

(Convenience translation of financial statements and audit report  
originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi Anonim Őirketi**  
Financial statements for the period January 1 –  
December 31, 2015 together with report of  
independent auditors

**Convenience translation into English of independent auditor's report  
originally issued in Turkish (See-Note 2.6)**

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

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

We have audited the accompanying statement of financial position of Ford Otomotiv Sanayi A.Ş. (the "Company") as at 31 December 2015 and the related statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

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

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

**Independent auditors' responsibility**

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

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

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

## **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ford Otomotiv Sanayi A.Ş. as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

### **Additional paragraph for convenience translation to English:**

As disclosed in Note 2.6 to the accompanying financial statements, as of December 31, 2015, the accounting principles described in Note 2 (defined as CMB 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 and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

### **Reports on other responsibilities arising from regulatory requirements**

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 12 February 2016.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Erdem Tecer, SMMM  
Partner

February 12, 2016  
İstanbul, Türkiye

## Ford Otomotiv Sanayi A.Ş.

### Contents

|  | <u>Page</u> |
|--|-------------|
| <b>Statement of financial position .....</b>   | <b>1-2</b>  |
| <b>Statement of profit or loss .....</b>   | <b>3</b>    |
| <b>Statement of other comprehensive income .....</b>   | <b>4</b>    |
| <b>Statement of changes in equity .....</b>  | <b>5</b>    |
| <b>Statement of cash flows.....</b>  | <b>6</b>    |
| <b>Notes to the financial statements .....</b>   | <b>7-69</b> |
| Note 1 Organization and nature of the operations.....  | 7           |
| Note 2 Basis of presentation of financial statements.....  | 7-25        |
| Note 3 Segment reporting.....  | 26          |
| Note 4 Cash and cash equivalents .....   | 26          |
| Note 5 Financial assets.....   | 26          |
| Note 6 Financial liabilities .....   | 27          |
| Note 7 Trade receivables and payables .....  | 28-31       |
| Note 8 Other receivables and payables .....  | 31          |
| Note 9 Inventories .....   | 32          |
| Note 10 Property, plant and equipment .....  | 33-35       |
| Note 11 Intangible assets .....  | 35-36       |
| Note 12 Prepaid expenses .....   | 36-37       |
| Note 13 Provision, contingent assets and liabilities .....   | 37-39       |
| Note 14 Commitments .....  | 40-41       |
| Note 15 Employee benefits .....  | 41-42       |
| Note 16 Other current assets .....   | 43          |
| Note 17 Equity .....   | 43-46       |
| Note 18 Revenue and cost of sales .....  | 46-47       |
| Note 19 Research and development expenses, marketing and sales expenses, general administrative expense..... | 47-48       |
| Note 20 Expenses by nature .....   | 48          |
| Note 21 Other operating income/expenses.....   | 48-49       |
| Note 22 Financial income .....   | 49          |
| Note 23 Financial expenses .....   | 49          |
| Note 24 Tax assets and liabilities .....   | 49-53       |
| Note 25 Earnings per share .....   | 53          |
| Note 26 Transactions and balances with related parties .....   | 53-59       |
| Note 27 Financial instruments and financial risk management .....  | 60-66       |
| Note 28 Derivative financial instruments.....  | 67          |
| Note 29 Income/(expenses) from investing activities .....  | 67          |
| Note 30 Deferred income.....   | 68          |
| Note 31 Other long term liabilities .....  | 68          |
| Note 32 Government incentives and grants .....   | 68-69       |
| Note 33 Subsequent events .....  | 69          |
| Note 34 Disclosure of other matters .....  | 69          |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at December 31, 2015**

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

|                                    | Notes | Current period<br>Audited<br>December 31,<br>2015 | Prior period<br>Audited<br>December 31,<br>2014 |
|------------------------------------|-------|---|---|
| <b>Assets</b>                      |       |   |   |
| <b>Current assets</b>              |       | <b>4,030,872,065</b>                              | <b>2,958,148,243</b>                            |
| Cash and cash equivalents          | 4     | 980,361,277                                       | 577,458,259                                     |
| Trade receivables                  |       |   |   |
| - Due from related parties         | 26    | 1,003,541,568                                     | 929,539,320                                     |
| - Trade receivables, third parties | 7     | 780,190,818                                       | 676,194,387                                     |
| Other receivables                  |       |   |   |
| - Other receivables, third parties | 8     | 181,984   | 230,474   |
| Inventories                        | 9     | 1,000,159,224                                     | 585,077,396                                     |
| Prepaid expenses                   | 12    | 35,126,704  | 29,890,515                                      |
| Other current assets               | 16    | 231,310,490                                       | 159,757,892                                     |
| <b>Non-current assets</b>          |       | <b>4,397,340,093</b>                              | <b>4,277,244,552</b>                            |
| Financial investments              | 5     | 12,625,805  | 12,196,978                                      |
| Trade receivables                  |       |   |   |
| - Trade receivables, third parties | 7     | 187,338   | 277,436   |
| Property, plant and equipment      | 10    | 3,250,718,303                                     | 3,128,382,584                                   |
| Intangible assets                  | 11    | 539,719,802                                       | 520,390,100                                     |
| Prepaid expenses                   | 12    | 91,555,915  | 132,481,035                                     |
| Deferred tax assets                | 24    | 502,532,930                                       | 483,516,419                                     |
| <b>Total assets</b>                |       | <b>8,428,212,158</b>                              | <b>7,235,392,795</b>                            |

The financial statements were approved for issue by the Board of Directors on February 12, 2016.

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at December 31, 2015**

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

|  | Notes | Current period<br>Audited<br>December 31,<br>2015 | Prior period<br>Audited<br>December 31,<br>2014 |
|--|-------|---|---|
| <b>Liabilities</b>   |       |   |   |
| <b>Current liabilities</b>   |       | <b>3,823,591,411</b>                              | <b>2,971,769,365</b>                            |
| Short term financial liabilities   |       |   |   |
| - Bank loans   | 6     | 700,877,296                                       | 625,257,020                                     |
| Short term portion of long term financial liabilities                        |       |   |   |
| - Bank loans   | 6     | 558,854,023                                       | 364,697,638                                     |
| Trade payables   |       |   |   |
| - Due to related parties   | 26    | 580,710,088                                       | 471,203,693                                     |
| - Trade payables, third parties  | 7     | 1,732,940,277                                     | 1,325,187,809                                   |
| Other payables   |       |   |   |
| - Due to related parties   | 26    | 19,912,957  | 10,660,182                                      |
| - Other payables, third parties  | 8     | 47,709,326  | 39,685,718                                      |
| Deferred revenue   | 30    | 7,548,188   | 9,548,207                                       |
| Short term provisions  |       |   |   |
| - Other short term provisions  | 13    | 86,542,499  | 53,894,228                                      |
| Employee benefit obligations   | 15    | 88,496,757  | 71,634,870                                      |
| <b>Non-current liabilities</b>   |       | <b>1,544,765,399</b>                              | <b>1,509,441,734</b>                            |
| Long term financial liabilities  |       |   |   |
| - Bank loans   | 6     | 1,301,034,627                                     | 1,360,032,869                                   |
| Long term provisions   |       |   |   |
| - Provision for employee benefits  | 15    | 106,541,744                                       | 102,801,243                                     |
| - Other long term provisions   | 13    | 82,877,295  | 46,262,888                                      |
| Derivative financial instruments   | 28    | -   | 344,734   |
| Deferred revenue   | 30    | 6,983,689   | -   |
| Other non-current liabilities  | 31    | 47,328,044  | -   |
| <b>Equity</b>  | 17    | <b>3,059,855,348</b>                              | <b>2,754,181,696</b>                            |
| Share capital  |       | 350,910,000                                       | 350,910,000                                     |
| Adjustment to share capital  |       | 27,920,283  | 27,920,283                                      |
| Share premium  |       | 8,252   | 8,252   |
| Other comprehensive income/expenses not to be reclassified to profit or loss |       |   |   |
| - Actuarial (loss) arising from employee benefits                            |       | (1,652,515)                                       | (13,413,478)                                    |
| Other comprehensive income/expenses to be reclassified to profit or loss     |       |   |   |
| - Revaluation fund of available for sale financial assets                    |       | 11,066,300  | 10,658,913                                      |
| - Cash flow hedge reserve  |       | (154,407,851)                                     | (6,039,879)                                     |
| Restricted reserves  |       | 438,410,802                                       | 472,233,474                                     |
| Retained earnings  |       | 1,545,689,403                                     | 1,317,048,020                                   |
| Net income for the period  |       | 841,910,674                                       | 594,856,111                                     |
| <b>Total equity and liabilities</b>  |       | <b>8,428,212,158</b>                              | <b>7,235,392,795</b>                            |

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of financial position as at December 31, 2015**

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

|   | Notes | Current period<br>Audited<br>December 31,<br>2015 | Prior period<br>Audited<br>December 31,<br>2014 |
|---|-------|---|---|
| <b>Continuing operations</b>                                  |       |   |   |
| Revenue   | 18    | 16,746,396,740                                    | 11,924,836,507                                  |
| Cost of sales   | 18    | (14,886,511,502)                                  | (10,794,249,532)                                |
| <b>Gross profit</b>   |       | <b>1,859,885,238</b>                              | <b>1,130,586,975</b>                            |
| Selling, marketing and distribution expenses                  | 19    | (407,729,278)                                     | (277,062,900)                                   |
| General administrative expenses                               | 19    | (205,789,951)                                     | (155,380,055)                                   |
| Research and development expenses                             | 19    | (265,723,358)                                     | (171,542,036)                                   |
| Other operating income  | 21    | 233,689,888                                       | 122,138,353                                     |
| Other operating expenses                                      | 21    | (178,218,799)                                     | (107,623,291)                                   |
| <b>Operating profit</b>                                       |       | <b>1,036,113,740</b>                              | <b>541,117,046</b>                              |
| Income from investing activities                              | 29    | 468,664   | 4,259,460                                       |
| Expenses from investing activities                            | 29    | (2,586,121)                                       | (7,027,419)                                     |
| <b>Operating income before financial<br/>income/(expense)</b> |       | <b>1,033,996,283</b>                              | <b>538,349,087</b>                              |
| Financial income  | 22    | 440,134,902                                       | 383,327,153                                     |
| Financial expense   | 23    | (608,302,946)                                     | (531,263,990)                                   |
| <b>Income before tax from continuing operations</b>           |       | <b>865,828,239</b>                                | <b>390,412,250</b>                              |
| <b>Tax (expense)/income from continuing<br/>operations</b>    |       | <b>(23,917,565)</b>                               | <b>204,443,861</b>                              |
| - Taxes on (expense)/income                                   | 24    | (46,115,356)                                      | 23,293,275                                      |
| - Deferred tax income   | 24    | 22,197,791  | 181,150,586                                     |
| <b>Net income for the period</b>                              |       | <b>841,910,674</b>                                | <b>594,856,111</b>                              |
| <b>Earnings per share with a nominal value Kr 1</b>           |       | <b>2.40 Kr</b>                                    | <b>1.70 Kr</b>                                  |

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of other comprehensive income**

**for the period ended December 31, 2015**

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

|   | <b>Notes</b> | <b>Current period<br/>Audited<br/>December 31,<br/>2015</b> | <b>Prior period<br/>Audited<br/>December 31,<br/>2014</b> |
|---|--------------|---|---|
| <b>Net income for the period</b>  |              | <b>841,910,674</b>  | 594,856,111   |
| <b>Other comprehensive income/(expense)</b>                                   |              |   |   |
| <b>Not to be reclassified to profit or loss</b>                               |              |   |   |
| Actuarial gain/(loss) arising from employee benefit                           | 17           | <b>14,701,204</b>   | (2,949,555)   |
| Actuarial gain/(loss) arising from employee benefits, tax effect              | 17           | <b>(2,940,241)</b>  | 589,911   |
| <b>To be reclassified to profit or loss</b>                                   |              |   |   |
| Change in revaluation fund of available for sale financial assets             | 17           | <b>428,827</b>  | 4,464,024   |
| Change in revaluation fund of available for sale financial assets, tax effect | 17           | <b>(21,440)</b>   | (223,201)   |
| (Loss)/gain from cash flow hedge reserve                                      | 17           | <b>(185,459,966)</b>  | 120,368,840   |
| (Loss)/gain from cash flow hedge reserve, tax effect                          | 17           | <b>37,091,994</b>   | (24,073,768)  |
| <b>Other comprehensive (loss)/gain, after tax</b>                             |              | <b>(136,199,622)</b>  | 98,176,251  |
| <b>Total comprehensive income</b>   |              | <b>705,711,052</b>  | 693,032,362   |

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**  
**Statement of changes in equity**  
**for the period ended December 31, 2015**  
**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)**

|                                     |                    |                             |               | 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 | Accumulated profit  |                      |                           | Total equity         |
|-------------------------------------|--------------------|-----------------------------|---------------|--|-------------------------|--|---------------------|----------------------|---------------------------|----------------------|
|                                     | Share capital      | Adjustment to share capital | Share premium | Revaluation fund of available for sale financial assets                            | Cash flow hedge reserve | Actuarial fund arising from employee benefit plans                                     | Restricted reserves | Retained earnings    | Net income for the period |                      |
| <b>Balance at January 1, 2014</b>   | 350,910,000        | 27,920,283                  | 8,252         | 6,418,090  | (102,334,951)           | (11,053,834)   | 454,687,974         | 868,576,734          | 641,471,786               | 2,236,604,334        |
| Net income for the period           | -                  | -                           | -             | -  | -                       | -  | -                   | -                    | 594,856,111               | 594,856,111          |
| Other comprehensive income/(loss)   | -                  | -                           | -             | 4,240,823  | 96,295,072              | (2,359,644)  | -                   | -                    | -                         | 98,176,251           |
| Total comprehensive income          | -                  | -                           | -             | 4,240,823  | 96,295,072              | (2,359,644)  | -                   | -                    | 594,856,111               | 693,032,362          |
| Transfers                           | -                  | -                           | -             | -  | -                       | -  | 17,545,500          | 623,926,286          | (641,471,786)             | -                    |
| Dividends paid (Note 17)            | -                  | -                           | -             | -  | -                       | -  | -                   | (175,455,000)        | -                         | (175,455,000)        |
| <b>Balance at December 31, 2014</b> | <b>350,910,000</b> | <b>27,920,283</b>           | <b>8,252</b>  | <b>10,658,913</b>  | <b>(6,039,879)</b>      | <b>(13,413,478)</b>  | <b>472,233,474</b>  | <b>1,317,048,020</b> | <b>594,856,111</b>        | <b>2,754,181,696</b> |
| <b>Balance at January 1, 2015</b>   | <b>350,910,000</b> | <b>27,920,283</b>           | <b>8,252</b>  | <b>10,658,913</b>  | <b>(6,039,879)</b>      | <b>(13,413,478)</b>  | <b>472,233,474</b>  | <b>1,317,048,020</b> | <b>594,856,111</b>        | <b>2,754,181,696</b> |
| Net income for the period           | -                  | -                           | -             | -  | -                       | -  | -                   | -                    | 841,910,674               | 841,910,674          |
| Other comprehensive income/(loss)   | -                  | -                           | -             | 407,387  | (148,367,972)           | 11,760,963   | -                   | -                    | -                         | (136,199,622)        |
| Total comprehensive income          | -                  | -                           | -             | 407,387  | (148,367,972)           | 11,760,963   | -                   | -                    | 841,910,674               | 705,711,052          |
| Transfers                           | -                  | -                           | -             | -  | -                       | -  | 38,249,190          | 556,606,921          | (594,856,111)             | -                    |
| Dividend paid (Note 17)             | -                  | -                           | -             | -  | -                       | -  | (72,071,862)        | (327,965,538)        | -                         | (400,037,400)        |
| <b>Balance at December 31, 2015</b> | <b>350,910,000</b> | <b>27,920,283</b>           | <b>8,252</b>  | <b>11,066,300</b>  | <b>(154,407,851)</b>    | <b>(1,652,515)</b>   | <b>438,410,802</b>  | <b>1,545,689,403</b> | <b>841,910,674</b>        | <b>3,059,855,348</b> |

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Statement of cash flow for the period ended December 31, 2015**

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

|  | Notes | Current period<br>Audited<br>December 31,<br>2015 | Prior period<br>Audited<br>December 31,<br>2014 |
|--|-------|---|---|
| <b>Cash flows from operating activities:</b>   |       |   |   |
| Net income before tax  |       | 865.828.239                                       | 390.412.250                                     |
| <b>Adjustments to reconcile net income<br/>to net cash provided by operating activities:</b> |       |   |   |
| Depreciation expense   | 10    | 341.769.706                                       | 267.558.026                                     |
| Amortization expense   | 11    | 63.337.664  | 37.172.125                                      |
| Increase in provision for employee benefits  | 15    | 25.124.496  | 18.498.378                                      |
| Increase in warranty expense provision   | 13    | 132.055.334                                       | 81.259.786                                      |
| Increase in provision for litigation expenses  | 13    | 24.923.021  | 6.929.443                                       |
| Interest income  | 22    | (18.073.562)                                      | (10.229.855)                                    |
| Interest expense   | 23    | 50.891.179  | 51.957.623                                      |
| Foreign exchange loss on bank loans  |       | 124.376.824                                       | 47.991.201                                      |
| Change in provision for impairment on inventories, net                                       | 9     | 1.334.139   | 223.029   |
| Change in provision for unused vacation pay liability, net                                   |       | 3.862.008   | 382.424   |
| Change in other provisions, net  |       | (1.756.232)                                       | 42.122  |
| Sales discount accruals  | 8     | 5.418.028   | 1.476.832                                       |
| Change in provision for dealer stocks sales premium, net                                     | 13    | 9.355.521   | (7.241.793)                                     |
| Loss on sale of fixed assets, net  | 29    | 2.586.121   | 3.353.789                                       |
| Increase in vehicle sales with buyback commitment  | 10    | (52.608.072)                                      | -   |
| Dividend income  | 29    | (468.664)   | (585.830)                                       |
| Unrealized income of derivatives   |       | -   | (9.970)   |
| <b>Net operating profit before changes in operating assets and liabilities</b>               |       | <b>1.577.955.750</b>                              | <b>889.189.580</b>                              |
| Increase in trade receivables  |       | (177.908.581)                                     | (154.298.405)                                   |
| Increase in inventories  |       | (416.415.967)                                     | (20.965.811)                                    |
| (Increase) / decrease in other current assets  |       | (70.795.292)                                      | 7.219.618                                       |
| Increase in prepaid expenses   |       | (4.768.141)                                       | (7.639.807)                                     |
| Increase in trade payables   |       | 517.258.862                                       | 614.295.593                                     |
| Increase in other current liabilities  |       | 34.471.925  | 47.572.716                                      |
| Increase in other non-current liabilities  | 31    | 47.328.044  | -   |
| Increase in tax and funds  |       | (8.960.181)                                       | (2.841.912)                                     |
| Warranty expenses paid   | 13    | (91.524.556)                                      | (77.861.272)                                    |
| Litigation expenses paid   | 13    | (5.546.642)                                       | (3.863.826)                                     |
| Employee benefits paid   | 15    | (10.544.799)                                      | (13.334.069)                                    |
| <b>Net cash generated from operating activities</b>  |       | <b>1.390.550.422</b>                              | <b>1.277.472.405</b>                            |
| <b>Cash flows used in investing activities:</b>  |       |   |   |
| Purchase of property, plant and equipment  | 10    | (424.249.600)                                     | (1.174.625.985)                                 |
| Purchase of intangible assets  | 11    | (82.667.366)                                      | (142.249.946)                                   |
| Proceeds from sale of property, plant and equipment  |       | 10.166.127  | 6.400.638                                       |
| Decrease in investment advances given  |       | 40.925.120  | 458.783.568                                     |
| Interest received  |       | 17.856.083  | 9.741.673                                       |
| Dividend received  | 29    | 468.664   | 585.830   |
| <b>Net cash used in investing activities</b>   |       | <b>(437.500.972)</b>                              | <b>(841.364.222)</b>                            |
| <b>Cash flows from financing activities:</b>   |       |   |   |
| Proceeds from borrowings   |       | 1.434.973.825                                     | 1.544.685.051                                   |
| Payments of borrowings   |       | (1.534.757.545)                                   | (1.415.412.543)                                 |
| Interest paid  |       | (50.325.312)                                      | (50.595.579)                                    |
| Dividends paid   | 17    | (400.037.400)                                     | (175.455.000)                                   |
| <b>Net cash used in from financing activities</b>  |       | <b>(550.146.432)</b>                              | <b>(96.778.071)</b>                             |
| <b>Net increase in cash and cash equivalents</b>   |       | <b>402.903.018</b>                                | <b>339.330.112</b>                              |
| <b>Beginning balance of cash and cash equivalents</b>  |       | <b>577.458.259</b>                                | <b>238.128.147</b>                              |
| <b>Ending balance of cash and cash equivalents</b>   | 4     | <b>980.361.277</b>                                | <b>577.458.259</b>                              |

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

**(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)**

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015**

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

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

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

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

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

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

| Year         | Average       |              | Year End      |              |
|--------------|---------------|--------------|---------------|--------------|
|              | 2015          | 2014         | 2015          | 2014         |
| Blue Collar  | 8,066         | 6,877        | 7,944         | 7,192        |
| White Collar | 2,679         | 2,499        | 2,732         | 2,570        |
| <b>Total</b> | <b>10,745</b> | <b>9,376</b> | <b>10,676</b> | <b>9,762</b> |

Research and development operations which are also subject to service export is conducted with 1,257 employees in Sancaktepe branch and conducted with 242 employees in R&D center in Kocaeli plant, totally 1,499 employees as of December 31, 2015. (December 31, 2014: 1,426)

**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.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

### **Going concern**

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

### **Comparatives of prior periods’ financial statements**

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at December 31, 2015 has been provided with the comparative financial information of December 31, 2014 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, 2015 and December 31, 2015 have been provided with the comparative financial information, for the period between January 1, 2014 and December 31, 2014.

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

### **New and amended standards and interpretations**

The accounting policies adopted in preparation of the financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:**

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

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have an impact on the consolidated financial statements of the Company.

#### **Annual Improvements to TAS/TFRSs**

In September 2014, POA issued the below amendments to the standards in relation to “Annual Improvements - 2010–2012 Cycle” and “Annual Improvements - 2011–2013 Cycle”.

#### **Annual Improvements - 2010–2012 Cycle**

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

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

**(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)**

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

### *TFRS 3 Business Combinations*

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

### *TFRS 8 Operating Segments*

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’. 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.

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

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

### *TAS 24 Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

## **Annual Improvements – 2011–2013 Cycle**

### *TFRS 3 Business Combinations*

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

### *TFRS 13 Fair Value Measurement*

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

### *TAS 40 Investment Property*

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements of the Company.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

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

#### **IFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

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

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

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

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

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

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

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

**(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)**

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9,
- or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

### **TAS 1: Disclosure Initiative (Amendments to TAS 1)**

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Company.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

### **Annual Improvements to TFRSs - 2012-2014 Cycle**

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan,
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements unless such disclosures provide a significant update to the information reported in the most recent annual report,
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located,
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.

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

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

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

### **Annual Improvements – 2010–2012 Cycle**

#### *IFRS 13 Fair Value Measurement*

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

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

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

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

**IFRS 16 Leases**

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)**

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**IAS 7 Statement of Cash Flows (Amendments)**

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity’s financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

**2.3 Summary of significant accounting policies**

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

**Cash and cash equivalents**

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

**Trade receivables and allowance for trade receivables**

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

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

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

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

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

**Inventories**

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

**(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)**

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

**Trade payables**

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

**Property, plant and equipment**

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

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

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

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

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

**Intangible assets**

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

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

The estimated useful lifetimes of such assets are as follows:

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

**Impairment of long-lived assets**

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

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.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

### **Financial assets**

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

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

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

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

### **Share premium**

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

### **Share capital and dividends**

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

### **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.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

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

Current and deferred tax

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

**Revenue recognition**

*Goods & services sales*

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

For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. But if the Company makes a sales agreement with buyback commitment, which shall most likely be applied, the sales made in this scope are not recognized as revenue and monitored under “Other Long Term Liabilities” (Note 31). Sales, which are subject to buyback commitment, are evaluated as operating lease and monitored as deferred income through allocating the difference between the price paid by the customers and their buyback price to leasing period. (Not 30).

For export sales significant risk and rewards are transferred to the buyer on FAS, “Final Assignment to Ship” terms. For export sales significant risk and rewards are transferred to the buyer on FAS, “Final Assignment to Ship” terms.

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.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

### **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 under the other operating income/expenses and financial income/expense 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:

|                          | <b>TL/USD</b> | <b>TL/Euro</b> | <b>TL/GBP</b> |
|--------------------------|---------------|----------------|---------------|
| <b>December 31, 2015</b> | <b>2.9076</b> | <b>3.1776</b>  | <b>4.3007</b> |
| December 31, 2014        | 2.3189        | 2.8207         | 3.5961        |

### **Financial instruments and financial risk management**

#### ***Credit risk***

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

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

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

#### ***Price risk***

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

#### ***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.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

The Company maintains a credit commitment amounting to Euro 80 million and factoring agreement amounting to TL 400 million in case a requirement for use arises.

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

***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 key management personnel through Early Determination of Risk and Management Committee and regular Board of Director’s meetings.

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

***Capital risk management***

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

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

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

|   | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|---|------------------------------|----------------------|
| Net financial debt                                | <b>1,580,404,669</b>         | 1,772,529,268        |
| Tangible equity                                   | <b>2,520,135,546</b>         | 2,233,791,596        |
| <b>Net financial debt / tangible equity ratio</b> | <b>0.63</b>                  | 0.79                 |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

### **Fair value of financial instruments**

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

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

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

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

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

### ***Financial assets***

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

### ***Financial liabilities***

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

### ***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.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

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

**Borrowings and borrowing costs**

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

**Provision for employee benefits**

**a) Defined benefit plan:**

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

**b) Defined contribution plan:**

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

**c) Other employee benefits**

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

### **Provisions**

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

#### *Provisions for sales premium*

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

#### *Warranty expenses provision*

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

### **Research and development expenses**

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

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

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

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

#### ***Operating leases***

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

### **Leasing – the Company as lessor**

#### ***Operational Leasing***

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

#### **Related parties**

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

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

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

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

#### **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).

**(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)**

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

### **Reporting of cash flows**

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

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

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

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

### **Contingent assets and liabilities**

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

### **Subsequent events**

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

### **Offsetting**

Financial assets and liabilities are offset when there is a legal basis, intention to disclose net amount of related assets and liabilities or 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.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

**2.5 Significant accounting estimates and decisions**

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

- (a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15).
- (b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7).
- (c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel’s opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9).
- (d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company’s Legal Counselor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.
- (e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).
- (f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of December 31, 2015 and December 31, 2014 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 24).
- (g) The Company recognizes depreciation and amortization for its property, plant and equipments and intangibles by taking into account their useful lives that are stated in Note 2.3 (Note 10 and 11).
- (h) Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of December 31, 2015 and December 31, 2014, there is no impairment determined related to development costs in progress (Note 11).

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

As at December 31, 2015, 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.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**3. Segment reporting**

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

**4. Cash and cash equivalents**

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for Euro denominated time deposits is %1.60 (December 31, 2014 - 2.26%) and the weighted average interest rate for the TL time deposits is %13.06 (December 31, 2014 - 11.59%).

|  | <b>December 31, 2015</b> | December 31, 2014 |
|--|--------------------------|-------------------|
| Banks - foreign currency time deposits   | <b>706,689,282</b>       | 400,808,453       |
| Banks - TL time deposits                 | <b>237,215,637</b>       | 148,606,575       |
| Banks - TL demand deposits               | <b>32,355,917</b>        | 22,925,737        |
| Banks - foreign currency demand deposits | <b>4,100,441</b>         | 5,117,494         |
|  | <b>980,361,277</b>       | 577,458,259       |

**5. Financial assets**

|  | <b>December 31, 2015</b> |                   | December 31, 2014   |               |
|--|--------------------------|-------------------|---------------------|---------------|
|  | <b>Shareholding</b>      |                   | <b>Shareholding</b> |               |
| <b>Available-for-sale financial assets:</b>            | <b>%</b>                 | <b>Amount</b>     | <b>%</b>            | <b>Amount</b> |
| Otokar Otomotiv ve Savunma Sanayi A.Ş.<br>(Otokar) (*) | <b>0.59</b>              | <b>12,625,805</b> | 0.59                | 12,196,978    |
|  |                          | <b>12,625,805</b> |                     | 12,196,978    |

(\*) The Company’s shareholding in Otokar was stated at market value at December 31, 2015 and December 31, 2014 which is assumed to approximate its fair value.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2015 (continued)

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

## 6. Financial liabilities

### Short term borrowings:

|        | December 31, 2015         |                    | December 31, 2014         |                    |
|--------|---------------------------|--------------------|---------------------------|--------------------|
|        | Effective interest rate % | TL amount          | Effective interest rate % | TL amount          |
| - Euro | 1.21                      | 700,877,296        | 1.61                      | 512,286,774        |
| - TL   |                           | -                  | 8.14                      | 112,970,246        |
|        |                           | <b>700,877,296</b> |                           | <b>625,257,020</b> |

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

|                                    | December 31, 2015         |                      | December 31, 2014         |                    |
|------------------------------------|---------------------------|----------------------|---------------------------|--------------------|
|                                    | Effective interest rate % | TL amount            | Effective interest rate % | TL amount          |
| - Euro                             | 2.46                      | 558,854,023          | 2.31                      | 364,697,638        |
|                                    |                           | <b>558,854,023</b>   |                           | <b>364,697,638</b> |
| <b>Total short term borrowings</b> |                           | <b>1,259,731,319</b> |                           | <b>989,954,658</b> |

### Long term borrowings:

|        |      |                      |      |                      |
|--------|------|----------------------|------|----------------------|
| - Euro | 1.81 | 1,301,034,627        | 2.06 | 1,360,032,869        |
|        |      | <b>1,301,034,627</b> |      | <b>1,360,032,869</b> |

The payment schedules of long-term bank borrowings as of December 31, 2015 and December 31, 2014 are as follows:

| Payment period | December 31, 2015    | December 31, 2014    |
|----------------|----------------------|----------------------|
|                | Total TL             | Total TL             |
| 2016           | -                    | 437,834,441          |
| 2017           | 428,255,354          | 298,501,742          |
| 2018           | 408,511,646          | 292,257,321          |
| 2019           | 275,886,364          | 174,357,519          |
| 2020           | 133,870,989          | 112,412,190          |
| 2021           | 54,510,274           | 44,669,656           |
|                | <b>1,301,034,627</b> | <b>1,360,032,869</b> |

The letters of bank guarantee given to financial institutions in connection with borrowings amount to TL 1,004,243,815 (December 31, 2014 - TL 1,015,293,576) (Note 13).

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2015 (continued)

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

## 7. Trade receivables and payables

|  | December 31, 2015  | December 31, 2014 |
|--|--------------------|-------------------|
| <b>Short term trade receivables:</b>     |                    |                   |
| Trade receivables                        | 788,940,298        | 680,878,133       |
| Doubtful receivables                     | 4,533,456          | 4,559,249         |
| Less: Unearned credit finance income     | (8,749,480)        | (4,683,746)       |
|  | <b>784,724,274</b> | 680,753,636       |
| Less: Provision for doubtful receivables | (4,533,456)        | (4,559,249)       |
|  | <b>780,190,818</b> | 676,194,387       |

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days. (December 31, 2014: 25 days), domestic sales of spare parts turnover is 70 days (December 31, 2014: 70 days) and discounted by 1.12% monthly effective interest rate (December 31, 2014: 0.92%).

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, 2015 | December 31, 2014 |
|-------------------------------------|-------------------|-------------------|
| <b>Long term trade receivables:</b> |                   |                   |
| Deposits and guarantees given       | 187,338           | 277,436           |
|                                     | <b>187,338</b>    | 277,436           |

|                                       | December 31, 2015    | December 31, 2014 |
|---------------------------------------|----------------------|-------------------|
| <b>Trade payables:</b>                |                      |                   |
| Trade payables                        | 1,743,208,811        | 1,332,727,390     |
| Less: Unearned credit finance expense | (10,268,534)         | (7,539,581)       |
|                                       | <b>1,732,940,277</b> | 1,325,187,809     |

The average turnover of trade payables is 60 days. (December 31, 2014: 60 days) and discounted by 1.12% monthly effective interest rate. (December 31, 2014: 0.92%).

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

The maximum exposure of the Company to credit risk as of December 31, 2015 and 2014 is as follows:

| December 31, 2015  | Trade receivables  |                    | Other receivables |                |                    |
|--|--------------------|--------------------|-------------------|----------------|--------------------|
|  | Related party      | Other              | Related party     | Other          | Deposit in bank    |
| - The maximum of credit risk exposed at the reporting date<br>(Notes 26, 7, 8, 4)                                      | 1,003,541,568      | 780,190,818        | -                 | 181,984        | 980,361,277        |
| <b>The maximum of credit risk covered by guarantees</b>  | <b>110,000,000</b> | <b>708,237,239</b> | -                 | -              | -                  |
| Net book value of the financial assets that are neither overdue nor impaired   | <b>982,044,554</b> | <b>772,608,733</b> | -                 | <b>181,984</b> | <b>980,361,277</b> |
| The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired | -                  | -                  | -                 | -              | -                  |
| Net book value of financial assets that are overdue but not impaired   | <b>21,497,014</b>  | <b>7,582,085</b>   | -                 | -              | -                  |
| - Amount of risk covered by guarantees   | -                  | <b>1,942,605</b>   | -                 | -              | -                  |
| Net book value of impaired assets  | -                  | -                  | -                 | -              | -                  |
| - Overdue (gross book value)   | -                  | <b>4,533,456</b>   | -                 | -              | -                  |
| - Provision for impairment (-)   | -                  | <b>(4,533,456)</b> | -                 | -              | -                  |
| - Amount of risk covered by guarantees   | -                  | -                  | -                 | -              | -                  |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

| <b>December 31, 2015</b>   | <b>Trade receivables</b> |                  |
|----------------------------|--------------------------|------------------|
|                            | <b>Related party</b>     | <b>Other</b>     |
| 1-30 days overdue          | 5,179,761                | 4,442,933        |
| 1-3 months overdue         | 9,637,410                | 286,150          |
| 3-12 months overdue        | 6,078,928                | 2,853,002        |
| 1-5 years overdue          | 600,915                  | -                |
|                            | <b>21,497,014</b>        | <b>7,582,085</b> |
| Risk covered by guarantees | -                        | <b>1,942,605</b> |

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

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

**8. Other receivables and payables**

|                                 | <b>December 31, 2015</b> | December 31, 2014 |
|---------------------------------|--------------------------|-------------------|
| <b>Other receivables:</b>       |                          |                   |
| Other miscellaneous receivables | <b>181,984</b>           | 230,474           |
|                                 | <b>181,984</b>           | 230,474           |
|                                 | <b>December 31, 2015</b> | December 31, 2014 |
| <b>Other payables:</b>          |                          |                   |
| Taxes and funds payable         | <b>40,535,209</b>        | 33,347,231        |
| Sales premium accruals          | <b>5,418,028</b>         | 1,476,832         |
| Other                           | <b>1,756,089</b>         | 4,861,655         |
|                                 | <b>47,709,326</b>        | 39,685,718        |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

## 9. Inventories

|  | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|--|------------------------------|----------------------|
| Finished goods   | <b>358,386,847</b>           | 104,688,935          |
| Raw materials  | <b>273,387,566</b>           | 246,862,840          |
| Goods in transit   | <b>130,103,025</b>           | 76,716,122           |
| Vehicle spare parts  | <b>116,488,425</b>           | 110,330,301          |
| Import vehicles  | <b>86,134,465</b>            | 22,661,995           |
| Spare parts  | <b>28,419,319</b>            | 26,812,487           |
| Other  | <b>11,569,000</b>            | -                    |
|  | <b>1,004,488,647</b>         | 588,072,680          |
| Less: Provision for impairment of finished goods and vehicle spare parts | <b>(4,329,423)</b>           | (2,995,284)          |
|  | <b>1,000,159,224</b>         | 585,077,396          |

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

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

|                          | <b>2015</b>      | 2014      |
|--------------------------|------------------|-----------|
| <b>At January 1</b>      | <b>2,995,284</b> | 3,218,313 |
| Change within the period | <b>1,334,139</b> | (223,029) |
| <b>At December 31</b>    | <b>4,329,423</b> | 2,995,284 |

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

## 10. Property, plant and equipment

|   | Land              | Land improvements | Buildings          | Machinery & equipments | Models & moulds      | Fixtures & furnitures | Vehicles(*)       | Construction in progress | Total                |
|---|-------------------|-------------------|--------------------|------------------------|----------------------|-----------------------|-------------------|--------------------------|----------------------|
| <b>December 31, 2014</b>                      |                   |                   |                    |                        |                      |                       |                   |                          |                      |
| Cost  | 11,874,536        | 142,405,313       | 871,767,345        | 2,242,217,206          | 1,691,329,342        | 311,443,358           | 16,341,221        | 26,545,344               | 5,313,923,665        |
| Accumulated depreciation                      | -                 | (61,143,024)      | (307,086,903)      | (889,103,540)          | (758,523,911)        | (166,465,672)         | (3,218,031)       | -                        | (2,185,541,081)      |
| <b>Net book value</b>                         | <b>11,874,536</b> | <b>81,262,289</b> | <b>564,680,442</b> | <b>1,353,113,666</b>   | <b>932,805,431</b>   | <b>144,977,686</b>    | <b>13,123,190</b> | <b>26,545,344</b>        | <b>3,128,382,584</b> |
| <b>For the period ended December 31, 2015</b> |                   |                   |                    |                        |                      |                       |                   |                          |                      |
| Opening net book value                        | 11,874,536        | 81,262,289        | 564,680,442        | 1,353,113,666          | 932,805,431          | 144,977,686           | 13,123,190        | 26,545,344               | 3,128,382,584        |
| Additions                                     | 394,963           | 7,947,575         | 9,894,539          | 58,132,277             | 239,322,610          | 33,501,421            | 64,776,856        | 62,887,431               | 476,857,672          |
| Transfers                                     | -                 | 96,588            | 24,142,185         | 3,254,408              | 13,117,971           | 407,809               | 2,948,967         | (43,967,928)             | -                    |
| Disposals                                     | -                 | -                 | (5,281)            | (15,970,603)           | (2,690,967)          | (509,823)             | (9,841,358)       | -                        | (29,018,032)         |
| Depreciation charge                           | -                 | (5,472,488)       | (32,193,662)       | (137,730,764)          | (134,605,554)        | (27,150,861)          | (4,616,377)       | -                        | (341,769,706)        |
| Disposals from accumulated depreciation       | -                 | -                 | 5,281              | 14,393,280             | 426,088              | 449,433               | 991,703           | -                        | 16,265,785           |
| <b>Closing net book value</b>                 | <b>12,269,499</b> | <b>83,833,964</b> | <b>566,523,504</b> | <b>1,275,192,264</b>   | <b>1,048,375,579</b> | <b>151,675,665</b>    | <b>67,382,981</b> | <b>45,464,847</b>        | <b>3,250,718,303</b> |
| <b>December 31, 2015</b>                      |                   |                   |                    |                        |                      |                       |                   |                          |                      |
| Cost  | 12,269,499        | 150,449,476       | 905,798,788        | 2,287,633,288          | 1,941,078,956        | 344,842,765           | 74,225,686        | 45,464,847               | 5,761,763,305        |
| Accumulated depreciation                      | -                 | (66,615,512)      | (339,275,284)      | (1,012,441,024)        | (892,703,377)        | (193,167,100)         | (6,842,705)       | -                        | (2,511,045,002)      |
| <b>Net book value</b>                         | <b>12,269,499</b> | <b>83,833,964</b> | <b>566,523,504</b> | <b>1,275,192,264</b>   | <b>1,048,375,579</b> | <b>151,675,665</b>    | <b>67,382,981</b> | <b>45,464,847</b>        | <b>3,250,718,303</b> |

The Company has compared the borrowing costs of investment loans which has taken in foreign currency to the TL market loan interest. There is no foreign exchange differences which has been recognized under property, plant and equipment within the context of TMS 23 according to the cumulative approach as of December 31, 2015 (December 31, 2014: TL 3,215,770).

There is no collateral, pledge or mortgage on tangible assets as of December 31, 2015 and 2014.

(\*) The Company makes a part of its truck sales with buyback commitment and trucks sold in this scope are monitored in “Vehicles” under Property, Plant and Equipment and their cost value amounts to TL 52,608,072 (December 31, 2014: None).

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2015 (continued)

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

10. Property, plant and equipment (continued)

|   | Land              | Land improvements | Buildings          | Machinery & equipments | Models & moulds    | Fixtures & furnitures | Vehicles          | Construction in progress | Total                |
|---|-------------------|-------------------|--------------------|------------------------|--------------------|-----------------------|-------------------|--------------------------|----------------------|
| <b>December 31, 2013</b>                    |                   |                   |                    |                        |                    |                       |                   |                          |                      |
| Cost  | 11,874,536        | 133,726,199       | 598,698,603        | 1,625,015,040          | 1,246,999,402      | 262,563,957           | 7,758,660         | 313,146,729              | 4,199,783,126        |
| Accumulated depreciation                    | -                 | (55,890,046)      | (280,669,273)      | (808,726,624)          | (668,384,053)      | (152,428,549)         | (2,615,530)       | -                        | (1,968,714,075)      |
| <b>Net book value</b>                       | <b>11,874,536</b> | <b>77,836,153</b> | <b>318,029,330</b> | <b>816,288,416</b>     | <b>578,615,349</b> | <b>110,135,408</b>    | <b>5,143,130</b>  | <b>313,146,729</b>       | <b>2,231,069,051</b> |
| <b>For the year ended December 31, 2014</b> |                   |                   |                    |                        |                    |                       |                   |                          |                      |
| Opening net book value                      | 11,874,536        | 77,836,153        | 318,029,330        | 816,288,416            | 578,615,349        | 110,135,408           | 5,143,130         | 313,146,729              | 2,231,069,051        |
| Additions                                   | -                 | 8,512,882         | 6,849,011          | 593,720,880            | 409,251,039        | 55,720,679            | 5,840,233         | 94,731,261               | 1,174,625,985        |
| Transfers                                   | -                 | 166,232           | 269,208,399        | 65,121,127             | 36,219,555         | 2,413,403             | 8,203,930         | (381,332,646)            | -                    |
| Disposals                                   | -                 | -                 | (2,988,668)        | (41,639,841)           | (1,140,654)        | (9,254,681)           | (5,461,602)       | -                        | (60,485,446)         |
| Depreciation charge                         | -                 | (5,252,978)       | (27,264,420)       | (120,151,454)          | (91,233,102)       | (21,944,727)          | (1,711,345)       | -                        | (267,558,026)        |
| Disposals from accumulated depreciation     | -                 | -                 | 846,790            | 39,774,538             | 1,093,244          | 7,907,604             | 1,108,844         | -                        | 50,731,020           |
| <b>Closing net book value</b>               | <b>11,874,536</b> | <b>81,262,289</b> | <b>564,680,442</b> | <b>1,353,113,666</b>   | <b>932,805,431</b> | <b>144,977,686</b>    | <b>13,123,190</b> | <b>26,545,344</b>        | <b>3,128,382,584</b> |
| <b>December 31, 2014</b>                    |                   |                   |                    |                        |                    |                       |                   |                          |                      |
| Cost  | 11,874,536        | 142,405,313       | 871,767,345        | 2,242,217,206          | 1,691,329,342      | 311,443,358           | 16,341,221        | 26,545,344               | 5,313,923,665        |
| Accumulated depreciation                    | -                 | (61,143,024)      | (307,086,903)      | (889,103,540)          | (758,523,911)      | (166,465,672)         | (3,218,031)       | -                        | (2,185,541,081)      |
| <b>Net book value</b>                       | <b>11,874,536</b> | <b>81,262,289</b> | <b>564,680,442</b> | <b>1,353,113,666</b>   | <b>932,805,431</b> | <b>144,977,686</b>    | <b>13,123,190</b> | <b>26,545,344</b>        | <b>3,128,382,584</b> |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

|                         | December 31, 2015    | December 31,<br>2014 |
|-------------------------|----------------------|----------------------|
| Moulds and models       | 618,908,035          | 426,456,991          |
| Machinery and equipment | 323,154,392          | 140,971,016          |
| Furniture and fixtures  | 77,658,937           | 66,229,622           |
| Buildings               | 72,617,558           | 24,354,268           |
| Land improvements       | 8,385,921            | 2,143,387            |
| Vehicles                | 1,171,533            | 1,034,888            |
|                         | <b>1,101,896,376</b> | <b>661,190,172</b>   |

The allocation of depreciation expense as of December 31, 2015 and 2014 is as follows:

|   | December 31, 2015  | December 31,<br>2014 |
|---|--------------------|----------------------|
| Cost of production (Note 18)                | 310,119,674        | 249,626,194          |
| Research and development expenses (Note 19) | 12,260,974         | 6,643,680            |
| General administrative expenses (Note 19)   | 5,661,197          | 5,140,745            |
| Selling and marketing expenses (Note 19)    | 2,348,415          | 2,094,317            |
| Associated with construction in progress    | 4,820,546          | 4,053,090            |
| Associated with other production overheads  | 6,558,900          | -                    |
|   | <b>341,769,706</b> | <b>267,558,026</b>   |

**11. Intangible assets**

| December 31, 2014        | Rights         | Development<br>cost | Development<br>costs in<br>progress | Other            | Total              |
|--------------------------|----------------|---------------------|-------------------------------------|------------------|--------------------|
| Cost                     | 20,861,575     | 423,371,450         | 206,284,643                         | 6,460,411        | 656,978,079        |
| Accumulated amortization | (20,330,019)   | (112,372,206)       | -                                   | (3,885,754)      | (136,587,979)      |
| <b>Net book value</b>    | <b>531,556</b> | <b>310,999,244</b>  | <b>206,284,643</b>                  | <b>2,574,657</b> | <b>520,390,100</b> |

**For the period ended  
December 31, 2015**

|                               |                  |                    |                   |                  |                    |
|-------------------------------|------------------|--------------------|-------------------|------------------|--------------------|
| Opening net book value        | 531,556          | 310,999,244        | 206,284,643       | 2,574,657        | 520,390,100        |
| Additions                     | 7,071,420        | 50,546,552         | 25,049,394        | -                | 82,667,366         |
| Transfers                     | 3,168,205        | 175,497,097        | (178,665,302)     | -                | -                  |
| Depreciation charge           | (8,775,735)      | (53,620,143)       | -                 | (941,786)        | (63,337,664)       |
| <b>Closing net book value</b> | <b>1,995,446</b> | <b>483,422,750</b> | <b>52,668,735</b> | <b>1,632,871</b> | <b>539,719,802</b> |

**December 31, 2015**

|                          |                  |                    |                   |                  |                    |
|--------------------------|------------------|--------------------|-------------------|------------------|--------------------|
| Cost                     | 31,101,200       | 649,415,099        | 52,668,735        | 6,460,411        | 739,645,445        |
| Accumulated amortization | (29,105,754)     | (165,992,349)      | -                 | (4,827,540)      | (199,925,643)      |
| <b>Net book value</b>    | <b>1,995,446</b> | <b>483,422,750</b> | <b>52,668,735</b> | <b>1,632,871</b> | <b>539,719,802</b> |

There is no carrying amounts of fully depreciated intangible assets as of December 31, 2015.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**11. Intangible assets (continued)**

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 1,935,895 (December 31, 2014: TL None) has been recognized under property, plant and equipment according to the cumulative approach within the context of TMS 23 as of December 31, 2015.

| December 31, 2013                             | Rights           | Development cost   | Development costs in progress | Other            | Total              |
|---|------------------|--------------------|-------------------------------|------------------|--------------------|
| Cost  | 31,670,385       | 479,714,678        | 359,259,892                   | 6,460,411        | 877,105,366        |
| Accumulated amortization                      | (26,112,104)     | (432,417,596)      | -                             | (3,263,387)      | (461,793,087)      |
| <b>Net book value</b>                         | <b>5,558,281</b> | <b>47,297,082</b>  | <b>359,259,892</b>            | <b>3,197,024</b> | <b>415,312,279</b> |
| <b>For the period ended December 31, 2014</b> |                  |                    |                               |                  |                    |
| Opening net book value                        | 5,558,281        | 47,297,082         | 359,259,892                   | 3,197,024        | 415,312,279        |
| Additions                                     | 3,754,159        | -                  | 138,495,787                   | -                | 142,249,946        |
| Transfers                                     | 2,464,916        | 289,006,120        | (291,471,036)                 | -                | -                  |
| Disposals                                     | (17,027,885)     | (345,349,348)      | -                             | -                | (362,377,233)      |
| Depreciation charge                           | (11,245,800)     | (25,303,958)       | -                             | (622,367)        | (37,172,125)       |
| Disposals from accumulated depreciation       | 17,027,885       | 345,349,348        | -                             | -                | 362,377,233        |
| <b>Closing net book value</b>                 | <b>531,556</b>   | <b>310,999,244</b> | <b>206,284,643</b>            | <b>2,574,657</b> | <b>520,390,100</b> |
| <b>December 31, 2014</b>                      |                  |                    |                               |                  |                    |
| Cost  | 20,861,575       | 423,371,450        | 206,284,643                   | 6,460,411        | 656,978,079        |
| Accumulated amortization                      | (20,330,019)     | (112,372,206)      | -                             | (3,885,754)      | (136,587,979)      |
| <b>Net book value</b>                         | <b>531,556</b>   | <b>310,999,244</b> | <b>206,284,643</b>            | <b>2,574,657</b> | <b>520,390,100</b> |

The allocation of amortization charges relating to December 31, 2015 and 2014 is as follows:

|   | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Cost of production (Note 18)                | <b>54,649,900</b> | 29,553,299        |
| General administrative expenses (Note 19)   | <b>5,479,645</b>  | 4,738,532         |
| Research and development expenses (Note 19) | <b>2,893,359</b>  | 2,652,184         |
| Selling and marketing expenses (Note 19)    | <b>173,679</b>    | 146,168           |
| Associated with construction in progress    | <b>141,081</b>    | 81,942            |
|   | <b>63,337,664</b> | 37,172,125        |

**12. Prepaid expenses**

| Short term prepaid expenses:   | December 31, 2015 | December 31, 2014 |
|--------------------------------|-------------------|-------------------|
| Advances given for inventories | <b>30,252,325</b> | 22,955,408        |
| Other prepaid expenses         | <b>4,874,379</b>  | 6,935,107         |
|                                | <b>35,126,704</b> | 29,890,515        |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**12. Prepaid expenses (continued)**

| <b>Long term prepaid expenses:</b> | <b>December 31, 2015</b> | December 31,<br>2014 |
|------------------------------------|--------------------------|----------------------|
| Advances given for investments (*) | <b>91,555,915</b>        | 132,481,035          |
|                                    | <b>91,555,915</b>        | 132,481,035          |

(\*) Investment advances given are related to the Company’s new vehicle investments. TL 71,583,140 (December 31, 2014: TL 121,787,063) is given to domestic vendors as mould advances and TL 19,972,775 (December 31, 2014: TL 10,693,972) is given for the new investments.

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

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

**Short term provisions:**

|                                  | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|----------------------------------|------------------------------|----------------------|
| Warranty expense provision       | <b>58,132,589</b>            | 34,839,839           |
| Provisions for sales premium (*) | <b>28,409,910</b>            | 19,054,389           |
|                                  | <b>86,542,499</b>            | 53,894,228           |

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

**Long term provisions:**

|                            | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|----------------------------|------------------------------|----------------------|
| Warranty expense provision | <b>43,482,352</b>            | 26,244,324           |
| Provisions for lawsuit     | <b>39,394,943</b>            | 20,018,564           |
|                            | <b>82,877,295</b>            | 46,262,888           |

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

|                             | <b>2015</b>        | 2014        |
|-----------------------------|--------------------|-------------|
| <b>At January 1</b>         | <b>20,018,564</b>  | 16,952,947  |
| Paid during the period      | <b>(5,546,642)</b> | (3,863,826) |
| Additions during the period | <b>24,923,021</b>  | 6,929,443   |
| <b>At December 31</b>       | <b>39,394,943</b>  | 20,018,564  |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2015 (continued)

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

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

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

|  | 2015                     | 2014              |
|--|--------------------------|-------------------|
| <b>At January 1</b>  | <b>61,084,163</b>        | 57,685,649        |
| Paid during the period   | <b>(91,524,556)</b>      | (77,861,272)      |
| Additions during the period (Note 19)                                  | <b>132,055,334</b>       | 81,259,786        |
| <b>At December 31</b>  | <b>101,614,941</b>       | 61,084,163        |
| <b>Letters of guarantee and letters of credit</b>                      | <b>December 31, 2015</b> | December 31, 2014 |
| Letters of guarantee given to financial institutions due to bank loans | <b>1,004,243,815</b>     | 1,015,293,576     |
| Letters of guarantee given to customs                                  | <b>31,869,492</b>        | 32,814,155        |
| Letters of guarantees given to other parties                           | <b>6,154,028</b>         | 9,259,141         |
|  | <b>1,042,267,335</b>     | 1,057,366,872     |

| Letters of guarantee given | December 31, 2015    |                      | December 31, 2014    |               |
|----------------------------|----------------------|----------------------|----------------------|---------------|
|                            | Original<br>currency | TL                   | Original<br>currency | TL            |
| <b>Euro</b>                | <b>326,097,162</b>   | <b>1,036,206,341</b> | 332,751,008          | 938,590,767   |
| <b>USD</b>                 | <b>13,000</b>        | <b>37,798</b>        | 45,325,598           | 105,105,529   |
| <b>TL</b>                  | <b>6,023,196</b>     | <b>6,023,196</b>     | 13,670,576           | 13,670,576    |
|                            |                      | <b>1,042,267,335</b> |                      | 1,057,366,872 |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

The allocation of collaterals, pledges and mortgages as of December 31, 2015 and 2014 as follows:

| Collaterals, pledges and mortgages given by the Company  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| A. Total amount of collaterals/pledges/mortgages given for its own legal entity  | 1,042,267,335        | 1,057,366,872        |
| B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation                                     | -                    | -                    |
| C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities | -                    | -                    |
| D. Total amount of other collaterals/pledges/mortgages given   |                      |                      |
| i. Total amount of collaterals/pledges/mortgages given for the parent company  | -                    | -                    |
| ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections                     | -                    | -                    |
| iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section                                     | -                    | -                    |
| <b>Total</b>   | <b>1,042,267,335</b> | <b>1,057,366,872</b> |

As of December 31, 2015 and 2014, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows :

#### Letters of guarantee taken

|             | December 31, 2015    |                    | December 31, 2014    |                    |
|-------------|----------------------|--------------------|----------------------|--------------------|
|             | Original<br>currency | TL                 | Original<br>currency | TL                 |
| <b>TL</b>   | 145,171,087          | 145,171,087        | 158,638,831          | 158,638,831        |
| <b>Euro</b> | 11,514,769           | 36,589,331         | 7,532,016            | 21,245,559         |
| <b>USD</b>  | 46,250               | 134,477            | -                    | -                  |
|             |                      | <b>181,894,895</b> |                      | <b>179,884,390</b> |

#### Tax dispute:

Fiscal Administration, imposed tax amount related to the fuel consumption for export vehicles for the years between 2007 and 2009, amounting to TL 11,982,710 which includes Special Consumption Tax, tax penalty and related interest. As a result of consultations with their advisors, the Company filed an appeal lawsuit at the court. The Company won the first lawsuits at the court filed separately for each year and the appeal processes. The courts are in the process of revision of decision.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**14. Commitments**

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

- a) Based on the credit agreements made by the Company in 2014, amounting to Euro 80,000,000 with Citibank A.Ş. and Euro 20,000,000 with T.C. Ziraat Bankası A.Ş., Euro 20,000,000 with Akbank TA.Ş in 2013 and based on the credit agreements made by the Company in 2011, Euro 60,000,000 with Vakıflar Bankası T.A.O., the Company is required to ensure that its export proceeds up to an amount equal to Euro 180,000,000 is transacted through the accounts of these banks. The Company fulfilled these commitments as of December 31, 2015.
- b) Based on the 1 year credit agreements made by the Company in 2015, amounting to Euro 40,000,000 with Yapı Kredi and amounting to Euro 40,000,000 with İş Bankası A.Ş. totally Euro 80,000,000, the Company is required to ensure that its export proceeds up to an amount equal to Euro 80,000,000 is transacted through Yapı Kredi accounts and Euro 80,000,000 is transacted through İş Bankası totally TL 160,000,000 for the year 2015. The Company fulfilled these commitments as of December 31, 2015.
- c) Based on the credit agreements made by the Company with Türkiye İhracat Kredi Bankası A.Ş. (Eximbank);
  - With 8 months term credit amounting to Euro 66,000,000 used in May 2014 an amount of Euro 66,000,000 and,
  - With 4 months term credit amounting to Euro 15,000,000 used in October 2014 an amount of Euro 15,000,000 and,
  - With 8 months term credit amounting to TL 42,000,000 used in October 2014 an amount of USD 18,753,349 and,
  - With 4 months term credit amounting to Euro 20,000,000 used in December 2014 an amount of Euro 20,000,000 and,
  - With 4 months term credit amounting to Euro 60,000,000 used in December 2014 an amount of USD 26,559,249 export is required to be ensured by the Company.
  - With 8 months term credit amounting to Euro 66,000,000 used in January 2015 an amount of Euro 66,000,000 and
  - With 4 months term credit amounting to Euro 34,475,000 used in April 2015 an amount of Euro 35,000,000.

The Company fulfilled these commitments as of December 31, 2015.

Company, also from Türkiye İhracat Kredi Bankası A.Ş (Eximbank);

- With 4 months term credit amounting to Euro 35,000,000 used in June 2015 an amount of Euro 35,000,000 and
- With 8 months term credit amounting to Euro 35,000,000 used in June 2015 an amount of Euro 35,000,000 export is required to be ensured and
- With 8 months term credit amounting to Euro 70,000,000 used in September 2015 an amount of Euro 70,000,000 export is required to be ensured by the Company.

**Operational lease commitments**

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**14. Commitments (continued)**

| Operational lease commitments | <b>December 31, 2015</b> | December 31,<br>2014 |
|-------------------------------|--------------------------|----------------------|
| Within 1 year                 | <b>6,511,876</b>         | 4,209,394            |
| Between 1 year to 5 years     | <b>8,272,270</b>         | 5,756,400            |
|                               | <b>14,784,146</b>        | 9,965,794            |

**15. Employee benefits**

**Liabilities for employee benefit obligations:**

|                                     | <b>December 31,<br/>2015</b> | December 31, 2014 |
|-------------------------------------|------------------------------|-------------------|
| Salaries and social charges payable | <b>44,554,668</b>            | 33,605,366        |
| Social security premiums payable    | <b>18,487,894</b>            | 17,867,688        |
| Withholding income tax payable      | <b>23,539,659</b>            | 18,442,695        |
| Other                               | <b>1,914,536</b>             | 1,719,121         |
|                                     | <b>88,496,757</b>            | 71,634,870        |

**Provision for employee benefits:**

|   | <b>December 31,<br/>2015</b> | December 31, 2014 |
|---|------------------------------|-------------------|
| Provision for employee benefits             | <b>87,579,319</b>            | 87,700,826        |
| Provision for unused vacation pay liability | <b>18,962,425</b>            | 15,100,417        |
|   | <b>106,541,744</b>           | 102,801,243       |

**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 3,828.37 for each year of service as of December 31, 2015 (December 31, 2014 – 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.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**15. Employee benefits (continued)**

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

|   | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|---|------------------------------|----------------------|
| Discount rate (%)   | <b>10.4</b>                  | 8.2                  |
| Expected salary increase rate(%)                            | <b>5.5</b>                   | 4.5                  |
| Net discount rate   | <b>4.60</b>                  | 3.50                 |
| Turnover rate to estimate the probability of retirement (%) | <b>3.5</b>                   | 3.2                  |

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits once a year, the maximum amount of TL 3,828.37 which was effective as of September 1, 2015 (January 1, 2014 - December 31,2014 - TL 3.438,22) has been used in the calculations.

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

|                           | <b>2015</b>         | 2014         |
|---------------------------|---------------------|--------------|
| <b>At January 1</b>       | <b>87,700,826</b>   | 79,586,962   |
| Interest cost             | <b>9,077,036</b>    | 7,560,762    |
| Current year service cost | <b>16,047,460</b>   | 10,937,616   |
| Paid during the period    | <b>(10,544,799)</b> | (13,334,069) |
| Actuarial (gain) / loss   | <b>(14,701,204)</b> | 2,949,555    |
| <b>At December 31</b>     | <b>87,579,319</b>   | 87,700,826   |

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of December 31, 2015 is below:

| Sensitivity level                         | Net discount rate        |                          | Turnover rate related to the probability of retirement |                          |
|---|--------------------------|--------------------------|--|--------------------------|
|   | <b>%0.5<br/>decrease</b> | <b>0.5%<br/>increase</b> | <b>%0.5<br/>decrease</b>                               | <b>0.5%<br/>increase</b> |
| Rate (%)                                  | (4.10)                   | (5.10)                   | 95.97  | 96.97                    |
| Change in provision for employee benefits | 4,818,867                | (4,412,933)              | 5,216,522  | (4,791,254)              |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**16. Other current assets**

|                               | <b>December 31,<br/>2015</b> | December 31, 2014 |
|-------------------------------|------------------------------|-------------------|
| VAT to be deductible (*)      | <b>204,667,078</b>           | 135,919,140       |
| Prepaid taxes and withholding | <b>5,149,079</b>             | 7,795,742         |
| Other                         | <b>21,494,333</b>            | 16,043,010        |
|                               | <b>231,310,490</b>           | 159,757,892       |

(\*) VAT to be deductible is related to the ongoing process of refund of export VAT receivable related to November and December of 2015.

**17. Equity**

The composition of the Company’s paid-in capital as of December 31,2015 and 2014 is as follows:

| <b>Shareholders</b>                       | <b>Share Group</b> | <b>Shareholders</b>          |                           | <b>Shareholders</b>          |                           |
|---|--------------------|------------------------------|---------------------------|------------------------------|---------------------------|
|   |                    | <b>December 31,<br/>2015</b> | <b>percentage<br/>(%)</b> | <b>December 31,<br/>2014</b> | <b>percentage<br/>(%)</b> |
| Koç Holding A.Ş.                          | <b>B</b>           | <b>134,953,357</b>           | <b>38.46</b>              | 134,953,357                  | 38.46                     |
| Temel Ticaret A.Ş.                        | <b>B</b>           | <b>2,355,885</b>             | <b>0.67</b>               | 2,355,885                    | 0.67                      |
| Ford Motor Company                        | <b>C</b>           | <b>143,997,036</b>           | <b>41.04</b>              | 143,997,036                  | 41.04                     |
| Vehbi Koç Vakfı                           | <b>A</b>           | <b>3,558,449</b>             | <b>1.01</b>               | 3,428,592                    | 0.98                      |
| Koç Holding Emekli Yardım Sandığı Vakfı   | <b>A</b>           | <b>3,259,202</b>             | <b>0.93</b>               | 3,259,202                    | 0.93                      |
| Other (Publicly held)                     | <b>A</b>           | <b>62,786,071</b>            | <b>17.89</b>              | 62,915,928                   | 17.92                     |
| <b>Total</b>                              |                    | <b>350,910,000</b>           | <b>100</b>                | 350,910,000                  | 100                       |
| Inflation adjustment to share capital     |                    | <b>27,920,283</b>            |                           | 27,920,283                   |                           |
| <b>Inflation adjusted paid in capital</b> |                    | <b>378,830,283</b>           |                           | 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, 2014: 35,091,000,000 unit) with a nominal value of Kr 1 each.

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

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned reserves under “Restricted reserves”, the amount of restricted reserves is TL 438,410,802 as of December 31, 2015 (December 31, 2014 – TL 472,233,474).

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**17. Equity (continued)**

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

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

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

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

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

In accordance with the General Assembly Meeting dated as of March 23, 2015, the Company has decided to distribute dividends from the net profit of the year 2014, at the rate of 57%, with a total amount of TL 200,018,700, as 57.00 kuruş gross (48.45 net) for each share with a value of TL 1. The Company made the dividend payment in April 2015. (2014: The Company has paid dividend at the rate of 50%, that is gross Kr 50 (net Kr 42.50) per TL 1 share, amounting to TL 175,455,000 in total).

The management of the Company has reassessed the investment process and the economic conditions the Company is in and in accordance with the Extraordinary General Asembly meeting dated October 14, 2015, it has decided on the distribution of cash dividend at a rate of 57%, with a total amount of TL 200,018,700, as 57.00 kuruş gross (48.45 net) for each share with a value of TL 1. The Company made the dividend payment in October 2015.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**17. Equity (continued)**

In accordance with Communiqué No: II-14,1, “Communiqué on the Principles of Financial Reporting In Capital Markets”, equity schedule at December 31, 2015 and December 31, 2014 are as follows:

|   | December 31, 2015    | December 31,<br>2014 |
|---|----------------------|----------------------|
| 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                               | 11,066,300           | 10,658,913           |
| Net loss on cash flow hedge                     | (154,407,851)        | (6,039,879)          |
| Actuarial (loss) arising from employee benefits | (1,652,515)          | (13,413,478)         |
| <b>Restricted reserves</b>                      | <b>438,410,802</b>   | <b>472,233,474</b>   |
| - Legal reserves                                | 438,410,802          | 472,233,474          |
| <b>Retained earnings</b>                        | <b>1,545,689,403</b> | <b>1,317,048,020</b> |
| - Inflation adjustment to equity                | 428,301,244          | 428,301,244          |
| - Extraordinary reserves                        | 1,117,388,159        | 872,873,599          |
| - Other reserves                                | -                    | 5,992,341            |
| - Other retained earnings                       | -                    | 9,880,836            |
| Net income for the period                       | 841,910,674          | 594,856,111          |
| <b>Share capital</b>                            | <b>3,059,855,348</b> | <b>2,754,181,696</b> |

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended December 31, 2015 and 2014 are as follows:

| December 31, 2015:     | Historical values    | Adjusted values      | Equity inflation adjustment differences |
|------------------------|----------------------|----------------------|---|
| Share capital          | 350,910,000          | 378,830,283          | 27,920,283                              |
| Legal reserves         | 438,410,802          | 497,163,406          | 58,752,604                              |
| Extraordinary reserves | 1,117,388,159        | 1,486,533,175        | 369,145,016                             |
| Share premium          | 8,252                | 361,733              | 353,481                                 |
| Other reserves         | -                    | 50,143               | 50,143                                  |
|                        | <b>1,906,717,213</b> | <b>2,362,938,740</b> | <b>456,221,527</b>                      |

| December 31, 2014:     | Historical values | Adjusted values | Equity inflation adjustment differences |
|------------------------|-------------------|-----------------|---|
| Share capital          | 350,910,000       | 378,830,283     | 27,920,283                              |
| Legal reserves         | 472,233,474       | 530,986,078     | 58,752,604                              |
| Extraordinary reserves | 872,873,599       | 1,242,018,615   | 369,145,016                             |
| Share premium          | 8,252             | 361,733         | 353,481                                 |
| Other reserves         | 5,992,341         | 6,042,484       | 50,143                                  |
|                        | 1,702,017,666     | 2,158,239,193   | 456,221,527                             |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**17. Equity (continued)**

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

Otokar shares which are publicly traded in BIST are valued at their closing price as of December 31, 2015 and December 31, 2014. As of December 31, 2015 fair value change (positive) amounting to TL 407,387 net of deferred tax, (December 31, 2014 – TL 4,240,823) is shown in statement of other comprehensive income.

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

|   | 2015                 | 2014                 |
|---|----------------------|----------------------|
| <b>January 1</b>  | <b>(8,794,444)</b>   | <b>(106,970,695)</b> |
| Increase in revaluation fund of available for sale financial assets | <b>407,387</b>       | 4,240,823            |
| Actuarial gain / (loss) arising from employee benefits              | <b>11,760,963</b>    | (2,359,644)          |
| Accumulated (loss) / gain from cash flow hedge                      | <b>(148,367,972)</b> | 96,295,072           |
| <b>December 31</b>  | <b>(144,994,066)</b> | <b>(8,794,444)</b>   |

**18. Revenue and cost of sales**

|                 | December 31, 2015     | December 31, 2014 |
|-----------------|-----------------------|-------------------|
| Export sales    | <b>10,723,040,628</b> | 7,687,446,929     |
| Domestic sales  | <b>6,688,999,850</b>  | 4,678,922,359     |
| Other sales     | <b>71,995,603</b>     | 64,423,992        |
| Less: Discounts | <b>(737,639,341)</b>  | (505,956,773)     |
|                 | <b>16,746,396,740</b> | 11,924,836,507    |

**Units of vehicle sales:**

|                     | December 31, 2015 |                |                | December 31, 2014 |                |             |
|---------------------|-------------------|----------------|----------------|-------------------|----------------|-------------|
|                     | Domestic sales    | Export sales   | Total sales    | Export sales      | Domestic sales | Total sales |
| Transit Custom      | 6,713             | 129,362        | 136,075        | 4,536             | 109,274        | 113,810     |
| Transit             | 30,001            | 92,997         | 122,998        | 21,687            | 62,189         | 83,876      |
| Transit Courier     | 34,678            | 30,131         | 64,809         | 20,836            | 19,229         | 40,065      |
| Passenger vehicles  | 43,713            | 362            | 44,075         | 33,650            | 301            | 33,951      |
| Cargo               | 7,924             | 747            | 8,671          | 6,853             | 963            | 7,816       |
| New Transit Connect | 2,953             | 12             | 2,965          | 356               | -              | 356         |
| Ranger              | 1,116             | 33             | 1,149          | 430               | -              | 430         |
| Transit Connect     | -                 | -              | -              | 2,690             | -              | 2,690       |
|                     | <b>127,098</b>    | <b>253,644</b> | <b>380,742</b> | 91,038            | 191,956        | 282,994     |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**18. Revenue and cost of sales (continued)**

Summaries of cost of production as of December 31, 2015 and 2014 are as follows:

|  | <b>December 31,<br/>2015</b> | December 31, 2014 |
|--|------------------------------|-------------------|
| Raw material cost                                    | <b>(11,450,879,353)</b>      | (8,148,853,314)   |
| Production overhead costs                            | <b>(955,424,076)</b>         | (735,188,418)     |
| Depreciation and amortization expenses (Note 10 &11) | <b>(364,769,574)</b>         | (279,179,493)     |
| Change in finished goods inventory                   | <b>252,363,773</b>           | (86,176,027)      |
| <b>Total production cost</b>                         | <b>(12,518,709,230)</b>      | (9,249,397,252)   |
| Cost of trade goods sold                             | <b>(2,367,802,272)</b>       | (1,544,852,280)   |
| <b>Total cost of sales</b>                           | <b>(14,886,511,502)</b>      | (10,794,249,532)  |

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

|   | <b>December 31,<br/>2015</b> | December 31, 2014 |
|---|------------------------------|-------------------|
| <b>Selling and marketing expenses:</b>              |                              |                   |
| Warranty expenses                                   | <b>(132,055,334)</b>         | (81,259,786)      |
| Advertising expenses                                | <b>(71,273,709)</b>          | (50,237,611)      |
| Personnel expenses                                  | <b>(63,908,360)</b>          | (46,337,390)      |
| Vehicle transportation expenses                     | <b>(56,893,061)</b>          | (39,262,797)      |
| Export expenses                                     | <b>(15,766,713)</b>          | (9,866,000)       |
| Dealer and service development expenses             | <b>(14,747,420)</b>          | (10,792,174)      |
| Spare parts transportation and packaging expenses   | <b>(13,901,385)</b>          | (15,473,003)      |
| Depreciation and amortization expense (Note 10 &11) | <b>(2,522,094)</b>           | (2,240,485)       |
| Other   | <b>(36,661,202)</b>          | (21,593,654)      |
|   | <b>(407,729,278)</b>         | (277,062,900)     |
| <b>General administrative expenses:</b>             |                              |                   |
| Personnel expenses                                  | <b>(74,391,128)</b>          | (60,432,629)      |
| Legal, consulting and auditing expenses             | <b>(38,357,577)</b>          | (18,797,330)      |
| Grants and donations                                | <b>(17,948,323)</b>          | (8,548,147)       |
| Depreciation and amortization expense (Note 10 &11) | <b>(11,140,842)</b>          | (9,879,277)       |
| New project administrative expenses                 | <b>(7,668,926)</b>           | (18,972,497)      |
| Duties, taxes and levies                            | <b>(7,590,020)</b>           | (5,986,079)       |
| Organization expenses                               | <b>(6,917,393)</b>           | (7,906,409)       |
| Travel expenses                                     | <b>(6,568,435)</b>           | (4,676,212)       |
| Repair, maintenance and energy expenses             | <b>(5,346,017)</b>           | (4,007,811)       |
| Other   | <b>(29,861,290)</b>          | (16,173,664)      |
|   | <b>(205,789,951)</b>         | (155,380,055)     |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

|  | December 31,<br>2015 | December 31, 2014    |
|--|----------------------|----------------------|
| <b>Research and development expenses:</b>            |                      |                      |
| Personnel expenses                                   | (133,677,904)        | (91,836,043)         |
| Project costs  | (89,777,061)         | (48,014,869)         |
| Mechanization expense                                | (15,805,825)         | (8,601,467)          |
| Depreciation and amortization expenses (Note 10 &11) | (15,154,333)         | (9,295,864)          |
| Other  | (11,308,235)         | (13,793,793)         |
|  | <b>(265,723,358)</b> | <b>(171,542,036)</b> |

**20. Expenses by nature**

The classification of expenses by nature for the year ended at December 31, 2015 and 2014 is as follows:

|  | December 31,<br>2015    | December 31, 2014       |
|--|-------------------------|-------------------------|
| Raw material cost                      | (11,450,879,353)        | (8,148,853,314)         |
| Cost of trade goods sold               | (2,367,802,272)         | (1,544,852,280)         |
| Personnel expenses                     | (789,410,549)           | (610,205,629)           |
| Financial expenses                     | (608,302,946)           | (531,263,990)           |
| Other operational expenses             | (578,734,395)           | (383,934,294)           |
| Other overhead expenses                | (438,061,140)           | (323,617,861)           |
| Depreciation and amortization expenses | (393,586,843)           | (300,595,118)           |
| Other operational expenses             | (178,218,799)           | (107,623,291)           |
| Change in finished goods inventory     | 252,363,773             | (86,176,027)            |
| Expenses from investing activities     | (2,586,121)             | (7,027,419)             |
| <b>Total expenses</b>                  | <b>(16,555,218,645)</b> | <b>(12,044,149,223)</b> |

**21. Other operating income/expenses**

|  | December 31,<br>2015 | December 31, 2014  |
|--|----------------------|--------------------|
| <b>Other operating income and gains:</b>                         |                      |                    |
| Credit finance gains   | 87,484,628           | 46,359,110         |
| Foreign exchange gains related to trade receivables and payables | 75,779,288           | 29,231,288         |
| License fees income  | 16,195,376           | 16,168,862         |
| Price difference and claim recovery                              | 22,076,466           | 9,126,007          |
| Commission income  | 5,543,270            | 4,109,599          |
| Rent income  | 4,524,018            | 4,904,368          |
| Adjustments of prior period corporate tax                        | 1,603,217            | 6,284,532          |
| Other  | 20,483,625           | 5,954,587          |
|  | <b>233,689,888</b>   | <b>122,138,353</b> |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**21. Other operating income/expenses (continued)**

|   | <b>December 31,<br/>2015</b> | December 31, 2014 |
|---|------------------------------|-------------------|
| <b>Other operating expenses and losses:</b>                       |                              |                   |
| Credit finance charge   | <b>(118,228,066)</b>         | (75,089,070)      |
| Foreign exchange losses related to trade receivables and payables | <b>(55,447,158)</b>          | (28,197,529)      |
| Other   | <b>(4,543,575)</b>           | (4,336,692)       |
|   | <b>(178,218,799)</b>         | (107,623,291)     |

**22. Financial income**

|                        | <b>December 31,<br/>2015</b> | December 31, 2014 |
|------------------------|------------------------------|-------------------|
| Foreign exchange gains | <b>422,061,340</b>           | 373,097,298       |
| Interest income        | <b>18,073,562</b>            | 10,229,855        |
|                        | <b>440,134,902</b>           | 383,327,153       |

**23. Financial expenses**

|                          | <b>December 31,<br/>2015</b> | December 31, 2014 |
|--------------------------|------------------------------|-------------------|
| Foreign exchange lossess | <b>(547,254,333)</b>         | (447,406,556)     |
| Interest expenses        | <b>(50,891,179)</b>          | (51,957,623)      |
| Other financial expenses | <b>(10,157,434)</b>          | (31,899,811)      |
|                          | <b>(608,302,946)</b>         | (531,263,990)     |

**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 2015 is 20% (December 31, 2014 - 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.

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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, 2015 the Company used R&D deduction of TL 388,456,048 (December 31, 2014: TL 101,538,224) in return for the legal tax.

The decree on Government Subsidies for Incentives regulating investment incentives was published in the official gazette and became effective on 16 July 2009. Within the scope of this decree, the Company acquired a large-scaled investment incentive certificate subject investment is located in the 1. Region and has a 30% rate of contribution to investment. As of the statement of the financial position date, in the framework of the related investment incentive certificates, an investment expense of TL 559,294,788 (December 31,2014: TL 559,294,788) was made and subject to document expenditures is completed. The Company used a discount on corporate tax for its Transit Custom model for TL 1,516,253 and this amount has been deducted from the total deferred tax asset (December 31,2014: TL 133,302).

The decree on Government Subsidies for Incentives re-regulating investment incentives was published in the official gazette and became effective on June 19, 2012. The Company reevaluated its existing investments and within the scope of above mentioned new decree acquired a privileged investment incentive certificate amounting to TL 1,194,397,995 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. In December 2014, the Company received a privileged investment incentive amounting to TL 331,362,274 and with a 40% rate of contribution to investment for the expanding investment for the production of Euro 6 emission trucks which will be put into use in the year 2018 in the Eskişehir İnönü plant. The investments will benefit from the 5. Region contributions according to the new incentive regulation and has a 40% rate of contribution to investment. Since the Privileged Investment Incentive Certificate amounting to TL 1,194,397,995 received for the New Generation Transit expenses exceeds TL 1 billion, the Company can benefit from the additional 10% rate of contribution to investment. As of the date of statement of financial position, the investment expenditures amounting to TL 1,979,492,125 (December 31, 2014: TL 1,720,868,735 TL) was made in the framework of the related new investment incentive certificates and the Company utilized discounted corporate taxation amounting to TL 29,775,718 (December 31, 2014: TL 2,302,054) in the current year and this amount has been deducted from the total deferred tax asset.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2015 (continued)

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

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

The Company’s net tax position as of December 31, 2015 and 2014 are as follows:

|  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| Current year corporate tax expense         | 8,960,182            | 708,815              |
| Prepaid tax and withholding                | (8,960,182)          | (708,815)            |
| <b>Current years’ profit tax liability</b> | -                    | -                    |

The taxation on income for the periods ended December 31, 2015 and 2014 are as follows.

|  | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|
| Current year corporate tax expense         | (8,960,182)          | (708,815)            |
| Current year tax effect of cash flow hedge | (37,155,174)         | 24,002,090           |
| Deferred tax                               | 22,197,791           | 181,150,586          |
|  | <b>(23,917,565)</b>  | 204,443,861          |

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at December 31, 2015 and 2014 and current tax ratio based on income before tax is as follows:

|                                | December 31,<br>2015 | December 31, 2014 |
|--------------------------------|----------------------|-------------------|
| <b>Income before tax:</b>      | <b>865,828,239</b>   | 390,412,250       |
| Effective tax rate             | 20%                  | 20%               |
| Current year tax expense       | (173,165,648)        | (78,082,450)      |
| R&D deduction                  | 77,691,210           | 20,307,645        |
| Investment incentive exemption | 84,280,233           | 261,954,296       |
| Other temporary differences    | (12,723,360)         | 264,370           |
|                                | <b>(23,917,565)</b>  | 204,443,861       |

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.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at December 31, 2015 and 2014 using the current enacted tax rates is as follows:

|                                       | Cumulative temporary differences |                   | Deferred tax assets/(liabilities) |                      |
|---------------------------------------|----------------------------------|-------------------|-----------------------------------|----------------------|
|                                       | December 31, 2015                | December 31, 2014 | December 31, 2015                 | December 31, 2014    |
| <b>Deferred tax assets:</b>           |                                  |                   |                                   |                      |
| Investment incentive tax asset        | 2,051,305,469                    | 1,840,604,884     | 718,282,976                       | 665,294,714          |
| Expense accruals and other provisions | 91,120,092                       | 55,984,341        | 18,224,017                        | 12,111,313           |
| Employee benefits provision           | 87,579,318                       | 87,700,826        | 17,515,863                        | 18,454,610           |
| Warranty expense provision            | 101,614,941                      | 61,084,163        | 20,322,988                        | 12,216,833           |
| Inventories                           | 37,140,141                       | 21,192,176        | 7,428,029                         | 4,238,435            |
|                                       |                                  |                   | <b>781,773,873</b>                | <b>712,315,905</b>   |
| <b>Deferred tax liabilities:</b>      |                                  |                   |                                   |                      |
| Tangibles and intangibles             | 1,334,003,727                    | 1,111,489,590     | (266,800,745)                     | (222,297,918)        |
| Income accruals and other             | 62,200,994                       | 32,507,837        | (12,440,198)                      | (6,501,568)          |
|                                       |                                  |                   | <b>(279,240,943)</b>              | <b>(228,799,486)</b> |
| <b>Net deferred tax asset</b>         |                                  |                   | <b>502,532,930</b>                | <b>483,516,419</b>   |

Deferred tax movements are as follows:

|                                  | January 1, 2015    | Charged to statement of profit or loss as income/(expense) | Charged to comprehensive income statement as income/(expense) | December 31, 2015  |
|----------------------------------|--------------------|--|---|--------------------|
| <b>Deferred tax liabilities:</b> |                    |  |   |                    |
| Tangible and intangible assets   | (222,297,918)      | (44,502,827)   | -   | (266,800,745)      |
| Income accruals and other        | (6,501,568)        | (5,917,190)  | (21,440)  | (12,440,198)       |
| <b>Deferred tax assets:</b>      |                    |  |   |                    |
| Investment incentive tax asset   | 665,294,714        | 52,988,262   | -   | 718,282,976        |
| Expense accruals and other       | 12,111,313         | 6,332,303  | (219,599)   | 18,224,017         |
| Provision for employee benefits  | 18,454,610         | 2,001,494  | (2,940,241)   | 17,515,863         |
| Warranty expense provision       | 12,216,833         | 8,106,155  | -   | 20,322,988         |
| Inventories                      | 4,238,435          | 3,189,594  | -   | 7,428,029          |
| <b>Deferred tax asset, net</b>   | <b>483,516,419</b> | <b>22,197,791</b>  | <b>(3,181,280)</b>  | <b>502,532,930</b> |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

|                                 | January 1,<br>2014 | Charged to<br>statement of profit<br>or loss as<br>income/(expense) | Charged to<br>comprehensive<br>income<br>statement as<br>income/(expense) | December 31,<br>2014 |
|---------------------------------|--------------------|---|---|----------------------|
| Deferred tax liabilities:       |                    |   |   |                      |
| Tangible and intangible assets  | (151,727,358)      | (70,570,560)  | -   | (222,297,918)        |
| Income accruals and other       | (4,399,061)        | (1,879,306)   | (223,201)   | (6,501,568)          |
| Deferred tax assets:            |                    |   |   |                      |
| Investment incentive tax asset  | 405,775,774        | 259,518,940   | -   | 665,294,714          |
| Expense accruals and other      | 15,111,217         | (3,084,643)   | 84,739  | 12,111,313           |
| Provision for employee benefits | 16,210,642         | 1,654,057   | 589,911   | 18,454,610           |
| Warranty expense provision      | 11,537,130         | 679,703   | -   | 12,216,833           |
| Inventories                     | 9,406,040          | (5,167,605)   | -   | 4,238,435            |
| <b>Deferred tax asset, net</b>  | <b>301,914,384</b> | <b>181,150,586</b>  | <b>451,449</b>  | <b>483,516,419</b>   |

**25. Earnings per share**

|   | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|---|------------------------------|----------------------|
| Net income for the year (TL)                              | <b>841,910,674</b>           | 594,856,111          |
| Weighted average number of shares with nominal            | <b>35,091,000,000</b>        | 35,091,000,000       |
| <b>Earnings per share with nominal value of Kr 1 each</b> | <b>2.40 Kr</b>               | 1.70 Kr              |

**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, 2015 and December 31,2014 and the transactions with related parties during the year are as follows:

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

**a) Receivables from related parties:**

**i) Trade receivable from related parties**

|   | <b>December 31,<br/>2015</b> | December 31, 2014 |
|---|------------------------------|-------------------|
| <b>Due from shareholders:</b>           |                              |                   |
| Ford Motor Company and its subsidiaries | <b>607,913,100</b>           | 588,906,685       |
|   | <b>607,913,100</b>           | 588,906,685       |
| <b>Due from group companies (*):</b>    |                              |                   |
| Otokoç Otomotiv Ticaret ve Sanayi A.Ş.  | <b>398,883,026</b>           | 335,195,671       |
| Other                                   | <b>1,189,090</b>             | 7,815,883         |
|   | <b>400,072,116</b>           | 343,011,554       |
| Less: Unearned credit finance income    | <b>(4,443,648)</b>           | (2,378,919)       |
|   | <b>1,003,541,568</b>         | 929,539,320       |

(\*) The Company’s shareholders’ subsidiaries and affiliate.

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

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company’s receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 25 days on average and sales of spare parts is due in 70 days on average.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

**b) Payables to related parties:**

**i) Trade payables to related parties:**

|   | <b>December 31,<br/>2015</b> | December 31, 2014 |
|---|------------------------------|-------------------|
| <b>Due to shareholders:</b>                                     |                              |                   |
| Ford Motor Company and its subsidiaries                         | <b>494,737,376</b>           | 385,850,467       |
|   | <b>494,737,376</b>           | 385,850,467       |
| <b>Due to group companies (*):</b>                              |                              |                   |
| Zer Merkezi Hizmetler ve Ticaret A.Ş.                           | <b>28,142,499</b>            | 35,718,844        |
| Ram Dış Ticaret A.Ş.  | <b>25,937,221</b>            | 27,844,300        |
| Otokoç Otomotiv Ticaret ve Sanayi A.Ş.                          | <b>13,648,434</b>            | 2,368,753         |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.                    | <b>4,364,843</b>             | 2,517,307         |
| Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.                    | <b>2,657,774</b>             | 1,650,963         |
| Setur Servis Turistik A.Ş.                                      | <b>5,550,939</b>             | 4,523,762         |
| Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.                   | <b>2,750,112</b>             | 1,772,226         |
| AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. | <b>1,116,824</b>             | 968,527           |
| Ram Sigorta Aracılık Hizmetleri A.Ş.                            | <b>306,518</b>               | 334,758           |
| Other   | <b>2,064,003</b>             | 8,166,933         |
|   | <b>86,539,167</b>            | 85,866,373        |
| Less: Unearned credit finance expense                           | <b>(566,455)</b>             | (513,147)         |
|   | <b>580,710,088</b>           | 471,203,693       |

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

**ii) Other payables to related parties**

|                              | <b>December 31, 2015</b> | December 31, 2014 |
|------------------------------|--------------------------|-------------------|
| Koç Tüketici Finansmanı A.Ş. | <b>9,088,850</b>         | 5,708,354         |
| Koç Holding A.Ş.             | <b>8,374,053</b>         | 3,136,045         |
| Yapı ve Kredi Bankası A.Ş.   | <b>2,450,054</b>         | 1,815,783         |
|                              | <b>19,912,957</b>        | 10,660,182        |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

**c) Sales to related parties:**

|   | <b>December 31,<br/>2015</b> | December 31, 2014 |
|---|------------------------------|-------------------|
| Ford Motor Company and its subsidiaries (*) | <b>10,565,585,058</b>        | 7,522,035,457     |
| Otokoç Otomotiv Ticaret ve Sanayi A.Ş.(**)  | <b>1,951,634,537</b>         | 1,296,436,288     |
| Other                                       | <b>29,281,454</b>            | 28,396,334        |
|   | <b>12,546,501,049</b>        | 8,846,868,079     |
| Less: Financial income from credit sales    | <b>(25,908,163)</b>          | (13,126,540)      |
|   | <b>12,520,592,886</b>        | 8,833,741,539     |

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

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

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

|   | <b>January 1 – December 31, 2015</b> |                    |                         |                    |
|---|--------------------------------------|--------------------|-------------------------|--------------------|
|   | <b>Material</b>                      | <b>Service</b>     | <b>Fixed<br/>Assets</b> | <b>Total</b>       |
| <b>Domestic purchases:</b>  |                                      |                    |                         |                    |
| Zer Merkezi Hizmetler ve Ticaret A.Ş.                             | <b>12,831,463</b>                    | <b>199,736,164</b> | <b>100,272</b>          | <b>212,667,899</b> |
| Ram Dış Ticaret A.Ş.  | <b>143,209,126</b>                   | -                  | -                       | <b>143,209,126</b> |
| Setur Servis Turistik A.Ş.  | -                                    | <b>19,648,903</b>  | -                       | <b>19,648,903</b>  |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.                      | -                                    | <b>5,066,404</b>   | <b>14,408,975</b>       | <b>19,475,379</b>  |
| Koç Holding A.Ş.(**)  | -                                    | <b>17,486,707</b>  | -                       | <b>17,486,707</b>  |
| AKPA Dayanıklılı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. | <b>17,123,061</b>                    | -                  | -                       | <b>17,123,061</b>  |
| Otokoç Otomotiv Ticaret ve Sanayi A.Ş.                            | -                                    | <b>13,341,066</b>  | <b>2,506,759</b>        | <b>15,847,825</b>  |
| Ark İnşaat Sanayi ve Ticaret A.Ş.                                 | -                                    | -                  | <b>12,255,383</b>       | <b>12,255,383</b>  |
| Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.                     | <b>9,295,573</b>                     | -                  | <b>53,185</b>           | <b>9,348,758</b>   |
| Ram Sigorta Aracılık Hizmetleri A.Ş.(*)                           | -                                    | <b>9,034,266</b>   | -                       | <b>9,034,266</b>   |
| Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.                      | <b>6,881,706</b>                     | -                  | -                       | <b>6,881,706</b>   |
| Opet Petrolcülük A.Ş.   | <b>5,396,790</b>                     | -                  | -                       | <b>5,396,790</b>   |
| Tanı Pazarlama İlet.Hiz.A.Ş.                                      | -                                    | <b>2,154,265</b>   | -                       | <b>2,154,265</b>   |
| Other   | <b>1,002,150</b>                     | <b>4,413,805</b>   | -                       | <b>5,415,955</b>   |
|   | <b>195,739,869</b>                   | <b>270,881,580</b> | <b>29,324,574</b>       | <b>495,946,023</b> |
| Less: Financial expense from credit purchases                     | <b>(5,170,344)</b>                   | -                  | -                       | <b>(5,170,344)</b> |
|   | <b>190,569,525</b>                   | <b>270,881,580</b> | <b>29,324,574</b>       | <b>490,775,679</b> |

(\*) Contains paid and accrued premium amounts for the interim periods ended December 31, 2015 and 2014 within the context of insurance policies signed with insurance Companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

(\*\*) It includes remuneration of expenses, occurred related to companies provided services in care of Koç Holding A.Ş. including personnel and key management expenses in acknowledgement of services such as finance, law, tax and key management given to companies in the company structure of our main partner Koç Holding A.Ş, which are billed to our Company as a result of its distribution in the framework of “11-Intra-group Services” of General Communique numbered 1 on Distribution of Hidden Income through Transfer Pricing.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

|   | January 1 – December 31, 2014 |             |              |             |
|---|-------------------------------|-------------|--------------|-------------|
|   | Material                      | Service     | Fixed assets | Total       |
| Domestic purchases:   |                               |             |              |             |
| Zer Merkezi Hizmetler ve Ticaret A.Ş.                           | 8,535,471                     | 162,509,645 | 80,124       | 171,125,240 |
| Ram Dış ticaret A.Ş.  | 95,815,113                    | -           | -            | 95,815,113  |
| Ark İnşaat Sanayi ve Ticaret A.Ş.                               | -                             | -           | 75,565,048   | 75,565,048  |
| Eltek Elektrik Enerjisi İth.İhr.ve Top.Tic. A.Ş.                | -                             | 31,975,370  | -            | 31,975,370  |
| AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. | 17,362,621                    | -           | -            | 17,362,621  |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.                    | -                             | 8,295,918   | 5,204,389    | 13,500,307  |
| Setur Servis Turistik A.Ş.                                      | -                             | 13,409,807  | -            | 13,409,807  |
| Koç Holding A.Ş.  | -                             | 12,280,000  | -            | 12,280,000  |
| Otokoç Otomotiv Ticaret ve Sanayi A.Ş.                          | -                             | 8,429,560   | 934,815      | 9,364,375   |
| Ram Sigorta Aracılık Hizmetleri A.Ş.                            | -                             | 7,747,257   | -            | 7,747,257   |
| Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.                   | 6,546,647                     | -           | 76,522       | 6,623,169   |
| Opet Petrolcülük A.Ş.   | 5,549,024                     | -           | -            | 5,549,024   |
| Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.                    | 4,650,867                     | -           | -            | 4,650,867   |
| Other   | 1,418,060                     | 5,494,619   | 180,000      | 7,092,679   |
|   | 139,877,803                   | 250,142,176 | 82,040,898   | 472,060,877 |
| Less: Financial expense from credit purchases                   | (2,353,692)                   | -           | -            | (2,353,692) |
|   | 137,524,111                   | 250,142,176 | 82,040,898   | 469,707,185 |

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

|   | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Ford Motor Company and its subsidiaries | 6,707,163,367     | 4,634,719,963     |

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

|  | December 31, 2015 | December 31, 2014 |
|--|-------------------|-------------------|
|  | 123,196,041       | 80,023,983        |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

|  | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|--|------------------------------|----------------------|
|  | <b>16,195,376</b>            | 16,168,862           |

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

|  | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|--|------------------------------|----------------------|
|  | <b>16,859,837</b>            | 8,020,204            |

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

| <b>Deposits in related banks:</b>          | <b>December 31, 2015</b> | December 31,<br>2014 |
|--|--------------------------|----------------------|
| Yapı ve Kredi Bankası A.Ş.                 |                          |                      |
| - Banks - foreign currency time deposits   | <b>187,918,693</b>       | 103,811,998          |
| - Banks - TL time deposits                 | <b>50,075,956</b>        | 3,766,408            |
| - Banks - TL demand deposits               | <b>21,817,638</b>        | 75,300,493           |
| - Banks - foreign currency demand deposits | <b>2,765,023</b>         | 13,657,312           |
|  | <b>262,577,310</b>       | 196,536,211          |

| <b>Loans obtained from related banks</b> | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|--|------------------------------|----------------------|
| Yapı ve Kredi Bankası A.Ş.               | -                            | 10,970,246           |

**i) Commission income:**

|                              | <b>December 31, 2015</b> | December 31,<br>2014 |
|------------------------------|--------------------------|----------------------|
| Koç Tüketici Finansmanı A.Ş. | <b>3,064,162</b>         | 1,784,086            |
| Yapı ve Kredi Bankası A.Ş.   | <b>2,449,854</b>         | 2,319,890            |
|                              | <b>5,514,016</b>         | 4,103,976            |

**i) Commission expense:**

|                              | <b>December 31, 2015</b> | December 31,<br>2014 |
|------------------------------|--------------------------|----------------------|
| Koç Tüketici Finansmanı A.Ş. | <b>68,054,348</b>        | 35,511,123           |
| Yapı ve Kredi Bankası A.Ş.   | <b>24,962,006</b>        | 22,580,673           |
|                              | <b>93,016,354</b>        | 58,091,796           |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

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

**j) Interest income:**

|                            | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|----------------------------|------------------------------|----------------------|
| Yapı ve Kredi Bankası A.Ş. | <b>2,852,934</b>             | 2,445,163            |

**k) Dividend income:**

|  | <b>December 31,<br/>2015</b> | December 31,<br>2014 |
|--|------------------------------|----------------------|
| Otokar Otomotiv ve Savunma Sanayi A.Ş. | <b>468,664</b>               | 585,830              |

**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, 2015 was TL 38,807,706 (December 31, 2014: TL 20,849,674). TL 15,109,538 part of this amount is related to payments made to key management personnel leaving their jobs because of retirement at the end of the year and the remaining parts consists of short term benefits.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

## 27. Financial instruments and financial risk management

The table below summarizes the Company's exposure to foreign currency exchange rate risk at December 31, 2015 and 2014. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

### December 31, 2015

|   | TL<br>(Functional<br>currency) | USD               | Euro                 | GBP              |
|---|--------------------------------|-------------------|----------------------|------------------|
| 1. Trade receivables  | 639,702,631                    | 19,887,088        | 183,119,000          | -                |
| 2. Monetary financials assets (including cash and cash equivalents)                           | 710,789,723                    | 9,847,089         | 214,628,526          | 35,976           |
| 3. Other  | 149,260,400                    | 851,460           | 46,001,808           | 141,686          |
| <b>4. Current assets (1 + 2 + 3)</b>  | <b>1,499,752,754</b>           | <b>30,585,637</b> | <b>443,749,334</b>   | <b>177,662</b>   |
| 5. Monetary financial assets  | -                              | -                 | -                    | -                |
| <b>6. Non-current assets (5)</b>  | <b>-</b>                       | <b>-</b>          | <b>-</b>             | <b>-</b>         |
| <b>7. Total assets (4+6)</b>  | <b>1,499,752,754</b>           | <b>30,585,637</b> | <b>443,749,334</b>   | <b>177,662</b>   |
| 8. Trade payables   | 643,244,457                    | 19,645,101        | 183,652,520          | 592,953          |
| 9. Financial liabilities (*)  | 1,259,731,319                  | -                 | 396,441,125          | -                |
| 10. Other monetary liabilities  | 54,924,629                     | 272,973           | 17,020,104           | 11,127           |
| <b>11. Short term liabilities (8 + 9 + 10)</b>  | <b>1,957,900,405</b>           | <b>19,918,074</b> | <b>597,113,749</b>   | <b>604,080</b>   |
| 12. Financial liabilities (*)   | 1,301,034,627                  | -                 | 409,439,397          | -                |
| <b>13. Long term liabilities (12)</b>   | <b>1,301,034,627</b>           | <b>-</b>          | <b>409,439,397</b>   | <b>-</b>         |
| <b>14. Total liabilities (11 + 13)</b>  | <b>3,258,935,032</b>           | <b>19,918,074</b> | <b>1,006,553,146</b> | <b>604,080</b>   |
| <b>15. Net foreign currency assets / (liabilities) position (7 - 14)</b>                      | <b>(1,759,182,278)</b>         | <b>10,667,563</b> | <b>(562,803,812)</b> | <b>(426,418)</b> |
| <b>16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)</b> | <b>(1,908,442,678)</b>         | <b>9,816,103</b>  | <b>(608,805,620)</b> | <b>(568,104)</b> |

(\*) The Company's net foreign exchange position is mainly due to long term Euro denominated loans obtained to fund its investments. The Company is hedged for the foreign currency exchange risk of a portion of those Euro denominated loans amounting to TL 1,799,243,241 by export agreements signed with Ford Motor Company. (December 31, 2014 TL 1,665,624,667).

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2015 (continued)

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

27. Financial instruments and financial risk management (continued)

December 31, 2014

|  | TL<br>(Functional<br>currency) | USD          | Euro          | GBP       |
|--|--------------------------------|--------------|---------------|-----------|
| 1. Trade receivables   | 622,702,244                    | 9,606,819    | 212,750,045   | 89,246    |
| 2. Monetary financials assets (including cash and cash equivalents)                    | 405,925,946                    | 700,998      | 143,057,316   | 216,520   |
| 3. Other   | 72,186,327                     | 1,799,732    | 23,929,423    | 143,268   |
| 4. Current assets (1 + 2 + 3)  | 1,100,814,517                  | 12,107,549   | 379,736,784   | 449,034   |
| 5. Monetary financial assets   | -                              | -            | -             | -         |
| 6. Non-current assets (5)  | -                              | -            | -             | -         |
| 7. Total assets (4+6)  | 1,100,814,517                  | 12,107,549   | 379,736,784   | 449,034   |
| 8. Trade payables  | 455,531,517                    | 25,083,134   | 139,682,834   | 935,143   |
| 9. Financial liabilities (*)   | 876,984,412                    | -            | 310,910,203   | -         |
| 10. Other monetary liabilities   | 3,275,252                      | 1,093,284    | 152,900       | 85,857    |
| 11. Short term liabilities (8 + 9 + 10)  | 1,335,791,181                  | 26,176,418   | 450,745,937   | 1,021,000 |
| 12. Financial liabilities (*)  | 1,360,646,538                  | -            | 482,379,033   | -         |
| 13. Long term liabilities (12)   | 1,360,646,538                  | -            | 482,379,033   | -         |
| 14. Total liabilities (11 + 13)  | 2,696,437,719                  | 26,176,418   | 933,124,970   | 1,021,000 |
| 15. Net foreign currency assets / (liabilities) position (7 - 14)                      | (1,595,623,202)                | (14,068,869) | (553,388,186) | (571,966) |
| 16. Net monetary foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12) | (1,667,809,529)                | (15,868,601) | (577,317,609) | (715,234) |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

**Foreign exchange risk**

The Company is exposed to foreign exchange risk primarily against to Euro and partly against to USD. The foreign exchange risk of the Company arises from long-term Euro investment loans.

**December 31, 2015**

|   | Profit/(loss) before taxation |                    |
|---|-------------------------------|--------------------|
| Appreciation in foreign currency / depreciation in foreign currency |                               |                    |
|   | Increase by %10               | Decrease by %10    |
| <b>Change in USD against TL</b>                                     |                               |                    |
| US Dollar net (liabilities) / assets                                | 3,101,701                     | (3,101,701)        |
| US Dollar net hedged amount   | -                             | -                  |
| <b>US Dollar net- (gain) / (loss)</b>                               | <b>3,101,701</b>              | <b>(3,101,701)</b> |
| <b>Change in Euro against TL</b>                                    |                               |                    |
| Euro net (liabilities) / assets                                     | (178,836,539)                 | 178,836,539        |
| Euro net hedged amount  | 179,924,324                   | (179,924,324)      |
| <b>Euro net- gain / (loss)</b>                                      | <b>1,087,785</b>              | <b>(1,087,785)</b> |
| <b>Change in other foreign currency against TL</b>                  |                               |                    |
| Other foreign currency denominated net (liabilities)/assets         | (183,389)                     | 183,389            |
| Other foreign currency denominated- hedged amount                   | -                             | -                  |
| <b>Other foreign currency denominated net -(loss)/gain</b>          | <b>(183,389)</b>              | <b>183,389</b>     |

December 31, 2014

|   | Profit/(loss) before taxation |                     |
|---|-------------------------------|---------------------|
| Appreciation in foreign currency / depreciation in foreign currency |                               |                     |
|   | Increase by %10               | Decrease by %10     |
| <b>Change in USD against TL</b>                                     |                               |                     |
| US Dollar net (liabilities) / assets                                | (3,262,430)                   | 3,262,430           |
| US Dollar net hedged amount   | -                             | -                   |
| <b>US Dollar net- (loss) / gain</b>                                 | <b>(3,262,430)</b>            | <b>3,262,430</b>    |
| <b>Change in Euro against TL</b>                                    |                               |                     |
| Euro net (liabilities) / assets                                     | (156,094,206)                 | 156,094,206         |
| Euro net hedged amount  | 166,590,542                   | (166,590,542)       |
| <b>Euro net- (loss) / gain</b>                                      | <b>10,496,336</b>             | <b>(10,496,336)</b> |
| <b>Change in other foreign currency against TL</b>                  |                               |                     |
| Other foreign currency denominated net assets/(liabilities)         | (205,684)                     | 205,684             |
| Other foreign currency denominated- hedged amount                   | -                             | -                   |
| <b>Other foreign currency denominated net -gain/(loss)</b>          | <b>(205,684)</b>              | <b>205,684</b>      |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

The comparative amounts for total export and import amounts for the year ended December 31, 2015 and 2014 are as follows:

|                     | <b>December 31, 2015</b> | December 31, 2014 |
|---------------------|--------------------------|-------------------|
| Total export amount | <b>10,723,040,628</b>    | 7,687,446,929     |
| Total import amount | <b>7,604,322,626</b>     | 5,817,722,210     |

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:

|   | <b>December 31, 2015</b> | December 31,<br>2014 |
|---|--------------------------|----------------------|
| <b>Fixed interest rate financial instruments</b>    |                          |                      |
| Financial assets                                    | <b>943,904,919</b>       | 548,926,849          |
| Financial liabilities                               | <b>1,200,477,184</b>     | 1,211,675,030        |
| <b>Floating interest rate financial instruments</b> |                          |                      |
| Financial liabilities                               | <b>1,350,982,522</b>     | 1,118,601,879        |

If the interest rates of floating interest-bearing Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 3,106,241 at December 31, 2015 (December 31, 2014 – TL 2,035,480) due to higher/lower interest expense.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2015 (continued)

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

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, 2015                           | Book value           | Total contractual cash outflow | Up to 3 months     | Between 3-12 months | Between 1-5 years    | Longer than 5 years |
|---|----------------------|--------------------------------|--------------------|---------------------|----------------------|---------------------|
| <b>Non-derivative financial instruments</b> |                      |                                |                    |                     |                      |                     |
| <b>Financial liabilities</b>                | <b>2,560,765,946</b> | <b>2,647,594,767</b>           | <b>268,800,935</b> | <b>999,393,360</b>  | <b>1,324,541,145</b> | <b>54,859,327</b>   |
| <b>Trade payables</b>                       |                      |                                |                    |                     |                      |                     |
| - Related party                             | 580,710,088          | 581,276,543                    | 581,276,543        | -                   | -                    | -                   |
| - Other                                     | 1,732,940,277        | 1,743,208,811                  | 1,743,208,811      | -                   | -                    | -                   |
| <b>Other liabilities</b>                    |                      |                                |                    |                     |                      |                     |
| - Related party                             | 19,912,957           | 19,912,957                     | 19,912,957         | -                   | -                    | -                   |
| - Other                                     | 47,709,326           | 47,709,326                     | 47,709,326         | -                   | -                    | -                   |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

Ford Otomotiv Sanayi A.Ş.

Notes to financial statement for the period ended December 31, 2015 (continued)

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

27. Financial instruments and financial risk management (continued)

| December 31, 2014                    | Book value    | Total contractual cash outflow | Up to 3 months | Between 3-12 months | Between 1-5 years | Longer than 5 years |
|--------------------------------------|---------------|--------------------------------|----------------|---------------------|-------------------|---------------------|
| Non-derivative financial instruments |               |                                |                |                     |                   |                     |
| Financial liabilities                | 2,349,987,527 | 2,444,575,377                  | 279,990,058    | 726,379,072         | 1,264,204,264     | 174,001,983         |
| Trade payables                       |               |                                |                |                     |                   |                     |
| - Related party                      | 471,203,693   | 471,716,840                    | 471,716,840    | -                   | -                 | -                   |
| - Other                              | 1,325,187,809 | 1,332,727,390                  | 1,332,727,390  | -                   | -                 | -                   |
| Other liabilities                    |               |                                |                |                     |                   |                     |
| - Related party                      | 10,660,182    | 10,660,182                     | 10,660,182     | -                   | -                 | -                   |
| - Other                              | 39,685,718    | 39,685,718                     | 39,685,718     | -                   | -                 | -                   |
| Derivative financial liabilities     |               |                                |                |                     |                   |                     |
| Derivative financial instruments     | 344,734       | 344,734                        | -              | 344,734             | -                 | -                   |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

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

**Fair value hierarchy table**

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

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

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

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

As of December 31, 2015 and 2014, the Company’s hierarchy table for its assets and liabilities recorded at fair value are as follows:

**December 31, 2015**

|  | <b>Level1 (*)</b> | <b>Level 2 (**)</b> | <b>Level 3</b> |
|--|-------------------|---------------------|----------------|
| <b>Assets at fair value</b>                |                   |                     |                |
| Financial asset available-for-sale -Otokar | 12,625,805        | -                   | -              |
| <b>Total assets</b>                        | <b>12,625,805</b> | <b>-</b>            | <b>-</b>       |
| <b>Liabilities at fair value</b>           |                   |                     |                |
| Cash flow hedge swap transaction           | -                 | -                   | -              |
| <b>Total Liabilities</b>                   | <b>-</b>          | <b>-</b>            | <b>-</b>       |

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

**December 31, 2014**

|  | <b>Level1 (*)</b> | <b>Level 2 (**)</b> | <b>Level 3</b> |
|--|-------------------|---------------------|----------------|
| <b>Assets at fair value</b>                |                   |                     |                |
| Financial asset available-for-sale -Otokar | 12,196,978        | -                   | -              |
| <b>Total Assets</b>                        | <b>12,196,978</b> | <b>-</b>            | <b>-</b>       |
| <b>Liabilities at fair value</b>           |                   |                     |                |
| Cash flow hedge swap transaction           | -                 | 344,734             | -              |
| <b>Total Liabilities</b>                   | <b>-</b>          | <b>344,734</b>      | <b>-</b>       |

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

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**28. Derivative financial instruments**

|  | <b>December 31, 2015</b> | December 31, 2014 |
|--|--------------------------|-------------------|
| <b>Derivative financial instruments:</b> |                          |                   |
| Long term financial derivatives          | -                        | 344,734           |
|  | -                        | 344,734           |

In 2014, 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, 2015 , there is no long term loan in foreign currency with a floating rate from the international market.

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

|  | <b>December 31, 2015</b> | December 31, 2014 |
|--|--------------------------|-------------------|
| <b>Cash flow hedge reserve:</b>  |                          |                   |
| Amount recognized in other comprehensive income                                | <b>213,470,771</b>       | (55,615,261)      |
| Amount recycled from other comprehensive income to statement of profit or loss | <b>(27,694,905)</b>      | (64,395,189)      |
|  | <b>185,775,866</b>       | (120,010,450)     |

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

|  | <b>December 31, 2015</b> | December 31, 2014 |
|--|--------------------------|-------------------|
| <b>Income from investing activities:</b>       |                          |                   |
| Dividend income                                | <b>468,664</b>           | 585,830           |
| Gain on sales of property, plant and equipment | -                        | 3,673,630         |
|  | <b>468,664</b>           | 4,259,460         |

|  | <b>December 31, 2015</b> | December 31, 2014 |
|--|--------------------------|-------------------|
| <b>Expenses from investing activities:</b>     |                          |                   |
| Loss on sales of property, plant and equipment | <b>(2,586,121)</b>       | (7,027,419)       |
|  | <b>(2,586,121)</b>       | (7,027,419)       |

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**30. Deferred revenue**

|                | <b>December 31, 2015</b> | December 31, 2014 |
|----------------|--------------------------|-------------------|
| Advances taken | <b>7,548,188</b>         | 9,548,207         |
|                | <b>7,548,188</b>         | 9,548,207         |

|                            | <b>December 31, 2015</b> | December 31, 2014 |
|----------------------------|--------------------------|-------------------|
| Long term deferred revenue | <b>6,983,689</b>         | -                 |
|                            | <b>6,983,689</b>         | -                 |

**31. Other long term liabilities**

|                                 | <b>December 31, 2015</b> | December 31, 2014 |
|---------------------------------|--------------------------|-------------------|
| Other long term liabilities (*) | <b>47,328,044</b>        | -                 |
|                                 | <b>47,328,044</b>        | -                 |

(\*) The Company makes a part of its fleet truck sales agreement with buyback commitments and sales made in this scope are monitored under “Other Long Term Liabilities”. The buyback commitments are 3 years on average.

**32. Government incentives and grants**

The Company received two investment incentives both greater than TL 250 million in December 2010, under the scope of the Council of Minister’s decision numbered 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of the costs of fixed assets purchases related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned. Of these investments, the investment on the New Transit Custom factory amounting to TL 559,294,788 was completed and the rate of contribution to investment is used in tax calculations. The incentive certificate received as per the Decree of the Council of Ministers numbered 2009/15199 for the investment of the new lightweight commercial vehicle Transit Courier was cancelled upon request of the Company since the investment will continue with the incentive which has a 40% rate of contribution to investment as explained below.

Additionally, the Company reevaluated its existing investments within the scope of the decree on Government Subsidies for Incentives re-regulating investment incentives, which was published in the official gazette in 2013 and became effective on 19 June 2012, and in order to benefit from privileged investment incentive regarding new decree, acquired a privileged investment incentive certificate amounting to TL 1,194,397,995 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697,393,702 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187,378,832 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. Subject investment incentives has a 40% rate of contribution to investment. Since the Privileged Investment Incentive Certificate amounting to TL 1,194,397,995 received for the New Generation Transit expenses exceeds TL 1 billion, the Company can benefit from the additional 10% rate of contribution to investment.

(Convenience translation of financial statements originally issued in Turkish – See Note 2.6)

**Ford Otomotiv Sanayi A.Ş.**

**Notes to financial statement for the period ended December 31, 2015 (continued)**

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

**32. Government incentives and grants (continued)**

In December 2014, the Company received a privileged investment incentive amounting to TL 331,362,274 and with a 40% rate of contribution to investment for the expanding investment for the production of Euro 6 emission trucks which will be put into use in the year 2018 in the Eskişehir İnönü plant.

**33. Subsequent events**

There is no significant subsequent event to be disclosed.

**34. 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.