b>	<b>350,910,000</b>	<b>27,920,283</b>	<b>8,252</b>	<b>4,712,623</b>	<b>(1,298,245)</b>	<b>-</b>	<b>432,432,060</b>	<b>505,957,103</b>	<b>675,022,759</b>	<b>1,995,664,835</b>	
Adjustments in accordance with change in accounting policies (Note 2, 4)	-	-	-	-	-	(9,880,836)	-	-	9,880,836	-	-
<b>Balance at January 1, 2013 (restated)</b>	<b>350,910,000</b>	<b>27,920,283</b>	<b>8,252</b>	<b>4,712,623</b>	<b>(1,298,245)</b>	<b>(9,880,836)</b>	<b>432,432,060</b>	<b>505,957,103</b>	<b>684,903,595</b>	<b>1,995,664,835</b>	
Net income for the period	-	-	-	-	-	-	-	-	-	641,471,786	641,471,786
Other comprehensive income/(loss)	-	-	-	1,705,467	(101,036,706)	(1,172,998)	(1,172,998)	-	-	-	(100,504,237)
Total comprehensive income	-	-	-	1,705,467	(101,036,706)	(1,172,998)	(1,172,998)	-	-	641,471,786	540,967,549
Transfers	-	-	-	-	-	-	-	28,248,255	656,655,340	(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>460,680,315</b>	<b>862,584,393</b>	<b>641,471,786</b>	<b>2,236,604,334</b>	

In accordance with the General Assembly Meeting dated March 21, 2013, the Company decided to pay dividend from the net profit of the year 2012 at 85.50% amounting to TL 300.028,050 in total which was paid in April 3, 2013.

The accompanying notes form an integral part of these financial statements

FORD OTOMOTİV SANAYİ A.Ş.

Cash flow as of December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

	Notes	Current period Audited December 31, 2013	(Restated) Prior period Audited December 31, 2012
<b>Cash flows from operating activities:</b>			
<b>Net income before tax</b>		<b>452,104,806</b>	653,933,602
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation expense	10	173,780,891	123,072,513
Amortization expense	11	12,506,156	18,005,120
Provision for employee benefits	15	12,123,996	11,170,878
Warranty expense provision	13	73,761,483	55,828,833
Interest income	22	(9,720,451)	(22,980,847)
Interest expense	23	25,237,418	12,607,844
Foreign exchange loss / (gain)		209,235,654	(10,700,719)
Provision for impairment on inventories	9	847,314	(1,254,020)
Change in provision for unused vacation pay liability, net		2,053,572	654,533
Other provisions		10,003,054	113,751
Changes in provisions for sales premium, net	13	(5,033,081)	8,210,368
Loss / (gain) on sale of fixed assets	29	4,698,832	(2,249,473)
Dividend income	29	(374,931)	(281,198)
Unrealized (loss) / gain of derivatives		(22,296)	68,506
<b>Net operating profit before changes in operating assets and liabilities</b>		<b>961,202,417</b>	<b>846,199,691</b>
(Increase) / decrease in accounts receivable		(220,088,916)	167,812,059
Decrease in inventories		113,485,009	5,058,313
Decrease / (increase) in other current asset		12,390,683	(20,970,792)
Decrease / (increase) in prepaid expenses		31,090,941	(7,300,620)
Increase / (decrease) in trade payable		61,822,475	(133,852,304)
Increase / (decrease) in other current liabilities		16,141,092	(50,939,838)
Income tax paid		(17,847,295)	(130,925,592)
Warranty expenses paid	13	(85,258,189)	(72,167,970)
Employee benefits paid	15	(6,880,188)	(5,726,188)
<b>Net cash generated from operating activities</b>		<b>866,058,029</b>	<b>597,186,759</b>
<b>Cash flows used in investing activities:</b>			
Purchase of property, plant and equipment	10	(855,706,778)	(641,129,178)
Purchase of intangible assets	11	(189,457,760)	(161,005,039)
Proceeds from sale of property, plant and equipment		2,616,800	5,352,753
Increase in other non-current assets		(266,895,762)	(132,709,442)
Interest received		9,703,614	22,937,222
Dividends received	29	374,931	281,198
<b>Net cash used in investing activities</b>		<b>(1,299,364,955)</b>	<b>(906,272,486)</b>
<b>Cash flows from financing activities:</b>			
Interest paid		(21,462,053)	(12,667,340)
Dividends paid	17	(300,028,050)	(579,001,500)
Proceeds from borrowings		1,250,190,661	696,796,581
Payments of borrowings		(558,783,838)	(303,372,739)
<b>Net cash generated / (used) in financing activities</b>		<b>369,916,720</b>	<b>(198,244,998)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(63,390,206)</b>	<b>(507,330,725)</b>
<b>Beginning balance of cash and cash equivalents</b>	<b>4</b>	<b>301,518,353</b>	<b>808,849,078</b>
<b>Ending balance of cash and cash equivalents</b>	<b>4</b>	<b>238,128,147</b>	<b>301,518,353</b>

The accompanying notes form an integral part of these financial statements

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

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”) (formerly known as Istanbul Stock Exchange), 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, Istanbul.

The Company presently has two plants located in Kocaeli and Eskişehir, has a spare part distribution warehouse in Kartal, Istanbul and a branch in Tübitak Marmara Research Centre, Gebze Campus Technological Free Zone (“TEKSEB”). The light commercial vehicle, “Transit Connect”, Transit vehicles (minibuses, pick-ups and vans) and Transit Custom which was started production in 2012 are manufactured in Kocaeli plant, Ford Cargo trucks and their engines are manufactured in Eskişehir plant and in TEKSEB branch ,established in 2007, research and development operations which are also subject to engineering service export is conducted with 919 employees as of December 31,2013.

The number of the personnel employed by the Company as at 31 December 2013 and 31 December 2012 are as follows:

Year	Average		Year end	
	2013	2012	2013	2012
Blue Collar	7,020	7,314	6,926	7,069
White Collar	2,457	2,379	2,518	2,458
Total	9,477	9,693	9,444	9,527

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 OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

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, 2013 has been provided with the comparative financial information of December 31, 2012 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, 2013 and December 31, 2013 have been provided with the comparative financial information, for the period between January 1, 2012 and December 31, 2012.

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, 2013 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, 2013. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2013 are as follows:

• TFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements). New disclosures would provide users of financial statements with information that is useful in;

- i) Evaluating the effect or potential effect of netting arrangements on an entity’s financial position and,
- ii) Analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the statement of financial position that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the statement of financial position that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the year end financial statements of the Company.

• TAS 1 Presentation of Financial Statements (Amended) - Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Company.

• TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/ (loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The retrospective effects of the amendment to recognise actuarial gain and loss in the comprehensive income statement are disclosed in Note 2.4. Additionally, based on the amendment in the presentation of short term employee benefits, provision for unused vacation pay liability formerly presented in the other short term liabilities has been retrospectively reclassified to long term provisions.



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

• TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the POA also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

• TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

• TFRS 10 Consolidated Financial Statements (Amended)

TFRS 10, TAS 27 Consolidated and Separate Financial Statements address the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgement. This amendment is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

• TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

• TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The standard affects presentation only and did not have an impact on the disclosures given by the Company.

• TAS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. This standard did not have any impact on the financial statements of the Company.

• TFRIC 20 Stripping Costs in the Production Phase of Surface Mine Entities

Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

• Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which TFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated For the same reasons TFRS 11 and TFRS 12 has also been amended to provide transition relief. These amendments is not applicable for the Company and did not have any impact on the year end financial statements of the Company.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

b)Improvements to TFRS

Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Company.

TAS 1 Financial Statement Presentation:  
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:  
Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

TAS 32 Financial Instruments Presentation:  
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Financial Reporting:  
Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment.

c)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 year end financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the year end financial statements and disclosures, after the new standards and interpretations become in effect

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

• TFRS 9 Financial Instruments - Classification and measurement

As amended in December 2011, 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. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

• IFRIC 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 effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

• IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments require 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. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.

• IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

The IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that 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. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

d)The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by 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.

• IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. These amendments is not applicable for the Company and did not have any impact on the year end financial statements of the Company.

•IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on 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.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs - 2010-2012 Cycle and IFRSs - 2011-2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective 1 July 2014. Earlier application is permitted.

Annual Improvements to IFRSs - 2010-2012 Cycle

IFRS 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.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

IFRS 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 IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 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.

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.

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

The amendment to IAS 16.35(a) and IAS 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.

IAS 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 to IFRSs - 2011-2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 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.

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

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

These amendments did not have an impact on the financial position or performance of the Company

IFRS 14 - interim standard on regulatory deferral accounts

In January 2014, the IASB issued this standard. IFRS 14 permits first-time adopter rate regulated entities to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. Existing IFRS preparers are prohibited from adopting this Standard. The Standard will be applied on a full retrospective basis and is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. “Illustrative financial statement and user guide” became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

2013-1 Financial Statement Examples and User Guide

The Public Oversight Authority promulgated “financial statement examples and user guide” on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, individual retirement or capital market. The Company has made the classification adjustments stated in Note 2.4 in order to comply with the requirements of this regulation.

2013-2 Recognition of Mergers of Entities under Joint Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. These resolutions did not have an impact on the financial statements of the Company.

2013-3 Recognition of Dividend Right Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions did not have an impact on the financial statements of the Company.

2013-4 Recognition of Cross shareholding Invesment

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been determined for each of them.

- i)the subsidiary holding the equity based financial instruments of the parent,
- ii)the associates or joint ventures holding the equity based financial instruments of the parent,
- iii)the parent’s equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

These resolutions did not have an impact on the financial statements of the Company

2.3 Summary of significant accounting policies

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

Cash and cash equivalents

Cash and cash equivalents are carried in the 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).

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

Trade receivables and allowance for trade receivables

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

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

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

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other 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).

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.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

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.

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.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

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

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

Share premium

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

Share capital and dividends

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

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).



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

Current and deferred tax

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

Revenue recognition

Goods & services sales

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

Dividend and interest income

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

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

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the Central Bank of Turkey (TCB) exchange rates prevailing at the 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
December 31, 2013	2.1343	2.9365	3.5114
December 31, 2012	1.7826	2.3517	2.8708

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

Financial instruments and financial risk management

Credit risk

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

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

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

Price risk

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

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 80 million and factoring agreement amounting to Euro 70 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).

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

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.

	December 31, 2013	December 31, 2013
Net financial debt	2,053,087,656	958,035,211
Tangible equity	1,821,292,055	1,757,304,160
<b>Net financial debt / tangible equity ratio</b>	<b>1.13</b>	0.55

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 Group.

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 Group 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.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

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.

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

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

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

Borrowings and borrowing costs

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

Provision for employee benefits

a) Defined benefit plan:

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

b)Defined contribution plan:

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

c)Other employee benefits

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



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

Provisions

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

Provisions for sales premium

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

Warranty expenses provision

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

Research and development expenses

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

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

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the project lifetime (Note 11).

Leasing - the Comppany as the lessee

Operating leases

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

Leasing - the Company as 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.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

Related parties

Parties are considered related to the company (reporting entit) 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).

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).

# FORD OTOMOTİV SANAYİ A.Ş.

## Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

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

#### 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 30).

#### 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

### 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. As of December 31, 2013, there is no significant change in accounting estimates and error. The accounting policies adopted in preparation of the year end financial statements are consistent with those of the previous financial year of December 31, 2012, except for the adoption of new and amended IAS 19 “Employee Benefits”.

**(i)** Within the scope of the amendments to IAS 19 - Employee benefits, actuarial income/losses related to employee termination benefits are recognized under equity. This practice is effective for the periods starting as of January 1, 2013 and has been implemented retrospectively. As of January 1, 2012 the cumulative actuarial gain/loss amount, shown under retained earnings in the equity movement, could not realibly measured. The Company has classified the actuarial loss amounting to TL 9,880,836, with the deferred tax impact netted off, which was shown in net profit for the period ended December 31, 2012, under the actuarial fund arising from employee benefits under equity in the statement of financial position as of the same date.

**(ii)** Provision for unused vacation pay liability amounting to TL 12,664,421 in the account of “other payables” in the statement of financial position of the Company as of December 31, 2012 were classified in “provision for employee benefits” under long term provisions.

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, 2012 and the statement of other comprehensive income for the period ended December 31, 2012 are as follows:

# FORD OTOMOTİV SANAYİ A.Ş.

## Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

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

**(i)** Advances given for inventories amounting to TL 48,595,153 in the account of “inventories” in the statement of financial position of the Company as of December 31, 2012 were classified under “prepaid expenses”.

**(ii)** Advances given for investments amounting to TL 324,368,840 in the account of “other non current assets” in the statement of financial position of the Company as of December 31, 2012 were classified under “prepaid expenses”.

**(iii)** Taxes and funds payable amounting to TL 23,536,379 and payables to personnel and expense accruals amounting to TL 21,715,472 and expense accruals amounting to TL 728,674 in the account of “other payables to third parties” in the statement of financial position of the Company as of December 31, 2012 were classified under “employee benefit obligations”.

**(iv)** Expense accruals amounting to TL 7,527,694 and payables to engineering companies amounting to TL 12.800.732 in the account of “other payables to third parties” in the statement of financial position of the Company as of December 31, 2012 were classified under “trade payables to third parties”.

**(v)** Credit finance income and foreign exchange gain due to credit sales amounting to TL 57,973,427 in the account of “financial income” in the statement of financial position of the Company as of December 31, 2012 were classified under “other operating income”.

**(vi)** Credit finance charge and foreign exchange loss due to credit purchase amounting to TL 91,151,360 in the account of “financial expenses” in the statement of financial position of the Company as of December 31, 2012 were classified under “other operating expenses”.

**(vii)** Gain on sale of property, plant and equipment amounting to TL 2,789,199 and dividend income amouting to TL 281,198 in the account of “other operating income” in the statement of profit or loss of the Company as of December 31, 2012 were classified under “income from investing activities”.

**(viii)** Loss from sale of property, plant and equipment amounting to TL 539,646 in the account of “other operating income” in the statement of profit or loss of the Company as of December 31, 2012 were classified under “expenses from investing activities”.

Also in order to conform with the current period presentation, the following reclassifications have been made in the financial statements as of December 31, 2012;

**(i)** Development costs in progress amounting to TL 182,884,687 in the account of “property, plant and equipment” in the statement of financial position of the Company as of December 31, 2012 were classified under “intangible assets

**(ii)** Provision for lawsuits amounting to TL 6,966,762 in the account of “other payables” in the statement of financial position of the Company as of December 31, 2012 were classified under “other long term provisions”

**(iii)** Provisions for sales premium amounting to TL 31,329,263 in the account of “other payables” in the statement of financial position of the Company as of December 31, 2012 were classified under “other short term provisions”.

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

As at December 31, 2013, 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.

### 2.6 Significant accounting estimates and decisions

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



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

2. Basis of presentation of financial statements (continued)

(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 recorded when the occurrence of taxable income is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable income is probable. Deferred tax asset is recorded for the period ended December 31, 2013 since presumptions that the Company will have taxable income in the forthcoming periods are found to be sufficient (Note 24).

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

3. Segment reporting

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

4. Cash and cash equivalents

The maturity period of time deposits is up to three months and there is no blockage/restricton on cash and cash equivalents. The weighted average interest rate for Euro denominated time deposits is 2.70% (December 31, 2012: 2.41%). The weighted average interest rate for the TL time deposits is 9% (December 31, 2012: 7.69%).

	December 31, 2013	December 31, 2012
Banks- foreign currency time deposits	207,185,399	268,395,160
Banks - TL demand deposits	24,104,281	26,610,646
Banks- TL time deposits	6,132,512	5,601,180
Banks - foreign currency demand deposits	705,955	911,367
	238,128,147	301,518,353

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

5. Financial assets

	December 31, 2013		December 31, 2012	
Available-for-sale financial assets:	Shareholding %	Amount	Shareholding %	Amount
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	7,732,955	0.59	5,961,405
		7,732,955		5,961,405

(\*) The Company’s shareholding in Otokar was stated at market value per the closing stock quotes at BIST at December 31, 2013 and December 31, 2012 which is assumed to approximate its fair value.

6. Financial liabilities

	December 31, 2013		December 31, 2012	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
Short term borrowings:				
- Euro	1.56	619,497,400	1.00	88,024,131
- TL (*)	-	10,432,157	-	8,302,535
		629,929,557		96,326,666

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

Short-term portion of long-term borrowings

	December 31, 2013		December 31, 2012	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
- Euro	2.97	441,633,045	2.45	238,302,673
- USD	-	-	2.97	28,886,909
		441,633,045		267,189,582
Total short term borrowings		1,071,562,602		363,516,248

Long term borrowings:

- Euro	2.04	1,219,653,201	2.31	896,037,316
		1,219,653,201		896,037,316

The payment schedules of long-term bank borrowings as of December 31, 2013 and 2012 are as follows:

Payment period	December 31, 2013 Total TL	December 31, 2013 Total TL
2014	-	211,392,012
2015	364,540,148	284,988,369
2016	307,556,508	98,460,416
2017	141,789,233	83,490,904
2018	135,544,438	78,686,683
2019	130,472,203	139,018,932
2020-2021	139,750,671	-
	1,219,653,201	896,037,316

The letters of bank guarantee given to financial institutions in connection with borrowings amount to TL 1,076,694,420 (December 31, 2012 - TL 685,574,000) (Note 13).

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

7. Trade receivables and payables

	December 31, 2013	December 31, 2012
<b>Short term trade receivables:</b>		
Trade receivables	479,252,823	481,044,572
Doubtful receivables	4,533,456	4,533,456
Less: Unearned credit finance income	(4,333,523)	(2,436,930)
	479,452,756	483,141,098
Less: Provision for doubtful receivables	(4,533,456)	(4,533,456)
	474,919,300	478,607,642

The average turnover of trade receivables is 30 days (December 31, 2012: 30 days) and discounted by 0.63% monthly effective interest rate (December 31, 2012: 0.64%).

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

	December 31, 2013	December 31, 2012
<b>Long term trade receivables:</b>		
Deposits and guarantees given	458,542	537,623
	458,542	537,623

	December 31, 2013	December 31, 2012
<b>Trade payables:</b>		
Trade payables	923,138,810	830,366,480
Less: Unearned credit finance expense	(3,332,187)	(2,871,714)
	919,806,623	827,494,766

The average turnover of trade payables is 60 days (December 31, 2012: 60 days) and discounted by 0.63% monthly effective interest rate (December 31, 2012:0.64%).

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

	Trade receivables			Other receivables			Deposits in bank
	December 31, 2013	Related party	Other	December 31, 2013	Related party	Other	
<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>- 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		-	-		-	-	-

7. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of December 31, 2013 and 2012 is as follows:



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

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

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

7, Trade receivables and payables (continued)

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

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
	54,425,745	615,017
Risk covered by guarantees	-	279,267

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

Movements in the provision for impairment on trade receivables are as follows:

	2013	2012
At January 1	4,533,456	3,333,456
Provisions during the period	-	1,200,000
At December 31	4,533,456	4,533,456

8. Other receivables and payables

	December 31, 2013	December 31, 2012
Other receivables:		
Other miscellaneous receivables	330,799	4,552,464
	330,799	4,552,464

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

8. Other receivables and payables (continued)

	December 31, 2013	December 31, 2012
Other payables:		
Taxes and funds payable	18,341,531	16,842,769
Advences taken	2,869,027	2,283,107
Other	3,261,436	2,624,760
	24,471,994	21,750,636

9. Inventories

	December 31, 2013	December 31, 2012
Finished goods	191,087,991	219,100,521
Raw materials	170,737,641	253,958,571
Vehicle spare parts	108,033,942	70,595,889
Import vehicles	38,105,200	40,831,183
Goods in transit	30,309,372	69,986,033
Spare parts	28,832,723	26,119,681
	567,106,869	680,591,878
Less: Provision for impairment of finished goods and vehicle spare parts	(3,218,313)	(2,370,999)
	563,888,556	678,220,879

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

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

	2013	2012
At January 1	2,370,999	3,625,019
Change within the period	847,314	(1,254,020)
At December 31	3,218,313	2,370,999

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 OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
December 31, 2012									
Cost	11,874,536	125,949,303	566,132,999	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)
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
For the period ended December 31, 2013									
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
Closing net book value	11,874,536	77,836,153	318,029,330	816,288,417	578,615,352	110,135,408	5,143,126	313,146,729	2,231,069,051
December 31, 2013									
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)
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

(\*) The portion of TL 224,535,600 in the current year construction in progress additions are mainly related to the new light commercial vehicle factory investment and new generation Transit projects (December 31, 2012: TL 148,571,945).

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 97,223,956 (December 31, 2012: TL 21,091,127) has been recognized under property, plant and equipment according to the cumulative approach.

There is no pledge or mortgage on tangible assets as of December 31, 2013 (December 31, 2012: No pledge or mortgage).



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

	Land improvements	Land	Buildings	Machinery & equipments	Models & moulds	Fixtures & furnitures	Vehicles	Construction in progress	Total
December 31, 2011									
Cost	11,874,536	100,439,184	373,182,635	1,452,681,721	629,094,207	86,071,505	8,844,880	60,319,014	2,722,507,682
Accumulated depreciation	-	(30,502,014)	(133,908,841)	(864,697,232)	(596,952,384)	(53,275,613)	(1,666,184)	-	(1,681,002,268)
Net book value	11,874,536	69,937,170	239,273,794	587,984,489	32,141,823	32,795,892	7,178,696	60,319,014	1,041,505,414
For the year ended December 31, 2012									
Opening net book value	11,874,536	69,937,170	239,273,794	587,984,489	32,141,823	32,795,892	7,178,696	60,319,014	1,041,505,414
Opening adjustment	-	21,510,666	176,194,337	(326,865,103)	9,569,559	119,242,198	348,343	-	-
Additions (*)	-	3,452,047	3,050,864	238,921,258	210,498,795	29,044,237	3,003,927	153,158,050	641,129,178
Transfers	-	547,406	13,705,163	6,659,985	47,781,719	1,049,080	-	(69,743,353)	-
Disposals	-	-	-	(699,765)	-	(40,373)	(4,218,622)	-	(4,958,760)
Depreciation charge	-	(4,800,969)	(21,932,427)	(64,207,208)	(18,284,523)	(12,950,722)	(896,664)	-	(123,072,513)
Transfers from accumulated depreciation	-	(15,577,203)	(102,014,830)	193,083,568	(4,619,430)	(69,968,966)	(903,139)	-	-
Disposals from accumulated depreciation	-	-	-	699,765	-	31,029	1,124,686	-	1,855,480
Closing net book value	11,874,536	75,069,117	308,276,901	635,576,989	277,087,943	99,202,375	5,637,227	143,733,711	1,556,458,799
December 31, 2012									
Cost	11,874,536	125,949,303	566,132,999	1,370,698,096	896,944,280	235,366,647	7,978,528	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)
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

(\*) The portion of TL 153,158,050 in the current year construction in progress additions are mainly related to the new light commercial vehicle factory investment and new generation Transit projects (December 31, 2011: TL 55,139,144).

The Company compared the borrowing costs of investment loans in foreign currency to the TL market loan interest and foreign exchange differences and interest costs equal to an amount of TL 21,091,127 (December 31, 2011: TL 17,287,672) has been recognized under property, plant and equipment according to the cumulative approach.

There is no pledge or mortgage on tangible assets as of December 31, 2012 (December 31, 2011: No pledge or mortgage).

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

10. Property, plant and equipment(continued)

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

	December 31, 2013	December 31, 2012
Moulds and models	366,313,427	352,273,187
Machinery and equipment	132,081,632	101,236,425
Furniture and fixtures	63,244,168	53,118,988
Buildings	18,709,946	15,035,700
Land improvements	1,999,158	1,522,776
Vehicles	847,711	377,996
	583,196,042	523,565,072

The allocation of depreciation expense as of December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Cost of production (Note 18)	160,258,897	113,073,259
General administrative expenses (Note 19)	5,569,646	4,089,233
Research and development expenses (Note 19)	4,673,355	3,206,364
Selling and marketing expenses (Note 19)	1,992,665	1,841,629
Associated with construction in progress	1,286,328	862,028
	173,780,891	123,072,513

11. Intangible assets

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)
Net book value	4,233,177	47,481,826	182,884,687	3,760,985	238,360,675

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	4,181,639	-	185,276,121	-	189,457,760
Transfers	2,546,152	5,991,896	(8,900,915)	362,867	-
Depreciation charge	(5,402,687)	(6,176,639)	-	(926,830)	(12,506,156)
Closing net book value	5,558,281	47,297,083	359,259,893	3,197,022	415,312,279

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)
Net book value	5,558,281	47,297,082	359,259,892	3,197,024	415,312,279

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

11. Intangible assets (continued)

December 31,2011	Rights	Development cost	Development costs in progress	Other	Total
Cost	25,276,100	432,247,432	66,583,586	3,357,113	527,464,231
Accumulated amortization	(18,658,712)	(411,668,558)	-	(1,776,205)	(432,103,475)
<b>Net book value</b>	<b>6,617,388</b>	<b>20,578,874</b>	<b>66,583,586</b>	<b>1,580,908</b>	<b>95,360,756</b>

For the period ended December 31, 2012

Opening net book value	6,617,388	20,578,874	66,583,586	1,580,908	95,360,756
Additions	10,893,778	31,069,730	116,301,101	2,740,430	161,005,039
Disposals	-	(821,663)	-	-	(821,663)
Transfers	(11,227,284)	11,227,284	-	-	-
Depreciation charge	(2,050,705)	(15,394,062)	-	(560,353)	(18,005,120)
Disposals from accumulated depreciation	-	821,663	-	-	821,663
<b>Closing 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>

December 31,2012

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>

The allocation of amortization charges relating to December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Cost of production (Note 18)	<b>5,585,523</b>	15,389,751
General administrative expenses (Note 19)	<b>3,704,802</b>	1,508,053
Research and development expenses (Note 19)	<b>3,036,487</b>	1,107,316
Selling and marketing expenses (Note 19)	<b>142,195</b>	-
Associated with construction in progress	<b>37,149</b>	-
	<b>12,506,156</b>	18,005,120

12. Prepaid expenses

Short term prepaid expenses:

	December 31, 2013	December 31, 2012
Advances given for inventories	<b>17,272,254</b>	48,595,153
Other prepaid expenses	<b>4,978,454</b>	4,746,495
	<b>22,250,708</b>	53,341,648

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

12. Prepaid expenses (contiuned)

	December 31, 2013	December 31, 2012
<b>Long term prepaid expenses:</b>		
Advances given for investments (*)	<b>591,264,603</b>	324,368,840
	<b>591,264,603</b>	324,368,840

(\*) Investment advances given are related to the Company’s new vehicle investments. TL 172,436,235 (December 31, 2012: TL 95,502,110) is given to domestic vendors as mould advances and TL 418,828,368 (December 31, 2012: TL 231,866,730) is given for the new light commercial vehicle factory investment in Kocaeli plant and assembly line investment for the new age Transit projects procured from vendors abroad

13. Provision, contingent assets and liabilities

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

Short term provisions:

	December 31, 2013	December 31, 2012
Short term warranty expense provision	<b>31,713,438</b>	41,014,572
Provisions for sales premium (*)	<b>26,296,182</b>	31,329,263
	<b>58,009,620</b>	72,343,835

(\*) Provisions for sales premium is primarily composed of discount accruals as of reporting date that dealers earned but not invoiced and expense accruals related with dealer vehicle stock at the reporting date (Note 2.3).

Long term provisions:

	December 31, 2013	December 31, 2012
Long term warranty expense provision	<b>25,972,211</b>	28,167,783
Provisions for lawsuit risks	<b>16,952,947</b>	6,966,762
	<b>42,925,158</b>	35,134,545

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

	2013	2012
<b>At January 1</b>	<b>6,966,762</b>	6,896,636
Paid during the period	<b>(3,210,689)</b>	(1,705,245)
Additions during the period	<b>13,196,874</b>	1,775,371
<b>At December 31</b>	<b>16,952,947</b>	6,966,762



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

13. Provision, contingent assets and liabilities (continued)

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

	2013	2012		
At January 1	69,182,355	85,521,492		
Paid during the period	(85,258,189)	(72,167,970)		
Additions during the period (Note 19)	73,761,483	55,828,833		
At December 31	57,685,649	69,182,355		
Letters of guarantee and letters of credit	December 31, 2013	December 31, 2012		
Letters of guarantee given to financial institutions due to bank loans	1,076,694,420	685,574,000		
Letters of guarantee given to customs	29,446,155	28,124,155		
Letters of guarantees given to other parties	16,119,980	16,677,764		
	1,122,260,555	730,375,919		
Letters of guarantee given	December 31, 2013	December 31, 2012		
	Original currency	TL	Original currency	TL
Euro	376,717,791	1,106,231,793	301,581,428	709,229,045
TL	15,908,315	15,908,315	16,501,139	16,501,139
GBP	26,400	92,701	-	-
USD	13,000	27,746	2,606,157	4,645,735
	1,122,260,555		730,375,919	

The allocation of collaterals, pledges and mortgages as of December 31,2013 and 2012 as follows:

Collaterals, pledges and mortgages given by the Company	December 31, 2013	December 31, 2012
A.Total amount of collaterals/pledges/mortgages given for its own legal entity	1,122,260,555	730,375,919
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		
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of collaterals/pledges/mortgages given for the parent company	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section	-	-
	-	-
Total	1,122,260,555	730,375,919

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

13. Provision, contingent assets and liabilities (continued)

As of December 31, 2013, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows :

Letters of guarantee taken	December 31, 2013		December 31, 2012	
	Original currency	TL	Original currency	TL
TL	265,500,997	265,500,997	138,348,665	138,348,665
Euro	12,269,304	36,028,811	12,318,405	28,969,193
USD	463,000	988,181	82,140	146,423
	302,517,989		167,464,281	

Tax dispute:

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

14. Commitments

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

a) Based on the credit agreements made by the Company in 2013, amounting to Euro 80,000,000 with Citibank A.Ş., Euro 20,000,000 with T.C. Ziraat Bankası A.Ş., Euro 20.000.000 with Akbank TA.Ş and based on the credit agreements made by the Company in 2011, Euro 60,000,000 with Vakıflar Bankası T.A.O., the Company is required to ensure that its export proceeds up to an amount equal to Euro 180,000,000 is transacted through the accounts of these banks. The Company fulfilled these commitments as of December 31, 2013.

b) Based on the 1 year credit agreements made by the Company in 2013, amounting to Euro 40,000,000 with Garanti Bankası A.Ş. 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 Garanti Bankası accounts and Euro 80,000,000 is transacted through İş Bankası totally TL 160,000,000 for the year 2013. The Company fulfilled these commitments as of December 31, 2013.

c) Based on the 4 month term credit agreements made by the Company in November 2012 amounting to Euro 37,430,000 and in 2013 Euro 104,410,000 with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank), the Company is required to ensure that its export proceeds equals to an amount of Euro 144,000,000. The Company fulfilled this commitment as of December 31, 2013. Also, based on the 4 month term credit agreements made by the Company in October and December 2013 amounting to Euro 65,010,000 and based on the 8 month term credit agreement made by the Company in September 2013 amounting to Euro 65,325,000 with Eximbank, the Company is required to ensure that its export proceeds equals to an amount of Euro 66,000,000 and Euro 67,000,000.

Operational lease commitments

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

Operational lease commitments	December 31, 2013	December 31, 2012
Within 1 year	3,469,320	3,852,436
Between 1 year to 5 years	6,449,565	7,839,168
	9,918,885	11,691,604

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

15. Employee benefits

Employee benefit obligations:	December 31, 2013	December 31, 2012
Salaries and social charges payable	27,072,077	20,609,956
Withholding income tax payable	13,664,724	11,378,019
Social security premiums payable	13,199,786	11,864,029
Other payables to personel	1,294,433	2,128,521
	55,231,020	45,980,525
Long-Term provisions:	December 31, 2013	December 31, 2012
Provision for employee benefits	79,586,962	72,876,906
Provision for unused vacation pay liability	14,717,993	12,664,421
	94,304,955	85,541,327

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 3,254.44 for each year of service as of December 31, 2013 (December 31, 2012 - TL 3,033.98). As of January 1, 2014 the maximum limit of one month’s salary is increased to TL 3.438,22.

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, 2013	December 31, 2012
Discount rate (%)	9.5	7.5
Expected salary increase rate(%)	4.5	3.5
Net discount rate	4.78	3.86
Turnover rate to estimate the probability of retirement (%)	4.3	5

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits every six months, the maximum amount of TL 3,254.44 which was effective between July 1, 2013 and December 31, 2013 (July 1, 2012 - December 31,2012 - TL 3,033.98) has been used in the calculations.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

15. Employee benefits (contiuned)

Movements in the provision for employee benefits during the year are as follows:	2013	2012
At January 1	72,876,906	55,081,174
Interest cost	5,465,768	5,508,117
Current year service cost	6,658,228	5,662,760
Paid during the period	(6,880,188)	(5,726,188)
Actuarial loss	1,466,248	12,351,043
At December 31	79,586,962	72,876,906
16. Other assets	December 31, 2013	December 31, 2012
Other current assets:		
VAT to be deductible (*)	146,841,719	144,221,205
Prepaid taxes and withholding	8,586,800	4,109,902
Other	12,157,482	21,211,424
	167,586,001	169,542,531

(\*) VAT to be deductible is related to the ongoing process of refund of export VAT receivable related to November, and December of 2013.

17. Equity

The composition of the Company's paid-in capital as of December 31,2012 and 2013 is as follows:

Shareholders	December 31, 2013	Shareholders percentage (%)	December 31, 2012	Shareholders percentage (%)
Koç Holding A.Ş.	134,953,357	38.46	134,953,357	38.46
Vehbi Koç Vakfı	3,428,592	0.98	3,428,592	0.98
Koç Holding Emekli Yardım Sandığı Vakfı	3,259,202	0.93	3,259,202	0.93
Temel Ticaret A.Ş.	2,355,885	0.67	2,355,885	0.67
Total Koç Grubu	143,997,036	41.04	143,997,036	41.04
Ford Motor Company	143,997,036	41.04	143,997,036	41.04
Other (Publicly held)	62,915,928	17.92	62,915,928	17.92
Total	350,910,000	100.00	350,910,000	100.00
Inflation adjustment to share capital	27,920,283		27,920,283	
Inflation adjusted paid in capital	378,830,283		378,830,283	

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

There are 35,091,000,000 unit of shares (December 31, 2012 - 35,091,000,000 unit) with a nominal value of Kr 1 each.



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

17. Equity (contiuned)

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

In accordance with Corporate Tax Law No, 5520, dated June 13, 2006, Exemption for Sale of Participation Shares and Property, 75% portion of corporations’ profits arising from the sale of subsidiary shares which shares that have been carried at least for two years on the statement of financial position and the profits from the sale of which are not withdrawn within five years are followed in special reserves. The Company has reserves amounting to TL 5,992,339 related to this exemption in its tax financial statements (31 December 31, 2012: TL 5,992,339).

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under “Restricted reserves”, the amount of restricted reserves is TL 460,680,315 as of December 31, 2013 (December 31, 2012 – TL 432,432,060).

“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 March 21, 2013, the Company decided to pay dividend from the net profit of the year 2012 at 85.50%, that is, gross TL 85.50 (net Kr 72.6750) per TL 1 share, amounting to TL 300,028,050 in total which was paid in April 2013.

The Company decided to pay dividend from the net profit of the year 2011 at 100%, that is, gross TL 1 (net Kr 95.0976) per TL 1 share, amounting to TL 350,910,000 in total which was paid in April 2012. The Company had also decided to pay dividend at 65%, that is, gross Kr 65 (net Kr 57.2693) per TL 1 share, amounting to TL 228,091,500 in total which was paid in October 2012.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

17. Equity (contiuned)

In accordance with Communiqué No: II-14.1, “Communiqué on the Principles of Financial Reporting In Capital Markets”, equity schedule at December 31, 2013 and December 31, 2012 are as follows:

	December 31, 2013	December 31, 2012
Share capital	350,910,000	350,910,000
Inflation adjustment to share capital	27,920,283	27,920,283
Share premium	8,252	8,252
Revaluation funds	6,418,091	4,712,623
Net loss on cash flow hedge	(102,334,951)	(1,298,245)
Actuarial (loss) arising from employee benefits	(11,053,834)	(9,880,836)
Restricted reserves	460,680,315	432,432,060
- Legal reserves	454,687,974	426,439,719
- Special reserves	5,992,341	5,992,341
Retained earnings	862,584,393	505,957,103
- Inflation adjustment to equity	428,301,244	428,301,244
- Extraordinary reserves	424,402,313	77,655,859
- Other retained earnings	9,880,836	-
Net income for the period	641,471,786	684,903,595
Share capital	2,236,604,335	1,995,664,835

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended December 31, 2013 and 2012 are as follows:

December 31, 2013:	Historical values	Adjusted values	Equity inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	454,687,974	513,440,578	58,752,604
Extraordinary reserves	424,402,313	793,547,329	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	5,992,341	6,042,484	50,143
	1,236,000,880	1,692,222,407	456,221,527

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

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, 2013 and December 31, 2012. As of December 31, 2013 fair value change (positive) amounting to TL 1,705,467, net of deferred tax, (Deember 31, 2012 - TL 2,377,532) is shown in statement of other comprehensive income.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

17. Equity (contiuned)

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

	2013	2012
January 1	(6,466,458)	1,989,285
Increase in revaluation fund of available for sale financial assets	1,705,467	2,377,532
Actuarial (loss) arising from employee benefits	(1,172,998)	(9,880,836)
Accumulated (loss) from cash flow hedge	(101,036,706)	(952,439)
December 31	(106,970,695)	(6,466,458)

18. Revenue and cost of sales

	December 31, 2013	December 31, 2012
Export sales	7,299,181,116	5,936,332,099
Domestic sales	4,561,836,223	4,366,124,292
Other sales	68,998,825	83,258,381
Less: Discounts	(525,103,270)	(617,777,515)
	11,404,912,894	9,767,937,257

Units of vehicle sales:

	December 31, 2013			December 31, 2012		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit	23,788	121,252	145,040	28,179	113,502	141,681
Transit Connect	21,711	51,796	73,507	29,162	75,081	104,243
Binek araçlar	58,618	307	58,925	45,919	613	46,532
Transit Custom	3,399	52,304	55,703	1,113	14,328	15,441
Cargo	5,936	1,002	6,938	5,811	955	6,766
Ranger	519	10	529	827	10	837
	113,971	226,671	340,642	111,011	204,489	315,500

Summaries of cost of production as of December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Raw material cost	(7,447,749,842)	(6,546,593,774)
Production overhead costs	(683,816,123)	(624,980,659)
Depreciation and amortization expenses	(165,844,420)	(128,463,010)
Change in finished goods inventory	(28,717,540)	144,649,161
Total production cost	(8,326,127,925)	(7,155,388,282)
Cost of trade goods sold	(1,951,027,803)	(1,525,622,522)
Total cost of sales	(10,277,155,728)	(8,681,010,804)

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013

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

(Convenience translation of financial statement originally issued in Turkish)

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

	December 31, 2013	December 31, 2012
Selling and marketing expenses:		
Warranty expenses	(73,761,483)	(55,828,833)
Advertising expenses	(53,047,821)	(47,424,649)
Vehicle transportation expenses	(49,294,526)	(47,900,238)
Personnel expenses	(43,822,852)	(37,188,390)
Spare parts transportation and packaging expenses	(15,749,259)	(16,944,752)
Dealer and service development expenses	(10,691,646)	(9,565,370)
Depreciation and amortization expense	(2,134,860)	(1,841,629)
Other	(21,441,211)	(14,403,348)
	(269,943,658)	(231,097,209)

General administrative expenses:

Personnel expenses	(54,911,556)	(51,081,421)
Legal, consulting and auditing expenses	(22,949,218)	(12,206,087)
New project administrative expenses	(17,203,756)	(13,934,069)
Duties, taxes and levies	(12,252,068)	(2,785,861)
Grants and donations	(12,235,154)	(13,214,246)
Depreciation and amortization expense (Notes 10 and 11)	(9,274,448)	(5,597,286)
Repair, maintenance and energy expenses	(4,206,381)	(4,014,969)
Travel expenses	(3,595,571)	(3,385,758)
Warranty expenses excluding sales	(1,142,130)	(1,892,354)
Other	(16,474,564)	(12,470,061)
	(154,244,846)	(120,582,112)

Research and development expenses:

Personnel expenses	(63,918,739)	(60,033,883)
Project costs	(54,922,399)	(35,774,742)
Research and development administrative expenses	(13,923,250)	(7,006,757)
Depreciation and amortization expense (Notes 10 and 11)	(7,709,842)	(4,313,680)
Other	(5,415,689)	(4,955,892)
	(145,889,919)	(112,084,954)



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

20. Expenses by nature

The classification of expenses by nature for the year ended at December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Raw material cost	(7,447,749,842)	(6,546,593,774)
Cost of trade goods sold	(1,951,027,803)	(1,525,622,522)
Personnel expenses	(531,468,977)	(476,027,438)
Other operational expenses	(388,246,224)	(303,899,396)
Other overhead expenses	(315,060,195)	(297,065,505)
Financial expenses	(295,946,425)	(133,458,883)
Depreciation and amortization expenses	(184,963,570)	(140,215,605)
Change in finished goods inventory	(28,717,540)	144,649,161
Expenses from investing activities	(5,253,888)	(539,646)
Other operational expenses	(64,009,849)	(94,285,461)
Total Expenses	(11,212,444,313)	(9,373,059,069)

21.Other operating income/expenses

	December 31, 2013	December 31, 2012
Other operating income and gains:		
Foreign exchange gains	81,524,684	11,244,305
Credit finance gains	36,353,789	46,729,122
Income related to tax exceptions	11,792,633	5,740,521
Price difference and claim recovery	10,549,724	13,203,774
License fees income	8,210,298	4,413,044
Commission income	7,279,504	7,076,706
Rent income	3,782,462	3,563,296
Other	16,480,643	10,335,648
	175,973,737	102,306,416

	December 31, 2013	December 31, 2012
Other operating expenses and losses:		
Credit finance charge	(41,848,088)	(51,327,108)
Foreign exchange losses	(19,731,933)	(39,824,252)
Other	(2,429,828)	(3,134,101)
	(64,009,849)	(94,285,461)

22. Financial income

	December 31, 2013	December 31, 2012
Foreign exchange gains	73,012,050	130,697,834
Interest incomei	9,720,451	22,980,847
	82,732,501	153,678,681

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

23. Financial expenses

	December 31, 2013	December 31, 2012
Foreign exchange losses	(261,531,449)	(117,091,190)
Interest expenses	(25,237,418)	(12,607,844)
Other financial expenses	(9,177,558)	(3,759,849)
	(295,946,425)	(133,458,883)

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 2013 is 20% (December 31, 2012 - 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, 2013 the Company used R&D deduction of TL 94,456,192 (December 31, 2012: TL 55,811,632) in return for the legal tax.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

24. Tax assets and liabilities (contiuned)

The decree on Government Subsidies for Incentives regulating investment incentives was published in the official gazette and became effective on 16 July 2009. Within the scope of this decree, the Company acquired a large-scaled investment incentive certificate in December 2010 amounting to TL 1,342,219,988. Subject investment is located in the I. 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 559,816,554 (December 31,2012: TL 531,833,087) was made. The Company used a discount on corporate tax for its Transit Custom model for TL 812,070 and this amount has been deducted from the total deferred tax asset.

The decree on Government Subsidies for Incentives re-regulating investment incentives was published in the official gazette and became effective on 19 June 2012. The Company reevaluated its existing investments and within the scope of above mentioned new decree acquired a privileged investment incentive certificate amounting to TL 954,816,039 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. The investments will benefit from the 5. Region contributions according to the new incentive regulation and has a 40% rate of contribution to investment. As of the date of statement of financial position, the investment expenditures amounting to TL 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 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 31,2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Current year corporate tax	3,893,175	89,919,272
Prepaid tax and withholding	(3,893,175)	(82,177,641)
	-	7,741,631

The taxation on income for the periods ended December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Current year corporate tax	(3,893,175)	(89,919,272)
Current year tax effect of cash flow hedge	(25,448,879)	-
Deferred tax	218,709,034	120,889,265
	189,366,980	(30,969,993)

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at December 31, 2013 and 2012 and current tax ratio based on income before tax is as follows:

	December 31, 2013	December 31, 2012
Income before tax:	452,104,806	653,933,602
Effective tax rate	20%	20%
Current year tax expense	(90,420,961)	(130,786,720)
R&D deduction	18,891,238	12,113,555
Investment incentive exemption	260,408,438	147,464,410
Other temporary differences	488,265	2,178,748
	189,366,980	30,969,993

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

24. Tax assets and liabilities (continued)

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

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at December 31,2013 and 2012 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Deferred tax assets:				
Investment incentive tax asset	1,189,850,050	531,833,087	405,775,774	158,503,824
Expense accruals and other	74,089,837	66,429,815	15,111,217	13,285,962
Employee benefits provision	79,586,962	72,876,906	16,210,642	14,575,381
Warranty expense provision	57,685,649	69,182,355	11,537,130	13,836,471
Inventories	47,030,202	10,269,456	9,406,040	2,053,891
			458,040,803	202,255,529

Deferred tax liabilities:

Difference between financial statements adjusted under TFRS and tax-based financial statements:

Tangibles and intangibles	758,636,789	573,640,754	(151,727,358)	(114,728,151)
Income accruals and other	21,995,304	21,797,462	(4,399,061)	(4,359,493)
			(156,126,419)	(119,087,644)

Net deferred tax asset	301,914,384	83,167,885
------------------------	-------------	------------

Deferred tax movements are as follows:

	January 1, 2013	Charged to income statement as profit/(loss)	Charged to other comprehensive income statement as profit/(loss)	December 31, 2013
--	--------------------	--	--	----------------------

Deferred tax liabilities:

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)

Deferred tax assets:

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

Deferred tax asset, net	83,167,885	218,709,034	37,465	301,914,384
-------------------------	------------	-------------	--------	-------------



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

24. Tax assets and liabilities (continued)

	January 1, 2012	Charged to income statement as profit/(loss)	Charged to comprehensive income statement as profit/(loss)	December 31, 2012
<b>Deferred tax liabilities:</b>				
Temporary difference between financial statements adjusted under TFRS and tax:				
Tangible and intangible assets	(85,620,677)	(29,107,474)	-	(114,728,151)
Income accruals and other	(5,681,112)	1,446,752	(125,133)	(4,359,493)
<b>Deferred tax assets:</b>				
Warranty expense provision	17,104,299	(3,267,828)	-	13,836,471
Investment incentinve tax asset	12,085,516	146,418,308	-	158,503,824
Provision for employee benefits	11,016,235	1,088,938	2,470,208	14,575,381
Expense accruals and other	10,791,174	4,310,569	238,110	15,339,853
<b>Deferred tax liability, net</b>	<b>(40,304,565)</b>	<b>120,889,265</b>	<b>2,583,185</b>	<b>83,167,885</b>

25. Earnings per share

	December 31, 2013	December 31, 2012
Net income for the year (TL)	641,471,786	684,903,595
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>1.83 Kr</b>	<b>1.95 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, 2013 and December 31,2012 and the transactions with related parties during the year are as follows:

a) Receivables from related parties:

i) Trade receivable from related parties

	December 31, 2013	December 31, 2012
<b>Due from shareholders:</b>		
Ford Motor Company and its subsidiaries	654,172,884	547,996,541
	654,172,884	547,996,541

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

26. Transactions and balances with related parties (continued)

Due from group companies (\*):

Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	321,909,112	201,024,921
Other	3,239,372	4,514,189
	325,148,484	205,539,110
Less: Unearned credit finance income	(2,986,474)	(1,057,096)
	976,334,894	752,478,555

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

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

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company's receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 30 days on average

b) Payables to related parties:

i) Trade payables to related parties

	December 31, 2013	December 31, 2012
<b>Due to shareholders:</b>		
Ford Motor Company and its subsidiaries	205,020,830	233,527,483
	205,020,830	233,527,483

Due to group companies (\*):

Zer Merkezi Hizmetler ve Ticaret A.Ş.	28,945,112	28,779,476
Ram Dış Ticaret A.Ş.	13,612,335	16,622,916
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	5,042,210	1,549,714
Setur Servis Turistik A.Ş.	3,009,643	1,908,907
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1,904,462	4,542,232
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	1,451,733	1,389,750
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	943,514	2,463,770
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	880,764	861,421
Ram Sigorta Aracılık Hizmetleri A.Ş.	855,710	572,244
Opet Petrolcülük A.Ş.	190,121	71,778
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	184,548	131,375
Divan Turizm İşletmeleri A.Ş.	175,027	84,255
Koç Üniversitesi	155,001	114,217
Aygaz A.Ş.	70,723	-
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic. A.Ş.	37,105	24,765
Otokar Otomotiv ve Savunma Sanayi A.Ş.	33,641	24,225
Arçelik A.Ş.	1,558	-
Tofaş Türk Otomobil Fabrikası A.Ş.	-	5,496
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	288,487
Promena Elektronik Ticaret A.Ş.	-	44,722
	57,493,207	59,479,750
Less: Unearned credit finance expense	(224,750)	(228,564)
	262,289,287	292,778,669

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

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

26. Transactions and balances with related parties (continued)

ii) Other payables to related parties

	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş.	5,263,690	1,221,174
Koç Holding A.Ş.	204,856	168,707
Other	149,784	59,180
	5,618,330	1,449,061

c) Sales to related parties:

	December 31, 2013	December 31, 2012
Ford Motor Company and its subsidiaries (*)	7,148,628,222	5,846,254,699
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.(**)	1,336,319,739	1,223,507,084
Other	62,811,372	58,433,987
	8,547,759,333	7,128,195,770
Less: Financial income from credit sales	(11,149,834)	(13,720,173)
	8,536,609,499	7,114,475,597

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

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

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

26. Transactions and balances with related parties (continued)

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

	Material	January 1 - December 31, 2013		Total
	Service	Fixed assets		
Domestic purchases:				
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
V.K.V Amerikan Hastanesi 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
	104,757,811	194,028,601	83,934,546	382,720,958
Less: Financial expense from credit sales	(1,267,604)	-	-	(1,267,604)
	103,490,207	194,028,601	83,934,546	381,453,354

(\*) Koç Holding A.Ş. has transferred Callus Bilgi ve İletişim Hizmetleri A.Ş. shares as of July 2, 2013.



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

26. Transactions and balances with related parties (continued)

	Material	January 1 - December 31, 2012 Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	14,732,196	135,159,753	60,763	149,952,712
Ark İnşaat	-	-	74,299,597	74,299,597
Ram Dış ticaret A.Ş.	60,280,743	-	-	60,280,743
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	14,780,943	-	-	14,780,943
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	7,113,946	6,430,220	13,544,166
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	12,362,700	-	-	12,362,700
Setur Servis Turistik A.Ş.	-	11,514,929	-	11,514,929
Koç Holding A.Ş.	-	8,872,406	-	8,872,406
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	7,410,968	-	455,506	7,866,474
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,422,987	-	7,422,987
Arçelik A.Ş.	5,630	7,024,497	-	7,030,127
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	4,992,109	1,321,196	6,313,305
Opet Petrolcülük A.Ş.	4,008,894	-	-	4,008,894
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	1,381,439	-	1,381,439
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,270,173	-	1,270,173
Palmira Turizm Ticaret A.Ş.	-	602,448	-	602,448
Promena Elektronik Ticaret A.Ş.	-	531,800	-	531,800
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	514,092	-	514,092
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	293,888	-	293,888
Koç Üniversitesi	-	170,468	-	170,468
V.K.V. Amerikan Hastanesi Sağlık Hiz.Tic. A.Ş.	-	145,295	-	145,295
Aygaz A.Ş.	128,877	-	-	128,877
Özel Med Amerikan Polikliniği	-	8,969	-	8,969
Tofaş Türk Otomobil Fabrikası A.Ş.	-	7,637	-	7,637
Bilkom Bilişim Hizmetleri A.Ş.	-	1,437	-	1,437
	113,710,951	187,028,273	82,567,282	383,306,506
Less: Financial expense from credit sales	(1,785,553)	-	-	(1,785,553)
	111,925,398	187,028,273	82,567,282	381,520,953

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

26. Transactions and balances with related parties (continued)

Material, vehicle and service purchases from abroad:	December 31, 2013	December 31, 2012
Ford Motor Company and its subsidiaries	4,863,365,905	3,959,541,682
e) License fees paid to Ford Motor Company included in cost of sales:	December 31, 2013	December 31, 2012
	61,727,345	63,348,604
f) License fees received from Jiangling Motors Corporation, a subsidiary of Ford Motor Company, included in other income:	December 31, 2013	December 31, 2012
	8,210,299	4,413,044
g) Donations to Koç Group foundations, included in general administrative expenses:	December 31, 2013	December 31, 2012
	10,777,946	12,691,187
h) The details of deposits in related banks and loans obtained from related banks:	December 31, 2013	December 31, 2012
Deposits in related banks:		
Yapı ve Kredi Bankası A.Ş.		
- Banks - foreign currency time deposits	54,622,940	81,026,491
- Banks - TL demand deposits	15,631,713	14,774,853
- Banks - foreign currency demand deposits	153,211	63,678
- Banks - TL time deposits	-	4,600,958
	70,407,864	100,465,980
Loans obtained from related banks	December 31, 2013	December 31, 2012
Yapı ve Kredi Bankası A.Ş.	10,432,157	8,231,871

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

26. Transactions and balances with related parties (continued)

i) Commission income:

	December 31, 2013	December 31, 2012
--	----------------------	----------------------

Yapı ve Kredi Bankası A.Ş.	7,209,509	7,967,886
----------------------------	-----------	-----------

i) Commission expense:

	December 31, 2013	December 31,2012
--	-------------------	------------------

Yapı ve Kredi Bankası A.Ş.	34,133,867	50,742,453
Koç Tüketici Finansmanı A.Ş.	824,930	2,829,930

	34,958,797	53,572,383
--	------------	------------

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, 2013	December 31, 2012
--	----------------------	----------------------

Yapı ve Kredi Bankası A.Ş.	2,375,453	6,153,305
----------------------------	-----------	-----------

k) Dividend income:

	December 31, 2013	December 31, 2012
--	----------------------	----------------------

Otokar Otomotiv ve Savunma Sanayi A.Ş.	374,931	281,198
--	---------	---------

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, 2013 was TL 16,763,843 (December 31, 2012 - TL 15,126,090).

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

27. Financial instruments and financial risk management

The table below summarizes the Company's exposure to foreign currency exchange rate risk at December 31, 2013 and 2012. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below.

	TL (Functional currency)	USD	EURO	GBP
December31, 2013				
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
4. Current assets (1 + 2 + 3)	845,162,808	2,786,302	285,012,629	648,555
5. Monetary financial assets	196,511	92,073	-	-
6. Non-current assets (5)	196,511	92,073	-	-
7. Total assets (4+6)	845,359,319	2,878,375	285,012,629	648,555
8. Trade payables	280,308,753	18,188,454	80,501,494	1,451,415
9. Financial liabilitiesr (*)	1,061,130,445	-	361,358,912	-
10. Other monetary liabilities	3,194,380	754,129	506,813	27,506
11. Short term liabilities (8 + 9 + 10)	1,344,633,578	18,942,583	442,367,219	1,478,921
12. Financial liabilities (*)	1,220,366,296	-	415,585,321	-
13. Long term liabilities (12)	1,220,366,296	-	415,585,321	-
14. Total liabilities (11 + 13)	2,564,999,874	18,942,583	857,952,540	1,478,921
15.Net foreign currency assets / (liabilities) position (7 - 14)	(1,719,640,555)	(16,064,208)	(572,939,911)	(830,366)
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(1,748,485,717)	(16,064,208)	(582,598,044)	(968,218)

(\*) 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 fort he foreign currency exchange risk of a portion of those Euro denominated loans amounting to TL 691,450,364 by export agreements signed with Ford Motor Company. Additionally, the foreign currency exchange losses and interest expenses to the extent that the standard limits in accordance to IAS 23 related to the investment loans used for property, plant and equipment purchases amounting to TL 970,238,795 is capitalized (Note 10).



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

December 31, 2012

	TL (Functional currency)	USD	EURO	GBP
1. Trade receivables	499.992.758	1.965.806	207.944.342	2.600.601
2. Monetary financials assets (including cash and cash equivalents)	270.124.448	20.051.098	99.661.889	2.263
3. Other	67.668.583	-	28.687.123	71.435
4. Current assets (1 + 2 + 3)	837.785.789	22.016.904	336.293.354	2.674.299
5. Monetary financial assets	163.576	91.763	-	-
6. Non-current assets (5)	163.576	91.763	-	-
7. Total assets (4+6)	837.949.365	22.108.667	336.293.354	2.674.299
8. Trade payables	312.600.674	25.546.455	111.554.369	1.643.847
9. Financial liabilities	355.213.713	16.204.930	138.762.089	-
10. Other monetary liabilities	2.132.641	178.584	763.678	6.394
11. Short term liabilities (8 + 9 + 10)	669.947.028	41.929.969	251.080.136	1.650.241
12. Financial liabilities	897.721.221	-	381.732.883	-
13. Long term liabilities (12)	897.721.221	-	381.732.883	-
14. Total liabilities (11 + 13)	1.567.668.249	41.929.969	632.813.019	1.650.241
15. Net foreign currency assets / (liabilities) position (7 - 14)	(729.718.884)	(19.821.302)	(296.519.665)	1.024.058
16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(797.387.467)	(19.821.302)	(325.206.788)	952.623

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

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, 2013

Profit/(loss) before taxation		
Appreciation in foreign currency / Depreciation in foreign currency		
	Increase by %10	Decrease by %10
Change in USD against TL		
US Dollar net (liabilities) / assets	(3.428.584)	3.428.584
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	(3.428.584)	3.428.584
Change in Euro against TL		
Euro net (liabilities) / assets	(168.243.805)	168.243.805
Euro net hedged amount	71.911.727	(71.911.727)
Euro net (loss) / gain	(96.332.078)	96.332.078
Change in other foreign currency against TL		
Other foreign currency denominated net assets/(liabilities)	(291.666)	291.666
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net gain/(loss)	(291.666)	291.666

December 31, 2012

Profit/(loss) before taxation		
Appreciation in foreign currency / Depreciation in foreign currency		
	Increase by %10	Decrease by %10
Change in USD against TL		
US Dollar net (liabilities) / assets	(3.533.345)	3.533.345
US Dollar net hedged amount	-	-
US Dollar net (loss) / gain	(3.533.345)	3.533.345
Change in Euro against TL		
Euro net asset/(liabilities)	(69.732.530)	69.732.530
Euro net hedged amount	-	-
Euro net gain/(loss)	(69.732.530)	69.732.530
Change in other foreign currency against TL		
Other foreign currency denominated net asset/(liabilities)	293.987	(293.987)
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net gain/(loss)	293.987	(293.987)

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

27. Financial instruments and financial risk management (continued)

The comparative amounts for total export and import amounts for the year ended December 31, 2013 and 2012 are as follows;

	December 31, 2013	December 31, 2012
Total export amount	7.299.181.116	5.936.332.099
Total import amount	6.162.335.697	5.079.439.096

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, 2013	December 31, 2012
--	----------------------	----------------------

Fixed interest rate financial instruments

Financial assets	213.301.075	273.952.715
Financial liabilities	904.174.322	511.098.797

Floating interest rate financial instruments

Financial liabilities (*)	1.369.230.992	736.549.267
---------------------------	---------------	-------------

(\*) As of December 31, 2013, 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 28,571,429 (TL 83,900,001) with a maturity of December 9, 2015.

If the interest rates of floating interest-bearing USD and Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 1,386,362.93 at December 31, 2013 (December 31, 2012 - TL 615,024) due to higher/lower interest expense.

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

27. Financial instruments and financial risk management (continued)

Liquidity risk

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

December 31, 2013	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	2.291.215.803	2.388.821.952	113.600.631	972.175.285	995.929.686	307.116.351
Trade payables						
- Related party	262.289.287	262.514.037	262.514.037	-	-	-
- Other	919.806.623	923.138.810	923.138.810	-	-	-
Other liabilities						
- Related party	5.618.330	5.618.330	5.618.330	-	-	-
- Other	24.471.994	24.471.994	24.471.994	-	-	-
Derivative financial liabilities						
Derivative financial instruments	713.095	713.095	-	-	713.095	-



FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

	December 31, 2012	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 1-5 yıl arası	Longer than 5 yıldan uzun
Non-derivative financial instruments							
Financial liabilities		1.259.553.564	1.337.741.736	113.206.045	258.374.650	703.559.582	262.601.459
Trade payables							
- Related party		292.778.669	293.007.233	293.007.233	-	-	-
- Other		827.494.766	830.366.480	830.366.480	-	-	-
Other liabilities							
- Related party		1.449.061	1.449.061	1.449.061	-	-	-
- Other		21.750.636	21.750.636	21.750.636	-	-	-
Derivative financial liabilities							
Derivative financial instruments		1.683.905	1.683.905	-	-	1.683.905	-

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

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 31,2013 and 2012, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

December 31, 2013	Level 1 <sup>(*)</sup>	Level 2 <sup>(**)</sup>	Level 3
Assets at fair value			
Financial asset available-for-sale -Otokar	7.732.955	-	-
Total assets	7.732.955	-	-
Liabilities at fair value			
Cash flow hedge swap transaction	-	713.095	-
Total Liabilities	-	713.095	-

(\*) 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, 2012	Level 1 <sup>(*)</sup>	Level 2 <sup>(**)</sup>	Level 3
Assets at fair value			
Financial asset available-for-sale -Otokar	5.961.405	-	-
Total Assets	5.961.405	-	-
Liabilities at fair value			
Cash flow hedge swap transaction	-	1.683.905	-
Total Liabilities	-	1.683.905	-

(\*) Fair value is calculated at market prices per the Stock Exchange market at 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 OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

28. Derivative financial instruments

	December 31, 2013	December 31, 2012
<b>Derivative financial instruments:</b>		
Long term financial derivatives	713.095	1.683.905
	713.095	1.683.905

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, 2013, the Company has entered into swap transaction for Euro 28,571,429 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, 2013. The fair value of the related swap transaction as of December 31, 2013 is amounting to TL 713,095 and presented in “Non-current liabilities”.

	December 31, 2013	December 31, 2012
<b>Cash flow hedge reserve:</b>		
Amount recognized in other comprehensive income	150.814.957	-
Amount recycled from other comprehensive income to statement of profit or loss	(23.570.560)	-
	127.244.397	-

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 2019 with long term financial borrowings.

29. Income and expenses from investing activites

	December 31, 2013	December 31, 2012
<b>Income from investing activities:</b>		
Gain on sales of property, plant and equipment	555.056	2.789.119
Dividend income	374.931	281.198
	929.987	3.070.317
	December 31, 2013	December 31, 2012
<b>Expenses from investing activities:</b>		
Loss on sales of property, plant and equipment	(5.253.888)	(539.646)
	(5.253.888)	(539.646)

FORD OTOMOTİV SANAYİ A.Ş.

Notes to financial statement for the period ended December 31, 2013  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

(Convenience translation of financial statement originally issued in Turkish)

30. Government incentives and grants

The Company received two investment incentives both greater than TL 250 million in the last quarter of 2010, under the scope of the Council of Minister’s decision numbered 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of the costs of fixed assets purchases related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned.

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

31. Subsequent events

There is no significant subsequent event to be disclosed.

32. 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

**Centers:****Kocaeli Plant**

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

**Kartal Parts Distribution Center**

Akpınar Mah. Hasan Basri Cad. No:2  
34885 Sancaktepe / İstanbul  
Tel: +90 216 564 71 00

**TÜBİTAK MAM Technology Free Zone**

TÜBİTAK Marmara Araştırma Merkezi,  
Gebze Yerleşkesi Teknoloji Serbest  
Bölgesi (TEKSEB) 41470  
Gebze / Kocaeli  
+90 262 677 95 00

**Investor Relations Contacts:**

Aslı Selçuk  
Investor Relations Manager  
Ford Otomotiv Sanayi A.Ş.  
Tel: +90 216 564 7499  
aselcuk@ford.com.tr

Gülçin Öztitiz  
Investor Relations Specialist  
Ford Otomotiv Sanayi A.Ş.  
Tel: +90 216 564 7495  
goztitiz@ford.com.tr

**Website:**

www.fordotosan.com.tr



This report has been published  
using recycled paper and  
environment-friendly technologies.

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