

**FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 MARCH 2020**

**(ORIGINALLY ISSUED IN TURKISH)**

# FORD OTOMOTİV SANAYİ A.Ş.

## FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2020

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# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 AND 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Current period not audited 31 March 2020	Previous period audited 31 December 2019
<b>Assets</b>			
<b>Current assets</b>		<b>10,352,633</b>	<b>10,156,798</b>
Cash and cash equivalents	4	3,676,027	3,202,952
Trade receivables			
- Due from related parties	26	1,662,961	2,547,130
- Due from third parties	7	1,728,002	1,557,963
Other receivables			
- Due from third parties	8	2,778	1,870
Inventories	9	2,390,166	1,827,399
Prepaid expenses	12	214,530	178,382
Other current assets	16	657,476	841,102
Assets related to current period tax	24	20,693	-
<b>Non-current assets</b>		<b>6,246,742</b>	<b>6,249,574</b>
Financial assets	5	14,580	22,355
Trade receivables			
- Due from third parties	7	3,211	2,903
Property, plant and equipment	10	4,386,074	4,436,548
Intangible assets	11	839,350	831,196
Right of use assets	33	88,761	99,714
Prepaid expenses	12	195,623	204,211
Deferred tax assets	24	716,642	650,146
Investments in associates and joint ventures	35	2,501	2,501
<b>Total assets</b>		<b>16,599,375</b>	<b>16,406,372</b>

Financial statements for the period ended 1 January - 31 March 2020 were approved for issue by the Board of Directors on 4 May 2020.

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

# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 AND 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Current period not audited 31 March 2020	Previous period audited 31 December 2019
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>9,151,078</b>	<b>8,645,371</b>
Short-term borrowings			
- Bank borrowings	6	3,654,606	2,589,213
Short-term portion of long-term borrowings			
- Bank borrowings	6	1,121,038	1,025,728
- Lease liabilities	6	31,961	33,169
Trade payables			
- Due to related parties	26	719,190	884,554
- Due to third parties	7	3,156,933	3,660,866
Other payables			
- Due to related parties	26	5,626	20,617
- Due to third parties	8	143,046	54,541
Deferred income	30	28,616	23,830
Short-term provisions			
- Other provisions	13	163,477	121,102
Employee benefit liabilities	15	126,585	220,273
Current tax liabilities	24	-	11,478
<b>Non-current liabilities</b>		<b>3,431,043</b>	<b>3,096,080</b>
Long-term borrowings			
- Bank borrowings	6	2,848,048	2,503,852
- Lease liabilities	6	52,178	56,084
Long-term provisions			
- Provision for employment termination benefits	15	300,723	287,884
- Other provisions	13	151,660	174,740
Deferred income	30	12,175	10,838
Other non-current liabilities	31	64,672	61,235
Derivative financial liabilities	28	1,587	1,447
<b>Equity</b>	<b>17</b>	<b>4,017,254</b>	<b>4,664,921</b>
Paid-in capital		350,910	350,910
Inflation adjustments on capital		27,920	27,920
Share premium		8	8
Other comprehensive income/(loss) not to be reclassified under profit or loss			
- Losses on remeasurements of defined benefit plans		2,981	(2,060)
- Gains from financial assets measured at fair value through other comprehensive income		12,923	20,309
Other comprehensive income/(loss) to be reclassified in profit or loss			
- Losses on cash flow hedges		(885,339)	(705,427)
Restricted reserves		410,493	302,764
Retained earnings		3,467,929	2,711,013
Net profit for the period		629,429	1,959,484
<b>Total liabilities and equity</b>		<b>16,599,375</b>	<b>16,406,372</b>

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

# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF PROFIT OR LOSS FOR THE PERIODS ENDED 31 MARCH 2020 AND 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Current period not audited 31 March 2020	Previous period not audited 31 March 2019
<b>Continuing operations</b>			
Revenue	18	9,366,609	9,284,052
Cost of sales	18	(8,295,092)	(8,340,280)
<b>Gross profit</b>		<b>1,071,517</b>	<b>943,772</b>
Marketing expenses	19	(159,382)	(151,014)
General administrative expenses	19	(113,732)	(86,188)
Research and development expenses	19	(121,129)	(103,943)
Other income from operating activities	21	217,058	162,216
Other expenses from operating activities	21	(100,676)	(161,586)
<b>Profit from operating activities</b>		<b>793,656</b>	<b>603,257</b>
Income from investing activities	29	1,172	422
Expenses from investing activities	29	(286)	(876)
Share of profit/(loss) of investments accounted for by the equity method	32	-	(32)
<b>Operating income before financial income/(expense)</b>		<b>794,542</b>	<b>602,771</b>
Financial income	22	201,049	109,550
Financial expenses	23	(383,742)	(235,662)
<b>Profit from continuing operations before tax</b>		<b>611,849</b>	<b>476,659</b>
<b>Tax income/(expense) from continuing operations</b>		<b>17,580</b>	<b>1,301</b>
Tax expenses for the period	24	(4,657)	(6,661)
Deferred tax (expense)/income	24	22,237	7,962
<b>Net profit</b>		<b>629,429</b>	<b>477,960</b>
<b>Earnings per share with a nominal value Kr</b>	<b>25</b>	<b>1.79 Kr</b>	<b>1.36 Kr</b>

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

## FORD OTOMOTİV SANAYİ A.Ş.

### STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 MARCH 2020 AND 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Current period not audited 31 March 2020	Previous period not audited 31 March 2019
<b>Net profit</b>		<b>629,429</b>	<b>477,960</b>
<b>Other comprehensive income/(expense)</b>			
<b>Other comprehensive income not to be reclassified to profit or loss</b>			
Gains/(losses) on remeasurements of defined benefit plans	17	6,301	15,097
Gains/(losses) from financial assets measured at fair value through other comprehensive income	17	(7,775)	2,341
<b>Other comprehensive income taxes not to be reclassified to profit or loss</b>			
Taxes relating to remeasurements of defined benefit plans	17	(1,260)	(3,019)
Taxes relating to gains/(losses) from financial assets measured at fair value through other comprehensive income	17	389	(117)
<b>Other comprehensive income to be reclassified to profit or loss</b>			
Other comprehensive income relating to cash flow hedges	17	(225,042)	(52,824)
<b>Other comprehensive income taxes to be reclassified to profit or loss</b>			
Taxes relating to cash flow hedges	17	45,130	11,268
<b>Other comprehensive (loss)</b>		<b>(182,257)</b>	<b>(27,254)</b>
<b>Total comprehensive income</b>		<b>447,172</b>	<b>450,706</b>

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

# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 31 MARCH 2020 AND 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Paid in capital	Inflation adjustments on capital	Share premium	Other comprehensive income not to be reclassified in profit or loss	Other comprehensive income to be reclassified in profit or loss	Cash flow hedge reserve	Restricted reserves	Retained earnings		Total equity
				Gain/(losses) from financial assets measured at fair value through other comprehensive income	Gains/(losses) on remeasurements defined benefit plans			Accumulated profit	Net profit	
<b>Balances at 1 January 2019</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>10,859</b>	<b>(279)</b>	<b>(794,287)</b>	<b>370,599</b>	<b>2,244,313</b>	<b>1,683,196</b>	<b>3,893,239</b>
Profit for the period	-	-	-	-	-	-	-	-	477,960	477,960
Other comprehensive income/(loss)	-	-	-	2,224	12,078	(41,556)	-	-	-	(27,254)
Total comprehensive income	-	-	-	2,224	12,078	(41,556)	-	-	477,960	450,706
Transfers	-	-	-	-	-	-	83,517	1,599,679	(1,683,196)	-
Dividends (Note 17)	-	-	-	-	-	-	-	(852,711)	-	(852,711)
<b>Balances at 31 March 2019</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>13,083</b>	<b>11,799</b>	<b>(835,843)</b>	<b>454,116</b>	<b>2,991,281</b>	<b>477,960</b>	<b>3,491,234</b>
<b>Balances at 1 January 2020</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>20,309</b>	<b>(2,060)</b>	<b>(705,427)</b>	<b>302,764</b>	<b>2,711,013</b>	<b>1,959,484</b>	<b>4,664,921</b>
Profit for the period	-	-	-	-	-	-	-	-	629,429	629,429
Other comprehensive income/(loss)	-	-	-	(7,386)	5,041	(179,912)	-	-	-	(182,257)
Total comprehensive income	-	-	-	(7,386)	5,041	(179,912)	-	-	629,429	447,172
Transfers	-	-	-	-	-	-	107,729	1,851,755	(1,959,484)	-
Dividends (Note 17)	-	-	-	-	-	-	-	(1,094,839)	-	(1,094,839)
<b>Balances at 31 March 2020</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>12,923</b>	<b>2,981</b>	<b>(885,339)</b>	<b>410,493</b>	<b>3,467,929</b>	<b>629,429</b>	<b>4,017,254</b>

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

# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED 31 MARCH 2020 AND 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Current period not audited 31 March 2020	Previous period not audited 31 March 2019
<b>Cash flows generated from/(used in) operating activities</b>			
Net profit for the period		702,423	436,603
<b>Adjustments to reconcile profit or loss</b>		<b>485,806</b>	<b>494,894</b>
Adjustments for depreciation and amortisation expense	10.11.33	218,696	178,053
Adjustments for impairment loss of inventories	9	39	(749)
Adjustments for provisions related with employee benefits		(69,700)	10,249
Adjustments for lawsuit and/or penalty provisions	13	6,052	3,304
Adjustments for warranty provisions	13	43,451	50,621
Adjustments for other provisions		11,636	5,077
Adjustments for dividend income	29	(1,172)	(422)
Adjustments for interest income	22	(53,874)	(31,358)
Adjustments for interest expense	23	28,229	17,619
Adjustments for tax expenses	24	(17,580)	(1,301)
Adjustments for unearned financing income	21	(36,689)	(50,603)
Adjustments for deferred financing expense	21	79,870	144,594
Adjustments for loss on sales of property, plant and equipment	29	286	876
Other adjustments for which cash effects are investing or financing cash flow		276,562	168,902
Undistributed profits of investments accounted for by the equity method	32	-	32
<b>Changes in working capital</b>		<b>(293,234)</b>	<b>(377,049)</b>
Decrease/(increase) in trade receivable		719,549	(450,284)
(Increase)/decrease in inventories		(565,191)	(182,170)
(Increase)/decrease in prepaid expenses		(36,323)	16,771
Increase/(decrease) in trade payable		(682,147)	460,452
(Increase)/decrease in other assets		187,804	(223,570)
Increase/(decrease) in other liabilities		83,074	1,752
<b>Cash flows generated from operations</b>		<b>822,001</b>	<b>595,805</b>
Interest paid		(85,597)	(146,408)
Interest received		49,539	48,985
Payments related with provisions for employee benefits	15	(4,848)	(4,988)
Payments related with other provisions		(41,844)	(39,822)
Taxes paid		(36,828)	(16,969)
<b>Cash flows used in investing activities</b>		<b>(153,390)</b>	<b>(259,537)</b>
Proceeds from sales of property, plant and equipment		1,360	787
Purchase of property, plant and equipment		(120,931)	(222,359)
Purchase of intangible assets		(43,754)	(36,670)
Cash advances given and payables		8,763	(1,717)
Dividends received	29	1,172	422
<b>Cash flows (used in)/generated from financing activities</b>		<b>(77,500)</b>	<b>532,818</b>
Proceeds from borrowings		2,240,355	1,358,524
Cash outflows related to borrowings		(1,247,854)	(836,159)
Dividends paid	17	(1,094,839)	-
Interest paid		(14,876)	(7,072)
Interest received		52,332	28,859
Cash outflows on debt payments from leasing agreements		(12,618)	(11,334)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>471,533</b>	<b>709,884</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>3,200,229</b>	<b>1,391,021</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>3,671,762</b>	<b>2,100,905</b>

The accompanying notes form an integral part of these financial statements

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

### 1. ORGANIZATION AND NATURE OF THE OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the “Company”) is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford 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 Ford Trucks truck and engines and powertrain plant which manufactures for trucks and Transit vehicles.

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

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

	Average		Period End	
	2020 March	2019 March	2020 March	2019 December
Hourly	8,314	8,048	8,315	8,290
Salaried	2,624	2,487	2,622	2,609
	<b>10,938</b>	<b>10,535</b>	<b>10,937</b>	<b>10,899</b>

Research and development operations which are also subject to service export is conducted with 1,064 employees in Sancaktepe branch, conducted with 221 employees in R&D centre in Kocaeli plant, and conducted with 106 employees in R&D centre in Eskişehir İnönü plant, totally 1,391 employees as of 31 March 2020 (31 December 2019: 1,389).

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of presentation

##### Financial reporting standards

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

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.1 Basis of presentation (Continued)

The financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

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

The company’s functional and presentation currency is accepted as TRY.

#### Going concern

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

#### Comparatives of prior periods’ financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at 31 March 2020 has been provided with the comparative financial information of 31 December 2019 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the interim period between 1 January - 31 March 2020 have been provided with the comparative financial information, for the period between 1 January 2019 - 31 March 2019

#### 2.2 Amendments and interpretations in the standards

##### The new standards, amendments and interpretations

The Company has applied the new and revised standards and interpretations issued by the KGK as of 1 January 2020 and related to its own activity.

##### (a) The new standards, amendments and interpretations which are effective as at 31 March 2020 are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Amendments and interpretations in the standards (Continued)**

**The new standards, amendments and interpretations (Continued)**

- Amendment to TAS 28, ‘Investments in associates and joint venture’; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. The amendments will not have an impact on the financial position or performance of the Company
- TFRS 16, ‘Leases’; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15, ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The effects of the amendment are explained in the related notes and accounting policies.
- IFRIC 23, ‘Uncertainty over income tax treatments’; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37, ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment

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

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.2 Amendments and interpretations in the standards (Continued)**

###### **The new standards, amendments and interpretations (Continued)**

- Annual improvements 2015 - 2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
  - TFRS 3, ‘Business combinations’ - a company remeasures its previously held interest in a joint operation when it obtains control of the business
  - TFRS 11, ‘Joint arrangements’ - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TAS 12, ‘Income taxes’ - a company accounts for all income tax consequences of dividend payments in the same way.
  - TAS 23, ‘Borrowing costs’ - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

- Amendments to TAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
  - Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

- Effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’ and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs.
  - i) Use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting,
  - ii) Clarify the explanation of the definition of material and
  - iii) Incorporate some of the guidance in TAS 1 about immaterial information.

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.2 Amendments and interpretations in the standards (Continued)**

###### **The new standards, amendments and interpretations (Continued)**

- Amendments to TFRS 3 - definition of a business; Effective from annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The amendments will not have an impact on the financial position or performance of the Company.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform; effective from annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

###### **(b) The new standards, amendments and interpretations which are not yet effective as at 31 March 2020 are as follows:**

- IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendments will not have an impact on the financial position or performance of the Company.
- TAS 1, “Presentation of financial statements” amendment regarding the classification of liabilities; Valid for annual reporting periods starting on January 1, 2022 or after this date. TAS 1 describes these narrow changes in the "presentation of financial statements" standard that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period. The amendment also clarifies what it means to “pay” an obligation of TAS 1. The company is evaluating the impact of the standard on its financial position and performance.

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies

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

##### **Cash and cash equivalents**

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

##### **Trade receivables, impairment loss and expected credit losses**

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

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

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

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

The Company measures the allowance for trade receivables at an amount equal to the "expected lifetime credit losses" (except for realized impairment losses) where the trade receivables are not impaired for some reason. Expected credit losses are a weighted estimate of the likelihood of credit losses over the expected life of a financial instrument.

In the calculation of expected credit losses, the Company takes into account past credit loss experience as well as forecasts for the future.

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

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

#### **Inventories**

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

#### **Trade payables**

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

#### **Property, plant and equipment**

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

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

Land improvements	14,5 - 30 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).

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Intangible assets

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

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

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

##### Financial assets

###### *Classification and Measurement*

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

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Financial assets (Continued)

###### *Classification and Measurement (Continued)*

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

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

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

##### Share Premium

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

##### Share capital and dividends

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

##### Taxes on income

Taxes include current period income taxes and deferred taxes.

##### Current period income tax

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Financial assets (Continued)

###### Deferred tax

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

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

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

###### Current and deferred tax

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

##### Revenue recognition

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

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

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

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Summary of significant accounting policies (Continued)**

###### **Financial assets (Continued)**

###### **Revenue recognition (Continued)**

- Company can identify each party’s rights regarding the goods or services to be transferred,
- Company can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer

###### *Goods & services sales*

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

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

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

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

The Company is an agent if the performance obligation is to act as an intermediary for the provision of goods or services by other parties and does not reflect the revenue for the performance obligation to the financial statements.

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Summary of significant accounting policies (Continued)**

###### **Financial assets (Continued)**

###### **Revenue recognition (Continued)**

###### *Goods & services sales (Continued)*

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

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

###### *Revenue from extended warranty and maintenance package*

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

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

###### *Dividend and interest income*

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

###### **Foreign currency transactions and balances**

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Financial assets (Continued)

##### Foreign currency transactions and balances (Continued)

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

	TRY/USD	TRY/EUR	TRY/GBP
<b>31 March 2020</b>	<b>6,5160</b>	<b>7,2150</b>	<b>8,0579</b>
31 December 2019	5,9402	6,6506	7,7765
31 March 2019	5,6284	6,3188	7,3354

##### Financial instruments and financial risk management

###### *Credit risk*

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

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

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

###### *Price risk*

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Financial assets (Continued)

##### Financial instruments and financial risk management (Continued)

###### *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to EUR100 million and factoring agreement amounting to EUR120 million in case a requirement for use arises.

###### *Interest rate risk*

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

###### *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 earnings before interest tax and depreciation”. This ratio is calculated as net financial debt divided by EBITDA (earnings before interest tax and depreciation) of four quarters. Net financial debt is calculated as total short and long term borrowings minus cash and cash equivalents. Company management, this ratio is expected not to exceed 3,5.

	31 March 2020	31 December 2019
Net financial debt	4,031,804	3,005,094
EBITDA	3,429,056	3,198,016
<b>Net financial debt / EBITDA (*)</b>	<b>1.18</b>	<b>0.94</b>

(\*) EBITDA (Earnings before tax depreciation and interest) covering the last four quarters.

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Financial assets (Continued)

##### Fair value of financial instruments

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

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

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

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

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

##### *Financial assets*

Foreign currency balances are translated into TRY at the exchange rates prevailing at the balance sheet date. These balances are estimated to be close to the book value. Certain financial assets, including cash and cash equivalents, are carried at cost and are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

##### *Financial liabilities*

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

##### *Cash flow hedge accounting*

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Financial assets (Continued)

##### Fair value of financial instruments (Continued)

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

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

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

##### Investments accounted for by the equity method

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

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Summary of significant accounting policies (Continued)**

###### **Financial assets (Continued)**

###### **Investments accounted for by the equity method (Continued)**

###### **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 behaviours stated in labour law, calculated in accordance with the Turkish Labour Law (Note 15). According to the amendments on TAS 19 “Employee Benefits”, the actuarial (gain)/loss of employee benefits are recognized under other comprehensive income.

###### **b) Defined contribution plan**

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

###### **c) Other employee benefits**

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

###### **Provisions**

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

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Summary of significant accounting policies (Continued)**

###### **Financial assets (Continued)**

###### **Provisions (Continued)**

###### *Provisions for sales premium*

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

###### *Warranty provisions*

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).

###### **Related parties**

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

###### **(a) A person or 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.

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Summary of significant accounting policies (Continued)**

###### **Financial assets (Continued)**

###### **Related parties (Continued)**

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

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

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

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

###### **Earnings per share**

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

###### **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).

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Summary of significant accounting policies (Continued)**

###### **Financial assets (Continued)**

###### **Reporting of cash flows (Continued)**

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 36).

###### **Offsetting**

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

###### **Government grants and incentives**

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

###### **IFRS 16 “Leases” Standard**

The Company applied first time application requirements of IFRS 16 “Leases” out of the new standards, amendments and interpretations effective from 1 January 2019 in line with the requirement of transition of the related standards.

###### **Company - As a Lessee**

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Summary of significant accounting policies (Continued)**

###### **Financial assets (Continued)**

###### **Company - As a Lessee (Continued)**

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company shall assess whether, throughout the period of use, the customer has both of the following:

- The contract includes an identified asset (identification of an asset in a clear or implicitly specified form in the contract),
- A capacity portion of an asset is an identified asset if it is physically distinct and represents substantially all of the capacity of the asset (the asset is not an identified asset if the vendor has a fundamental right to substitute the asset for the duration of its use and obtain an economic benefit from it),
- The Company has the right to obtain almost all of the economic benefits that will be derived from the use of the identified asset.
- The right to direct the use of the identified asset. The Company has the right to direct the use of an identified asset throughout the period of use only if either:
  - a) The Company has the right to direct how and for what purpose the asset is used throughout the period of use
  - b) The relevant decisions about how and for what purpose the asset is used are predetermined and:
    - i. The Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions or
    - ii. The Company designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use

The Company recognizes right of use asset and lease liability at the start date of lease after evaluation of aforementioned criterias.

###### *Right of use asset*

At the commencement date, the Company shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Company,
- d) An estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

##### **2.3 Summary of significant accounting policies (Continued)**

###### **Financial assets (Continued)**

###### **Company - As a Lessee (Continued)**

To apply a cost model, the Company shall measure the right-of-use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses and
- b) Adjusted for any remeasurement of the lease liability

The Company shall apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

The Company shall apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

###### *Lease liability*

At the commencement date, the Company shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined incremental borrowing interest rate shall be used for discounting.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or Rate as at the commencement date
- c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company shall measure the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Financial assets (Continued)

##### Company - As a Lessee (Continued)

###### *Extension and early termination options*

The lease liability is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options included in the contracts are composed of the options that are jointly applicable by the Company and the lessor. The Company determines the lease term by the extension of the lease, if such extension and early termination options are at the Company's discretion and the use of the options is reasonably certain. If there is a significant change in the circumstances, the evaluation is reviewed by the Company.

###### *Variable lease payments*

Lease payments arising from some of the Company's lease agreements consist of variable rent payments. These variable lease payments, which are not included in TFRS 16, are recorded as rent expense in the related period in the income statement.

###### *Practical expedient*

Contracts for short-term lease agreements with a rental period of less than 12 months and information technology equipment leases (mainly printers, laptops, mobile telephones, etc.), which are determined as low value by the Company, have been evaluated under the exception of the TFRS 16 Leases Standard and these payments are recognized as an expense in the period in which they are incurred.

##### Company - As Lessor

The Company has no significant activity as a lessor.

#### 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.

#### 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 under 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).

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.5 Significant accounting estimates and decisions (Continued)

- (d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counsellor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts
- (e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).
- (f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of 31 March 2019 and 31 December 2019 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 24).
- (g) The Company recognizes depreciation and amortization for its property, plant and equipment and intangibles by taking into account their useful lives that are stated in Note 2 (Notes 10 and 11).
- (h) Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of 31 March 2020 and 31 December 2019 there is no impairment determined related to development costs in progress (Note 11).

### 3. SEGMENT REPORTING

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

### 4. CASH AND CASH EQUIVALENTS

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for foreign currency denominated time deposits is 0.28% (31 December 2019: 0.17%) and the weighted average interest rate for the TRY time deposits is 10.56% (31 December 2019: 10.99%).

	31 March 2020	31 December 2019
Banks - TRY time deposits	2,057,902	2,615,719
Banks - foreign currency time deposits	1,578,029	544,884
Banks - TRY demand deposits	25,346	36,427
Banks - foreign currency demand deposits	10,485	3,199
<b>Cash and cash equivalents in the cash flow statement</b>	<b>3,671,762</b>	<b>3,200,229</b>
Interest income accrual	4,265	2,723
	<b>3,676,027</b>	<b>3,202,952</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

### 5. FINANCIAL ASSETS

	<u>31 March 2020</u>		<u>31 December 2019</u>	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
<b>Financial assets at fair value through other comprehensive income</b>				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	14,580	0.59	22,355
		<b>14,580</b>		<b>22,355</b>

(\*) The Company’s shareholding in Otokar was stated at market value at 31 March 2020 and 31 December 2019 which is assumed to approximate its fair value.

### 6. FINANCIAL LIABILITIES

#### Short-term financial liabilities

##### Bank borrowings

	<u>31 March 2020</u>		<u>31 December 2019</u>	
	Effective interest rate (%)	Amount	Effective interest rate (%)	Amount
- EUR	0.72	2,850,002	0.82	2,565,458
- TRY	10.84	804,604	-	23,755
		<b>3,654,606</b>		<b>2,589,213</b>

#### Short-term portion of long-term financial liabilities

##### Bank borrowings

- EUR	1.70	1,121,038	1.71	1,025,728
		<b>1,121,038</b>		<b>1,025,728</b>

##### Lease liabilities

- EUR	4.60	23,164	4.60	23,361
- TRY	28	8,797	28	9,808
		<b>31,961</b>		<b>33,169</b>
		<b>1,152,999</b>		<b>1,058,897</b>
<b>Total short-term financial liabilities</b>		<b>4,807,605</b>		<b>3,648,110</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

### 6. FINANCIAL LIABILITIES (Continued)

#### Long-term financial liabilities

##### Bank borrowings

	31 March 2020		31 December 2019	
	Effective interest rate (%)	Amount	Effective interest rate (%)	Amount
- EUR	1.85	2,848,048	1.81	2,503,852
		<b>2,848,048</b>		<b>2,503,852</b>

##### Lease liabilities

	31 March 2020		31 Aralık 2019	
	Effective interest rate (%)	Amount	Effective interest rate (%)	Tutar
- EUR	4.60	32,806	4.60	34,917
- TRY	28	19,372	28	21,167
		<b>52,178</b>		<b>56,084</b>
<b>Total long-term financial liabilities</b>		<b>2,900,226</b>		<b>2,559,936</b>

The payment schedules of long-term bank borrowings as of 31 March 2020 and 31 December 2019 are as follows:

Payment period	31 March 2020	31 December 2019
2021	1,122,187	1,074,945
2022	876,058	699,547
2023	503,339	411,161
2024	191,493	175,768
2025	78,336	71,997
2026	76,635	70,434
	<b>2,848,048</b>	<b>2,503,852</b>

The letters of bank guarantee given to financial institutions in connection with borrowings amounting to TRY3,000,638 (31 December 2019: TRY: 3,043,957) (Note 13).

The movement of financial liabilities as of 31 March 2020 and 2019 is as follows:

	2020	2019
<b>1 January</b>	<b>6,208,046</b>	<b>4,593,920</b>
Cash inflows from borrowing	2,240,355	1,358,524
Cash outflows from borrowing	(1,247,854)	(836,159)
Cash outflows related to debt payments arising from lease agreements	(12,618)	(11,334)
Unrealised foreign exchange differences	501,604	221,726
Change in accrual of interest	13,353	7,549
Changes in TFRS 16 - lease liabilities	4,945	6,689
<b>31 March</b>	<b>7,707,831</b>	<b>5,340,915</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

#### 7. TRADE RECEIVABLES AND PAYABLES

	31 March 2020	31 December 2019
<b>Short - term trade receivables</b>		
Trade receivables	1,739,996	1,572,755
Doubtful receivables	4,533	4,533
Less: unearned credit finance income	(11,994)	(14,792)
	<b>1,732,535</b>	<b>1,562,496</b>
Less: provision for doubtful receivables	(4,533)	(4,533)
	<b>1,728,002</b>	<b>1,557,963</b>

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days (31 December 2019: 25 days), domestic sales of spare parts turnover is 70 days (31 December 2019: 70 days) and discounted by 1.03% monthly effective interest rate (31 December 2019: 1.27%).

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

	31 March 2020	31 December 2019
<b>Long - term trade receivables</b>		
Deposits and guarantees given	3,211	2,903
	<b>3,211</b>	<b>2,903</b>

	31 March 2020	31 December 2019
<b>Trade payables</b>		
Trade payables	3,174,240	3,690,149
Less: unearned credit finance expense	(17,307)	(29,283)
	<b>3,156,933</b>	<b>3,660,866</b>

The average turnover of trade payables is 60 days (31 December 2019: 60 days) and discounted by 1.03% monthly effective interest rate (31 December 2018: 1.27%).

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 7. TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Company to credit risk as of 31 March 2020 and 31 December 2019 is as follows:

31 March 2020	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Note 26, 7, 8, 4)	1,662,961	1,728,002	-	2,778	3,671,762
- The maximum of credit risk covered by guarantees	235,000	1,725,879	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	1,600,791	1,721,104	-	2,778	3,671,762
Net book value of financial assets that are overdue but not impaired	62,170	6,898	-	-	-
- Amount of risk covered by guarantees	-	4,775	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533	-	-	-
- Provision for impairment (-)	-	(4,533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

**FORD OTOMOTİV SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

**7. TRADE RECEIVABLES AND PAYABLES (Continued)**

<b>31 December 2019</b>	<b>Trade receivables</b>		<b>Other receivables</b>		<b>Deposit in bank</b>
	<b>Related party</b>	<b>Other</b>	<b>Related party</b>	<b>Other</b>	
The maximum of credit risk exposed at the reporting date (Note 26, 7, 8, 4)	2,547,130	1,557,963	-	1,870	3,200,229
- The maximum of credit risk covered by guarantees	235,000	1,556,766	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	2,502,170	1,555,514	-	1,870	3,200,229
Net book value of financial assets that are overdue but not impaired	44,960	2,449	-	-	-
- Amount of risk covered by guarantees	-	1,252	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533	-	-	-
- Provision for impairment (-)	-	(4,533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

#### 7. TRADE RECEIVABLES AND PAYABLES (Continued)

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

31 March 2020	Trade receivables	
	Related party	Other
1 - 30 days overdue	36,353	3,019
1 - 3 months overdue	21,053	3,219
3 - 12 months overdue	4,754	624
1 - 5 years overdue	10	36
	<b>62,170</b>	<b>6,898</b>
Risk covered by guarantees	-	4,775

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

31 December 2019	Trade receivables	
	Related party	Other
1 - 30 days overdue	36,025	1,130
1 - 3 months overdue	4,037	611
3 - 12 months overdue	4,898	693
1 - 5 years overdue	-	15
	<b>44,960</b>	<b>2,449</b>
Risk covered by guarantees	-	1,252

#### 8. OTHER RECEIVABLES AND PAYABLES

	31 March 2020	31 December 2019
<b>Other receivables</b>		
Other miscellaneous receivables	2,778	1,870
	<b>2,778</b>	<b>1,870</b>
<b>Other payables</b>		
Taxes and funds payable	98,604	26,694
Marketing expense and other expense accruals	8,035	-
Provisions for donations	10,848	-
Sales premium accruals	14,707	14,478
Other	10,852	13,369
	<b>143,046</b>	<b>54,541</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 9. INVENTORIES

	31 March 2020	31 December 2019
Raw materials	1,262,698	838,126
Finished goods	580,754	230,731
Goods in transit	186,722	420,851
Import vehicles	27,468	27,530
Vehicle spare parts	263,312	239,680
Spare parts	53,267	47,635
Other	32,649	39,511
	<b>2,406,870</b>	<b>1,844,064</b>
Less: provision for impairment of finished goods and vehicle spare parts	(16,704)	(16,665)
	<b>2,390,166</b>	<b>1,827,399</b>

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

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

	2020	2019
<b>1 January</b>	<b>16,665</b>	<b>22,847</b>
Change within the period	39	(749)
<b>31 March</b>	<b>16,704</b>	<b>22,098</b>

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 10. PROPERTY, PLANT AND EQUIPMENT

1 January 2020	Land	Land improvements	Buildings	Machine and equipment	Models and moulds	Fixture and furniture	Vehicles (*)	Constructions in progress	Total
Cost	12,269	197,442	1,016,609	3,208,085	3,550,828	495,853	89,643	129,687	8,700,416
Accumulated depreciation	-	(90,040)	(462,296)	(1,574,195)	(1,808,122)	(313,714)	(15,501)	-	(4,263,868)
<b>Net book value</b>	<b>12,269</b>	<b>107,402</b>	<b>554,313</b>	<b>1,633,890</b>	<b>1,742,706</b>	<b>182,139</b>	<b>74,142</b>	<b>129,687</b>	<b>4,436,548</b>
<b>For the period ended 31 March 2020</b>									
Opening net book value	12,269	107,402	554,313	1,633,890	1,742,706	182,139	74,142	129,687	4,436,548
Additions	-	1,307	1,169	32,039	62,510	10,017	2,441	13,832	123,315
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(127)	-	(1,437)	(1,908)	-	(3,472)
Depreciation charge	-	(1,728)	(7,751)	(44,328)	(108,338)	(8,541)	(1,457)	-	(172,143)
Disposals from accumulated depreciation	-	-	-	115	-	1,316	395	-	1,826
<b>Closing net book value</b>	<b>12,269</b>	<b>106,981</b>	<b>547,731</b>	<b>1,621,589</b>	<b>1,696,878</b>	<b>183,494</b>	<b>73,613</b>	<b>143,519</b>	<b>4,386,074</b>
<b>31 March 2020</b>									
Cost	12,269	198,749	1,017,778	3,239,997	3,613,338	504,433	90,176	143,519	8,820,259
Accumulated depreciation	-	(91,768)	(470,047)	(1,618,408)	(1,916,460)	(320,939)	(16,563)	-	(4,434,185)
<b>Net book value</b>	<b>12,269</b>	<b>106,981</b>	<b>547,731</b>	<b>1,621,589</b>	<b>1,696,878</b>	<b>183,494</b>	<b>73,613</b>	<b>143,519</b>	<b>4,386,074</b>

The Company compared the borrowing cost of investment loans in foreign currency to the market loan interest denominated in TRY and foreign exchange differences. No interest costs has been recognized under property, plant and equipment according to the cumulative approach within the context of TAS 23 as of 31 March 2020 (31 December 2019: None).

There is no collateral, pledge or mortgage on tangible assets as of 31 March 2020 and 31 December 2019.

(\*) 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 TRY66,040 (31 December 2019: TRY63,655).

**FORD OTOMOTİV SANAYİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

**10. PROPERTY, PLANT AND EQUIPMENT (Continued)**

<b>1 January 2019</b>	<b>Land improvements</b>	<b>Land</b>	<b>Buildings</b>	<b>Machine and equipment</b>	<b>Models and moulds</b>	<b>Fixture and furniture</b>	<b>Vehicles (*)</b>	<b>Constructions in progress</b>	<b>Total</b>
Cost	12,269	188,904	1,000,623	2,863,335	2,890,202	449,351	68,226	132,050	7,604,960
Accumulated depreciation	-	(83,462)	(432,266)	(1,411,727)	(1,459,374)	(283,565)	(11,819)	-	(3,682,213)
<b>Net book value</b>	<b>12,269</b>	<b>105,442</b>	<b>568,357</b>	<b>1,451,608</b>	<b>1,430,828</b>	<b>165,786</b>	<b>56,407</b>	<b>132,050</b>	<b>3,922,747</b>
<b>For the period ended 31 March 2019</b>									
Opening net book value	12,269	105,442	568,357	1,451,608	1,430,828	165,786	56,407	132,050	3,922,747
Additions	-	796	703	53,897	149,330	7,801	306	9,526	222,359
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	(3)	(1,145)	(3,904)	(783)	(1,023)	(776)	-	(7,634)
Depreciation charge	-	(1,591)	(7,647)	(40,555)	(74,398)	(8,033)	(569)	-	(132,793)
Disposals from accumulated depreciation	-	2	548	3,760	344	1,015	302	-	5,971
<b>Closing net book value</b>	<b>12,269</b>	<b>104,646</b>	<b>560,816</b>	<b>1,464,806</b>	<b>1,505,321</b>	<b>165,546</b>	<b>55,670</b>	<b>141,576</b>	<b>4,010,650</b>
<b>31 March 2019</b>									
Cost	12,269	189,697	1,000,181	2,913,328	3,038,749	456,129	67,756	141,576	7,819,685
Accumulated depreciation	-	(85,051)	(439,365)	(1,448,522)	(1,533,428)	(290,583)	(12,086)	-	(3,809,035)
<b>Net book value</b>	<b>12,269</b>	<b>104,646</b>	<b>560,816</b>	<b>1,464,806</b>	<b>1,505,321</b>	<b>165,546</b>	<b>55,670</b>	<b>141,576</b>	<b>4,010,650</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 10. PROPERTY, PLANT AND EQUIPMENT (Continued)

The allocation of depreciation expense as of 31 March 2020 and 2019 is as follows:

	31 March 2020	31 March 2019
Cost of production (Note 18)	162,962	122,913
Research and development expenses (Note 19)	4,714	4,678
General administrative expenses (Note 19)	3,149	2,703
Marketing expenses (Note 19)	815	751
Associated with construction in progress	503	1,748
	<b>172,143</b>	<b>132,793</b>

#### 11. INTANGIBLE ASSETS

1 January 2020	Rights	Development cost	Development cost in progress	Other	Total
Cost	96,192	1,041,359	281,830	7,903	1,427,284
Accumulated amortisation	(72,035)	(517,310)	-	(6,743)	(596,088)
<b>Net book value</b>	<b>24,157</b>	<b>524,049</b>	<b>281,830</b>	<b>1,160</b>	<b>831,196</b>

##### For the period ended 31 March 2020

Opening net book value	24,157	524,049	281,830	1,160	831,196
Additions	2,994	86,301	(45,541)	-	43,754
Transfers	-	-	-	-	-
Amortisation charge	(4,733)	(30,795)	-	(72)	(35,600)
<b>Closing net book value</b>	<b>22,418</b>	<b>579,555</b>	<b>236,289</b>	<b>1,088</b>	<b>839,350</b>

##### 31 March 2020

Cost	99,186	1,127,660	236,289	7,903	1,471,038
Accumulated amortisation	(76,768)	(548,105)	-	(6,815)	(631,688)
<b>Net book value</b>	<b>22,418</b>	<b>579,555</b>	<b>236,289</b>	<b>1,088</b>	<b>839,350</b>

There is no fully depreciated intangible assets as of 31 March 2020. As of 31 March 2020, there is no capitalized interest costs and foreign exchange differences in accordance with TAS 23 (31 December 2019: None).

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

### 11. INTANGIBLE ASSETS (Continued)

1 January 2019	Rights	Development cost	Development cost in progress	Other	Total
Cost	72,230	1,037,848	162,777	7,822	1,280,677
Accumulated amortisation	(57,253)	(393,622)	-	(6,460)	(457,335)
<b>Net book value</b>	<b>14,977</b>	<b>644,226</b>	<b>162,777</b>	<b>1,362</b>	<b>823,342</b>

#### For the period ended 31 March 2019

Opening net book value	14,977	644,226	162,777	1,362	823,342
Additions	802	35,868	-	-	36,670
Transfers	-	-	-	-	-
Amortisation charge	(3,486)	(30,945)	-	(68)	(34,499)
<b>Closing net book value</b>	<b>12,293</b>	<b>649,149</b>	<b>162,777</b>	<b>1,294</b>	<b>825,513</b>

#### 31 March 2019

Cost	73,032	1,073,716	162,777	7,822	1,317,347
Accumulated amortisation	(60,739)	(424,567)	-	(6,528)	(491,834)
<b>Net book value</b>	<b>12,293</b>	<b>649,149</b>	<b>162,777</b>	<b>1,294</b>	<b>825,513</b>

The allocation of amortisation charges of intangible assets relating to 31 March 2020 and 2019 is as follows:

	31 March 2020	31 March 2019
Cost of production (Note 18)	31,553	31,550
General administrative expenses (Note 19)	3,257	2,102
Research and development expenses (Note 19)	539	648
Marketing expenses (Note 19)	237	194
Associated with construction in progress	14	5
	<b>35,600</b>	<b>34,499</b>

### 12. PREPAID EXPENSES

Short - term prepaid expenses	31 March 2020	31 December 2019
Advances given for inventories	191,391	153,224
Other prepaid expenses (*)	23,139	25,158
	<b>214,530</b>	<b>178,382</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 12. PREPAID EXPENSES(Continued)

Long - term prepaid expenses	31 March 2020	31 December 2019
Advances given for investments (**)	169,556	178,319
Other prepaid expenses (*)	26,067	25,892
	<b>195,623</b>	<b>204,211</b>

(\*) The prepaid expenses related to operating leases are classified under right of use assets as of 1 January 2019 under TFRS 16.

(\*\*) Advances given for investments are related to the Company’s new vehicle investments. TRY89,889 (31 December 2019: TRY148,753) is given to domestic vendors as mould advances and TRY79,667 (31 December 2019: TRY29,566) is given for the new project investments.

#### 13. PROVISION, CONTINGENT ASSETS AND LIABILITIES

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

##### Short - term provisions

	31 March 2020	31 December 2019
Warranty expense provision	119,005	88,266
Provisions for sales premium (*)	44,472	32,836
	<b>163,477</b>	<b>121,102</b>

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

##### Long - term provisions

	31 March 2020	31 December 2019
Warranty expense provision	92,481	120,902
Provisions for lawsuits	59,179	53,838
	<b>151,660</b>	<b>174,740</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 13. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	2020	2019
<b>1 January</b>	<b>53,838</b>	<b>50,326</b>
Paid during the period	(711)	(1,914)
Additions during the period	6,052	3,304
<b>31 March</b>	<b>59,179</b>	<b>51,716</b>

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

	2020	2019
<b>1 January</b>	<b>209,168</b>	<b>194,326</b>
Paid during the period	(41,133)	(37,908)
Additions during the period (Note 19)	43,451	50,621
<b>31 March</b>	<b>211,486</b>	<b>207,039</b>

Letters of guarantee and letters of credit	31 March 2020	31 December 2019
Letters of guarantee given to financial institutions due to bank loans	3,000,638	3,043,957
Letters of guarantee given to customs	76,744	71,097
Letters of guarantees given to other parties	18,297	14,977
	<b>3,095,679</b>	<b>3,130,031</b>

#### Letters of guarantee given

	31 March 2020		31 December 2019	
	Original currency	TRY amount	Original currency	TRY amount
EUR	425,945	3,073,192	467,753	3,110,835
TRY	22,487	22,487	19,196	19,196
		<b>3,095,679</b>		<b>3,130,031</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 13. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

The allocation of collaterals, pledges and mortgages as of 31 March 2020 and 31 December 2019 as follows:

<b>Collaterals, pledges and mortgages given by the Company</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>A.</b> Total amount of collaterals/pledges/mortgages given for its own legal entity	3,095,679	3,130,031
<b>B.</b> Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
<b>C.</b> Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	-	-
<b>D.</b> 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>3,095,679</b>	<b>3,130,031</b>

As of 31 March 2020 and 31 December 2019, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows:

#### Letters of guarantee received

	<b>31 March 2020</b>		<b>31 December 2019</b>	
	<b>Original currency</b>	<b>TRY amount</b>	<b>Original currency</b>	<b>TRY amount</b>
TRY	131,351	131,351	146,014	146,014
EUR	18,163	131,046	3,035	20,188
USD	-	-	122	722
		<b>262,397</b>		<b>166,924</b>

#### Other

The long-term bank borrowing agreements related to the investments require the Company to comply with certain financial ratios. Such financial ratios are met by the Company as of 31 March 2020 and 31 December 2019.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 14. COMMITMENTS

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

- a) The Company has signed a 1-year loan commitment agreement with İşbank amounting to EUR100,000,000 in 2020. With this agreement the company committed to pass the export value of EUR200,000,000 through its accounts. As of 31 March 2020, this commitment have been fulfilled.
- b) The Company, also committed to Türkiye İhracat Kredi Bankası A.Ş. (Eximbank):
- With 8 months term credit amounting to EUR80,000,000 used in February 2020 an export amount of EUR80,000,000,
  - With 8 months term credit amounting to EUR90,000,000 used in March 2020 an export amount of EUR90,000,000,
  - With 8 months term credit amounting to EUR40,000,000 used in October 2019 an export amount of EUR40,000,000,
  - With 8 months term credit amounting to EUR105,000,000 used in November 2019 an export amount of EUR105,000,000,
  - With 8 months term credit amounting to EUR30,000,000 used in December 2019 an export amount of EUR30,000,000,
  - With 2 years term credit amounting to EUR44,000,000 used in December 2019 an export amount of EUR44,000,000.

#### 15. EMPLOYEE BENEFITS

##### Liabilities for employee benefit obligations

	31 March 2020	31 December 2019
Salaries and social charges payable	79,002	125,962
Social security premiums payable	30,065	35,681
Withholding income tax payable	11,795	53,977
Other	5,723	4,653
	<b>126,585</b>	<b>220,273</b>

##### Provision for employee benefits

	31 March 2020	31 December 2019
Provision for employment termination benefits	257,712	256,208
Provision for unused vacation pay liability	43,011	31,676
	<b>300,723</b>	<b>287,884</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

#### 15. EMPLOYEE BENEFITS (Continued)

##### Provision for employment termination benefits

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY6,730.15 for each year of service as of 1 January 2020 (31 December 2019: Full TRY6,730.15).

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

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

	31 March 2020	31 December 2019
Net discount rate (%)	4.67	4.67
Turnover rate to estimate the probability of retirement (%)	95.73	95.73

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits once a year, the maximum amount of full TRY6,730.15 which was effective as of 1 January 2020 (31 December 2019: Full TRY6,730.15) has been used in the calculations.

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

	2020	2019
<b>1 January</b>	<b>256,208</b>	<b>170,925</b>
Interest cost	7,686	7,153
Current year service cost	4,967	17,800
Paid during the period	(4,848)	(4,988)
Actuarial gains	(6,301)	(15,097)
<b>31 March</b>	<b>257,712</b>	<b>175,793</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 15. EMPLOYEE BENEFITS (Continued)

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 31 March 2020 is below:

Sensitivity level	Net discount rate		Turnover rate related to the probability of retirement	
	(%) 0,5 base decrease	(%) 0,5 base increase	(%) 0,5 base decrease	(%) 0,5 base decrease
Rate (%)	(4.2)	(5.2)	95.2	96.2
Change in provision for employee benefits	17,749	(16,210)	(5,544)	5,838

#### 16. OTHER CURRENT ASSETS

	31 March 2020	31 December 2019
VAT to be deducted (*)	584,745	704,166
Deferred VAT	41,658	107,891
Prepaid taxes and withholding	29,277	21,501
Other	1,796	7,544
	<b>657,476</b>	<b>841,102</b>

(\*) VAT to be deducted includes export VAT receivables related to February and March 2020.

#### 17. EQUITY

The composition of the Company’s paid-in capital as of 31 March 2020 and 31 December 2019 is as follows:

Shareholders	Share group	31 March 2020	Shareholders percentage (%)	31 December 2019	Shareholders percentage (%)
Koç Holding A.Ş.	B	134,953	38.46	134,953	38.46
Temel Ticaret ve Yatırım A.Ş.	B	2,356	0.67	2,356	0.67
Ford Deutschland Holding Gmbh	C	143,997	41.04	143,997	41.04
Vehbi Koç Vakfı	A	3,559	1.01	3,559	1.01
Koç Holding Emekli ve Yardım Sandığı Vakfı	A	3,259	0.93	3,259	0.93
Other (Publicly traded)	A	62,786	17.89	62,786	17.89
		<b>350,910</b>	<b>100</b>	<b>350,910</b>	<b>100</b>
<b>Inflation adjustment to share capital</b>		<b>27,920</b>		<b>27,920</b>	
<b>Inflation adjusted paid in capital</b>		<b>378,830</b>		<b>378,830</b>	

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### 17. EQUITY (Continued)

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

There are 35,091,000,000 unit of shares (31 December 2019: 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 TRY410,493 as of 31 March 2020 (31 December 2019: TRY302,764).

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 13 June, 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 1 February, 2014. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on year-end financial statements of the Company.

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 17. EQUITY (Continued)

In accordance with the Ordinary General Assembly Meeting dated as of 16 March 2020, the Company has decided to distribute dividends at the rate of 312% gross (net %265.20), with a total amount of TRY1,094,839 as full TRY3.12 gross (Kr 265.20 net) for each share with a value of full TRY1 and the Company made the dividend payment in March 2020. (In April 2019 full TRY 2.43 of the gross TRY1 share (net Kr 206.55) will be %243 rate TRY 852,711 and in November 2019, full TRY1.23 of the gross TRY1 share (net Kr 104.55) will be %123 rate TRY431,620; total of TRY1,284,331 cash dividend was distributed).

In accordance with Communiqué No: II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets”, equity schedule at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Issued capital	350,910	350,910
Inflation adjustments on capital	27,920	27,920
Share premium	8	8
Gains from financial assets measured at fair value through other comprehensive income	12,923	20,309
Losses on cash flow hedge	(885,339)	(705,427)
Losses on remeasurements of defined benefit plans	2,981	(2,060)
<b>Restricted reserves</b>	<b>410,493</b>	<b>302,764</b>
- Legal reserves	410,493	302,764
<b>Retained earnings</b>	<b>3,467,929</b>	<b>2,711,013</b>
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	3,039,628	2,282,712
<b>Net income for the period</b>	<b>629,429</b>	<b>1,959,484</b>
<b>Total equity</b>	<b>4,017,254</b>	<b>4,664,921</b>

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended 31 March 2020 and 31 December 2019 are as follows:

31 March 2020	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	410,493	469,246	58,753
Extraordinary reserves	3,039,628	3,408,773	369,145
Share premium	8	361	353
Other reserves	-	50	50
	<b>3,801,039</b>	<b>4,257,260</b>	<b>456,221</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

### 17. EQUITY (Continued)

<b>31 December 2019</b>	<b>Historical values</b>	<b>Adjusted values</b>	<b>Equity inflation adjustment differences</b>
Issued capital	350,910	378,830	27,920
Legal reserves	302,764	361,517	58,753
Extraordinary reserves	2,282,712	2,651,857	369,145
Share premium	8	361	353
Other reserves	-	50	50
	<b>2,936,394</b>	<b>3,392,615</b>	<b>456,221</b>

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

Otokar shares which are publicly traded in BIST are valued at their closing price as of 31 March 2020 and 31 December 2019. As of 31 March 2020, fair value change amounting to TRY(7,386) net of deferred tax, (31 December 2019: TRY9,450) is shown in statement of comprehensive income.

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

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>(687,178)</b>	<b>(783,707)</b>
Gains/(losses) from financial assets measured at fair value through other comprehensive income	(7,386)	2,224
Actuarial gains/(losses)	5,041	12,078
Gains/(losses) on cash flow hedges	(179,912)	(41,556)
<b>31 March</b>	<b>(869,435)</b>	<b>(810,961)</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

#### 18. REVENUE AND COST OF SALES

	31 March 2020	31 March 2019
Export sales	7,504,365	8,141,113
Domestic sales	2,047,642	1,312,516
Other sales	43,824	44,367
Less: discounts	(229,222)	(213,944)
	<b>9,366,609</b>	<b>9,284,052</b>

#### Units of vehicle sales

	31 March 2020			31 December 2019		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	1,158	37,456	38,614	1,236	46,392	47,628
Transit	4,650	21,515	26,165	3,130	32,521	35,651
Transit Courier	4,774	7,175	11,949	3,266	9,715	12,981
Passenger vehicles	3,538	1	3,539	2,045	22	2,067
Ford Trucks (Trucks)	609	393	1,002	440	543	983
Ranger	95	-	95	236	-	236
Transit Connect	144	-	144	88	-	88
	<b>14,968</b>	<b>66,540</b>	<b>81,508</b>	<b>10,441</b>	<b>89,193</b>	<b>99,634</b>

Summaries of cost of production as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 March 2019
Raw material cost	(7,114,421)	(7,231,120)
Production overhead costs	(468,719)	(423,543)
Amortization expenses (Notes 10, 11 and 33)	(201,982)	(161,685)
Changes in finished goods	349,984	90,984
<b>Total production cost</b>	<b>(7,435,138)</b>	<b>(7,725,364)</b>
Cost of trade goods sold	(859,954)	(614,916)
<b>Total cost of sales</b>	<b>(8,295,092)</b>	<b>(8,340,280)</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

### 19. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	31 March 2020	31 March 2019
<b>Research and development expenses</b>		
Personnel expenses	(62,569)	(60,837)
Project costs	(20,754)	(14,239)
Mechanization expenses	(20,480)	(17,858)
Depreciation and amortization expenses (Notes 10, 11 and 33)	(5,731)	(5,794)
Other	(11,595)	(5,215)
	<b>(121,129)</b>	<b>(103,943)</b>

	31 March 2020	31 March 2019
<b>Marketing expenses</b>		
Warranty expenses (Note 13)	(43,451)	(50,621)
Personnel expenses	(36,194)	(33,151)
Vehicle transportation expenses	(13,299)	(7,203)
Advertising expenses	(11,803)	(19,029)
Export expenses	(7,855)	(6,354)
Spare parts transportation and packaging expenses	(7,660)	(5,889)
Depreciation and amortization expenses (Notes 10, 11 and 33)	(3,580)	(3,491)
Dealer and service development expenses	(972)	(1,197)
Other	(34,568)	(24,079)
	<b>(159,382)</b>	<b>(151,014)</b>

	31 March 2020	31 March 2019
<b>General administrative expenses</b>		
Personnel expenses	(47,877)	(38,486)
Legal, consulting and auditing expenses	(14,396)	(9,923)
Grants and donations	(11,129)	(8,614)
Depreciation and amortization expenses (Notes 10, 11 and 33)	(6,886)	(5,330)
Transportation and travel expenses	(3,040)	(2,328)
Organization expenses	(2,082)	(3,664)
Repair, maintenance and energy expenses	(2,001)	(1,699)
New project administrative expenses	(1,081)	(1,770)
Duties, taxes and levies expenses	(805)	(1,460)
Other	(24,435)	(12,914)
	<b>(113,732)</b>	<b>(86,188)</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 20. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 31 March 2020 and 2019 is as follows:

	31 March 2020	31 March 2019
Raw material cost	(7,114,421)	(7,231,120)
Cost of trade goods sold	(859,954)	(614,916)
Personnel expenses	(412,385)	(378,292)
Financial expenses	(383,742)	(235,662)
Other operational expenses	(231,406)	(194,055)
Depreciation and amortization expenses	(218,179)	(176,300)
Other overhead costs	(202,974)	(177,726)
Other expenses from operating activities	(100,676)	(161,586)
Expenses from investing activities	(286)	(876)
Expense from investment accounted for by equity method	-	(32)
Changes in inventories	349,984	90,984
<b>Total expenses</b>	<b>(9,174,039)</b>	<b>(9,079,581)</b>

#### 21. OTHER OPERATING INCOME/EXPENSES

	31 March 2020	31 March 2019
<b>Other operating income</b>		
Foreign exchange gains related to trade receivables and payables	152,965	94,631
Unearned financial income	36,689	50,603
License income	2,905	3,852
Rent income	2,187	2,924
Price difference and claim recovery	660	1,641
Commission income	648	894
Other	21,004	7,671
	<b>217,058</b>	<b>162,216</b>
<b>Other operating expenses</b>		
Unearned financial expense	(79,870)	(144,594)
Foreign exchange losses related to trade receivables and payables	(15,150)	(12,156)
Other	(5,656)	(4,836)
	<b>(100,676)</b>	<b>(161,586)</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 22. FINANCIAL INCOME

	31 March 2020	31 March 2019
Foreign exchange gains	147,175	78,192
Interest income	53,874	31,358
	<b>201,049</b>	<b>109,550</b>

#### 23. FINANCIAL EXPENSES

	31 March 2020	31 March 2019
Foreign exchange losses	(350,689)	(208,722)
Interest expenses	(28,229)	(17,619)
Other	(4,824)	(9,321)
	<b>(383,742)</b>	<b>(235,662)</b>

#### 24. TAX ASSETS AND LIABILITIES

Corporate Tax Law was amended by the Law No, 5520 dated 13 June, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from 1 January , 2006. Accordingly, the corporate tax rate for the fiscal year 2020 is 22% (31 December 2019: %22). Corporate tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc.) and corporate income tax deductions (e.g. research and development expenditures deduction). No further tax is payable unless the profit is distributed.

15% withholding tax rate applies to dividends distributed by resident corporations resident real persons except for, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated over the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

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

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### 24. TAX ASSETS AND LIABILITIES (Continued)

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

There are many exceptions to the Institutions Tax Law. These exceptions to the Company are explained below:

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

The Company capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code.

As of 31 March 2020, the Company utilised R&D incentive exemption amounting of TRY81,651 (31 December 2019: TRY492,495) in return for the legal tax.

The Company realizes fixed asset investments with incentives within the scope of 2009 Decisions of the Council of Ministers on State Aid in Investments 2009 numbered 2009/15199 and 2012/3305, which regulates the investment legislation.

The investment projects in which the Company has completed its investment processes and continued to benefit from the contribution amounts to the investment deserved are as follows;

- An investment of TRY559,295 has been made between 2010 and 2013 for the Transit and Transit Custom model investments at Kocaeli Gölcük Plant. The investment contribution rate of this project is 30%.
- An investment of TRY1,300,573 has been made between 2013 and 2017 at Kocaeli Gölcük Plant for Transit expenditures. The investment contribution rate of this project is 50%.
- For the new model Transit Courier investment, which started production with the establishment of the Kocaeli Yeniköy Plant, an investment expenditure of TRY798,311 was made between 2013-2016. The contribution rate of the project is 40%.
- Eskişehir Plant has two incentive certificates related to engine and truck production. The Company received an investment incentive certificate for the new 6 and 4-cylinder Engine Production project to be used in Trucks and Transit vehicles worth of TRY138,960 in Eskişehir in 2013, and a second Investment Incentive Certificate for the Euro 6 Emission Truck Production project amounting to TRY529,645 The investment contribution rate of these projects is 40%.

Investment periods for the incentives of Eskişehir Factories have been completed and incentive closure process is continuing with the Ministry of Industry.

The Company’s project which has ongoing investment process and continues to benefit from the investment contribution is as follows;

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 24. TAX ASSETS AND LIABILITIES (Continued)

- In 2016, an investment incentive certificate amounting to TRY849,160 was obtained for the renovation and factory modernization investments of the Transit, Transit Courier and Transit Custom models at the Gölcük and Yeniköy plants. Investment expenditures are continuing within the scope of this project and the contribution rate of the project to investment is 40%.
- Renewal investments of machinery and equipment used for the manufacturing and assembly of F-Trucks (trucks, tractors), Transit and Transit Custom vehicles manufactured in Eskişehir Factories, Brake Disc and Front Layout that will be started to be produced for use in Transit vehicles. An investment incentive certificate amounting to TRY500,640 was obtained on 30 March 2020 for machinery and equipment investments to be made locally to manufacture the gearbox of F-Trucks, which is a product in the heavy commercial vehicle segment, as well as line installation investments for its complex manufacturing. The contribution rate of this project to investment is 40%.

With the decision of the Council of Ministers, 15 points were added to the investment contribution rates for the investments to be realized in 2017, and the 15 points advantage that was added to the existing investment contributions was extended with the decisions of the Council of Ministers for the investments of 2018 and 2022.

As of the date of the balance sheet, the investment expenditures amounting to TRY4,527,608 (31 December 2019: TRY3,749,649) was made in the framework of the related new investment incentive certificates.

The Company utilized discounted corporate taxation amounting to TRY63,541 (31 March 2019: TRY81,426) in the current year and this amount has been deducted from the total deferred tax asset.

The Company’s net tax position as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Current year corporate tax expense	(4,657)	(21,242)
Prepaid tax and withholding	25,350	9,764
<b>Current years’ profit tax (liability)</b>	<b>20,693</b>	<b>(11,478)</b>

The taxation on income for the periods ended 31 March 2020 and 2019 are as follows

	31 March 2020	31 March 2019
Current year corporate tax expense	(4,657)	(6,661)
Current year tax effect of cash flow hedge(*)	(45,130)	(11,268)
Deferred tax charged to statement of profit or loss	67,367	19,230
Deferred tax (expense)/income	22,237	7,962
<b>Continuing operations tax (income)/(expense)</b>	<b>17,580</b>	<b>1,301</b>

(\*) The amount represents the tax effect of the reclassification made between the statement of income and other comprehensive income relating to the cash flow hedge transactions.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 24. TAX ASSETS AND LIABILITIES (Continued)

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at 31 March 2020 and 2019 and current tax ratio based on income before tax is as follows:

	31 March 2020	31 March 2019
Income before tax	611,849	476,659
Effective tax rate	%22	%22
Current year tax expense	(134,607)	(104,865)
Research and development deductions	17,963	23,852
Investment incentive exemption	123,282	81,317
Other	10,942	997
	<b>17,580</b>	<b>1,301</b>

The Company calculates deferred income tax assets and liabilities by taking into account the effects of temporary differences arising from the different assessments between TFRS and statutory financial statements.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 March 2020 are calculated with 22% tax rate for the temporary differences which will be realized in 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 31 March 2020 and 31 December 2019 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
<b>Deferred tax assets</b>				
Investment incentive tax asset	(5,086,903)	(5,007,169)	940,015	880,274
Expense accruals and other provision	(418,813)	(419,710)	90,228	90,754
Employee benefits provision	(257,712)	(256,208)	51,543	51,241
Warranty expense provision	(211,486)	(209,168)	44,109	43,599
Inventories	(68,904)	(81,053)	15,159	17,832
	<b>(6,043,818)</b>	<b>(5,973,308)</b>	<b>1,141,054</b>	<b>1,083,700</b>
<b>Deferred tax liabilities</b>				
Tangible and intangible assets	2,119,801	2,114,036	(423,960)	(422,807)
Income accruals and other	1,448	48,307	(452)	(10,747)
	<b>2,121,249</b>	<b>2,162,343</b>	<b>(424,412)</b>	<b>(433,554)</b>
<b>Net deferred tax asset</b>			<b>716,642</b>	<b>650,146</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 24. TAX ASSETS AND LIABILITIES (Continued)

The deferred tax movement table is presented below:

	1 January 2020	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	31 March 2020
<b>Deferred tax liabilities</b>				
Tangible and intangible assets	(422,807)	(1,153)	-	(423,960)
Income accruals and other provision	(10,747)	9,906	389	(452)
<b>Deferred tax assets</b>				
Investment incentive tax asset	880,274	59,741	-	940,015
Expense accruals and other	90,754	(526)	-	90,228
Provision for employee benefits	51,241	1,562	(1,260)	51,543
Warranty expense provision	43,599	510	-	44,109
Inventories	17,832	(2,673)	-	15,159
<b>Deferred tax asset, net</b>	<b>650,146</b>	<b>67,367</b>	<b>(871)</b>	<b>716,642</b>

	1 January 2019	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	31 March 2019
<b>Deferred tax liabilities</b>				
Tangible and intangible assets	(312,792)	(30,478)	-	(343,270)
Income accruals and other provision	(17,822)	15,999	(117)	(1,940)
<b>Deferred tax assets</b>				
Investment incentive tax asset	820,314	(109)	-	820,205
Expense accruals and other	60,838	26,605	-	87,443
Provision for employee benefits	34,185	3,993	(3,019)	35,159
Warranty expense provision	41,961	2,776	-	44,737
Inventories	17,491	444	-	17,935
<b>Deferred tax asset, net</b>	<b>644,175</b>	<b>19,230</b>	<b>(3,136)</b>	<b>660,269</b>

#### 25. EARNINGS PER SHARE

	31 March 2020	31 March 2019
Net profit for the year	629,429	477,960
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000
<b>Earnings per share with nominal value of Kr 1 each</b>	<b>1.79 Kr</b>	<b>1,36 Kr</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 26. RELATED PARTY DISCLOSURES

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Company, is controlled by Koç Holding A.Ş. and Ford Deutschland Holding GmbH, a subsidiary of Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies’ assets are shown as related parties.

The related party balances at 31 March 2020 and 31 December 2019 and the transactions with related parties during the year are as follows:

a) **Receivables from related parties**

i) *Trade receivable from related parties*

	31 March 2020	31 December 2019
<b>Due from shareholders</b>		
Ford Motor Company ve iştirakleri	1,241,063	1,953,440
	<b>1,241,063</b>	<b>1,953,440</b>
<b>Due from group companies (*)</b>		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	420,634	597,362
Other	3,974	1,967
	<b>424,608</b>	<b>599,329</b>
Less: unearned credit finance income	(2,710)	(5,639)
	<b>1,662,961</b>	<b>2,547,130</b>

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

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

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 26. RELATED PARTY DISCLOSURES (Continued)

##### b) Payables to related parties

##### i) Trade payables to related parties

	31 March 2020	31 December 2019
<b>Due to shareholders</b>		
Ford Motor Company ve iştirakleri	614,728	702,729
	<b>614,728</b>	<b>702,729</b>
<b>Due to group companies (*)</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	55,456	77,603
Ram Dış Ticaret A.Ş.	18,844	33,250
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	9,931	19,522
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	5,888	11,635
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	0	10,763
Setur Servis Turistik A.Ş.	2,196	8,870
Ingage Dijital Pazarlama A.Ş.	90	6,918
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	4,306	4,821
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	2,439	3,482
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	110	348
Ram Sigorta Aracılık Hizmetleri A.Ş.	2,197	262
Other	3,684	5,904
	<b>105,141</b>	<b>183,378</b>
Less: unearned credit finance expense	(679)	(1,553)
	<b>719,190</b>	<b>884,554</b>

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

##### ii) Other payables to related parties

	31 March 2020	31 December 2019
Koç Holding A.Ş.	5,626	14,699
Koç Finansman A.Ş.	-	4,005
Yapı ve Kredi Bankası A.Ş.	-	1,913
	<b>5,626</b>	<b>20,617</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 26. RELATED PARTY DISCLOSURES (Continued)

##### c) Sales to related parties

	31 March 2020	31 March 2019
Ford Motor Company (*)	7,340,733	7,960,039
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	499,077	292,398
Other	12	8
	<b>7,839,822</b>	<b>8,252,445</b>
Less: financial income from credit sales	(10,070)	(13,469)
	<b>7,829,752</b>	<b>8,238,976</b>

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

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

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

	1 January – 31 March 2020			
	Material	Service	Fixed assets	Total
<b>Domestic purchases</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	7,687	78,804	37	86,528
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	17,510	-	17,510
Ram Dış Ticaret A.Ş.	17,010	-	-	17,010
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	9,494	3,616	13,110
Opet Petrolcülük A.Ş.	7,687	-	-	7,687
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	1,055	4,833	5,888
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	5,708	-	5,708
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	4,900	-	-	4,900
Koç Holding A.Ş. (**)	-	4,820	-	4,820
Setur Servis Turistik A.Ş.	-	4,103	-	4,103
Koçtaş Yapı Marketleri Ticaret A.Ş.	3,341	-	21	3,362
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1,064	-	-	1,064
Ingage Dijital Pazarlama A.Ş.	-	870	-	870
Tanı Pazarlama İlet. Hiz. A.Ş.	-	165	-	165
Other	381	1,350	-	1,731
	<b>42,070</b>	<b>123,879</b>	<b>8,507</b>	<b>174,456</b>
Less: Financial expense from credit purchases	(483)	-	-	(483)
	<b>41,587</b>	<b>123,879</b>	<b>8,507</b>	<b>173,973</b>

(\*) Contains paid and accrued premium amounts for the period ended 31 March 2020 and period ended 2019 within the context of insurance policies signed with insurance companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

(\*\*) It includes service costs that are based on finance, law, planning, tax and management provided by Koç Holding A.Ş. to the companies within the group organisation, invoiced to the company within the context of “11-Intra-group Services” in numbered 1 General Communique about concealed Gain Distribution by Transfer Pricing.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 26. RELATED PARTY DISCLOSURES (Continued)

##### d) Material, service and fixed asset purchases from related parties (Continued)

	1 January – 31 March 2019			Total
	Material	Service	Fixed assets	
<b>Domestic purchases</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	75,318	75,348	30	150,696
Ram Dış Ticaret A.Ş.	27,795	-	-	27,795
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	7,948	332	8,280
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	6,836	-	-	6,836
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	5,654	767	6,421
Setur Servis Turistik A.Ş.	-	5,410	-	5,410
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	4,991	-	4,991
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	4,587	-	-	4,587
Koç Holding A.Ş. (**)	-	3,303	-	3,303
Koçtaş Yapı Marketleri Ticaret A.Ş.	3,282	-	-	3,282
Opet Petrolcülük A.Ş.	2,517	-	-	2,517
Tanı Pazarlama İlet. Hiz. A.Ş.	-	167	-	167
Other	2,554	6,365	-	8,919
	<b>122,889</b>	<b>109,186</b>	<b>1,129</b>	<b>233,204</b>
Less: financial expense from credit purchases	(4,599)	-	-	(4,599)
	<b>118,290</b>	<b>109,186</b>	<b>1,129</b>	<b>228,605</b>

##### Material, vehicle and service purchases from abroad

	31 March 2020	31 March 2019
Ford Motor Company and its subsidiaries	4,036,614	3,649,378

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

	31 March 2020	31 March 2019
	43,706	25,026

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

	31 March 2020	31 March 2019
	2,905	3,852

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

#### 26. RELATED PARTY DISCLOSURES (Continued)

##### g) Donations to related parties, establishments and foundations, included in general administrative expenses

31 March 2020	31 March 2019
10,848	8,564

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

##### Deposits in related banks

31 March 2020	31 March 2019
---------------	---------------

##### Yapı ve Kredi Bankası A.Ş.

- Foreign currency time deposits	630,527	130,906
- TRY time deposits	301,019	179,084
- TRY demand deposits	14,203	27,567
- Foreign currency demand deposits	9,625	122

<b>955,374</b>	<b>337,679</b>
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##### i) Loans from related banks

31 March 2020	31 March 2019
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Yapı ve Kredi Bankası A.Ş.	301,135	2,789
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<b>301,135</b>	<b>2,789</b>
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##### i) Commission income

31 March 2020	31 March 2019
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Yapı ve Kredi Bankası A.Ş.	356	494
Koç Finansman A.Ş.	292	400

<b>648</b>	<b>894</b>
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##### j) Commission expense

31 March 2020	31 March 2019
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Koç Finansman A.Ş.	3,396	8,690
Yapı ve Kredi Bankası A.Ş.	2,471	9,262

<b>5,867</b>	<b>17,952</b>
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Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. are credit commissions related to sales to end user customers by dealers and are recorded as sales discounts in the statement of profit or loss.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### 26. RELATED PARTY DISCLOSURES (Continued)

##### k) Interest income

	31 March 2020	31 March 2019
Yapı ve Kredi Bankası A.Ş.	1,567	4,785

##### l) Dividend income

	31 March 2020	31 March 2019
Otokar Otomotiv ve Savunma Sanayi A.Ş.	1,172	422

##### m) Compensation of key management personnel

The Company defines its key management personnel as board of directors’ members, general manager, assistant general managers and directors reporting directly to the general manager (Note 2).

Compensation of key management personnel includes salaries, premiums, Social Security Institution employer’s contribution, employer’s contribution of unemployment insurance and the attendance fees.

The total amount of compensation given to key management personnel of the Company as of 31 March 2020 is TRY5,275 (31 March 2019: TRY3,940).

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) 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 31 March 2020 and 31 December 2019. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

##### 31 March 2020

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	1,612,403	9,455	214,938	2
2. Monetary financials assets (including cash and cash equivalents)	1,588,526	1,133	219,108	163
3. Diğer	219,254	7,155	23,927	-
<b>4. Current assets (1 + 2 + 3)</b>	<b>3,420,183</b>	<b>17,743</b>	<b>457,973</b>	<b>165</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>3,420,183</b>	<b>17,743</b>	<b>457,973</b>	<b>165</b>
8. Trade payables	826,936	18,028	97,903	793
9. Financial liabilities (*)	3,994,204	-	553,597	-
10. Other monetary liabilities	44,847	-	6,216	-
<b>11. Short term liabilities (8 + 9 + 10)</b>	<b>4,865,987</b>	<b>18,028</b>	<b>657,716</b>	<b>793</b>
12. Financial liabilities (*)	2,880,854	-	399,287	-
13. Other	1,587	-	220	-
<b>14. Long term liabilities (12+13)</b>	<b>2,882,441</b>	<b>-</b>	<b>399,507</b>	<b>-</b>
<b>15. Total liabilities (11 + 14)</b>	<b>7,748,428</b>	<b>18,028</b>	<b>1,057,223</b>	<b>793</b>
<b>16. Net foreign currency (liabilities)/assets position (7 - 15)</b>	<b>(4,328,245)</b>	<b>(285)</b>	<b>(599,250)</b>	<b>(628)</b>
<b>17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)</b>	<b>(4,545,912)</b>	<b>(7,440)</b>	<b>(622,957)</b>	<b>(628)</b>

(\*) The Company's net foreign exchange position is mainly due to long - term EUR denominated loans obtained to fund its investments. The Company is hedging for the foreign currency exchange risk arising from its EUR denominated long-term loans with export agreements signed with Ford Motor Company. The TRY equivalent of such loans amount to TRY4,279,319 as of 31 March 2020 (31 December 2019: TRY3,859,197). As of 31 March 2020, the Company has a total of TRY217,234 (31 December 2019: TRY50,715) of the product to be issued.

**FORD OTOMOTİV SANAYİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
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**27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**31 December 2019**

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	2,343,969	10,022	343,494	-
2. Monetary financials assets (including cash and cash equivalents)	548,085	400	82,026	177
3. Other	424,397	25,230	41,279	-
<b>4. Current assets (1 + 2 + 3)</b>	<b>3,316,451</b>	<b>35,652</b>	<b>466,799</b>	<b>177</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>3,316,451</b>	<b>35,652</b>	<b>466,799</b>	<b>177</b>
8. Trade payables	939,804	39,549	104,807	895
9. Financial liabilities (*)	3,614,548	-	543,492	-
10. Other monetary liabilities	37,663	-	5,663	-
<b>11. Short term liabilities (8 + 9 + 10)</b>	<b>4,592,015</b>	<b>39,549</b>	<b>653,962</b>	<b>895</b>
12. Financial liabilities (*)	2,538,769	-	381,735	-
13. Other	1,447	-	218	-
<b>14. Long term liabilities (12+13)</b>	<b>2,540,216</b>	<b>-</b>	<b>381,953</b>	<b>-</b>
<b>15. Total liabilities (11 + 14)</b>	<b>7,132,231</b>	<b>39,549</b>	<b>1,035,915</b>	<b>895</b>
<b>16. Net foreign currency (liabilities)/assets position (7 - 15)</b>	<b>(3,815,780)</b>	<b>(3,897)</b>	<b>(569,116)</b>	<b>(718)</b>
<b>17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)</b>	<b>(4,238,730)</b>	<b>(29,127)</b>	<b>(610,177)</b>	<b>(718)</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

### 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### *Foreign exchange risk*

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

#### 31 March 2020

Appreciation/depreciation in foreign currency	Profit/(loss) before taxation	
	Increase by 10 (%)	Decrease by 10 (%)
<b>Change in USD against TRY</b>		
USD net assets/(liabilities)	(186)	186
USD net hedged amount	-	-
<b>USD net- gain/(loss)</b>	<b>(186)</b>	<b>186</b>
<b>Change in EUR against TRY</b>		
Avro net (yükümlülüğü) / varlığı	(432,359)	432,359
Avro riskten korunan kısım	427,932	(427,932)
<b>EUR net- gain/(loss)</b>	<b>(4,427)</b>	<b>4,427</b>
<b>Change in other foreign currency against TRY</b>		
Other foreign currency denominated net (liabilities)/assets	(280)	280
Other foreign currency denominated- hedged amount	-	-
<b>Other foreign currency denominated net - (loss)/gain</b>	<b>(280)</b>	<b>280</b>

#### 31 December 2019

Appreciation/depreciation in foreign currency	Profit/(loss) before taxation	
	Increase by 10 (%)	Decrease by 10 (%)
<b>Change in USD against TRY</b>		
USD net assets/(liabilities)	(2,315)	2,315
USD net hedged amount	-	-
<b>USD net- gain/(loss)</b>	<b>(2,315)</b>	<b>2,315</b>
<b>Change in EUR against TRY</b>		
EUR net (liabilities)/assets	(378,496)	378,496
EUR net hedged amount	385,920	(385,920)
<b>EUR net- gain/(loss)</b>	<b>(7,424)</b>	<b>7,424</b>
<b>Change in other foreign currency against TRY</b>		
Other foreign currency denominated net (liabilities)/assets	(766)	766
Other foreign currency denominated- hedged amount	-	-
<b>Other foreign currency denominated net - (loss)/gain</b>	<b>(766)</b>	<b>766</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

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#### 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the year ended 31 March 2020 and 2019 are as follows:

	31 March 2020	31 March 2019
Total export amount	7,504,365	8,141,113
Total import amount	4,764,372	4,209,430

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

#### *Interest rate risk*

The Company's interest rate sensitive financial instruments are as follows:

	31 March 2020	31 December 2019
<b>Fixed interest rate financial instruments</b>		
Financial assets	3,635,931	3,160,603
Financial liabilities	6,284,948	4,874,051
<b>Floating interest rate financial instruments</b>		
Financial liabilities	1,422,883	1,333,995

If the interest rates of floating interest-bearing EUR 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 TRY3,389 at 31 March 2020 (31 December 2019: TRY1,081) due to higher/lower interest expense

**FORD OTOMOTİV SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
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**27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)***Liquidity risk*

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

<b>31 March 2020</b>	<b>Book value</b>	<b>Total contractual cash outflow</b>	<b>Up to 3 months</b>	<b>Between 3 - 12 months</b>	<b>Between 1 - 5 years</b>	<b>Longer than 5 years</b>
<b>Non-derivative financial instruments</b>						
<b>Financial liabilities</b>	7,623,692	7,859,031	409,131	4,469,299	2,814,506	166,095
<b>Lease liabilities</b>	84,139	104,028	6,571	19,714	69,872	7,871
<b>Trade payables</b>						
-Related party	719,190	719,869	719,869	-	-	-
-Other	3,156,933	3,174,240	3,174,240	-	-	-
<b>Other liabilities</b>						
-Related party	5,626	5,626	5,626	-	-	-
-Other	143,046	143,046	143,046	-	-	-
<b>Derivative financial liabilities</b>						
Derivative financial instruments	1,587	1,587	-	-	1,587	-

**FORD OTOMOTİV SANAYİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD  
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**27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

<b>31 December 2019</b>	<b>Book value</b>	<b>Total contractual cash outflow</b>	<b>Up to 3 months</b>	<b>Between 3 - 12 months</b>	<b>Between 1 - 5 years</b>	<b>Longer than 5 years</b>
<b>Non-derivative financial instruments</b>						
<b>Financial liabilities</b>	6,118,793	6,258,060	1,580,488	2,047,583	2,476,887	153,102
<b>Lease liabilities</b>	89,253	123,591	10,441	31,324	81,642	184
<b>Trade payables</b>						
-Related party	884,554	886,107	886,107	-	-	-
-Other	3,660,866	3,690,149	3,690,149	-	-	-
<b>Other liabilities</b>						
-Related party	20,617	20,617	20,617	-	-	-
-Other	54,541	54,541	54,541	-	-	-
<b>Derivative financial liabilities</b>						
Derivative financial instruments	1,447	1,447	-	-	1,447	-

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

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#### 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

##### Fair value hierarchy table

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

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

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

As of 31 March 2020 and 31 December 2019, the Company’s hierarchy table for its assets and liabilities recorded at fair value are as follows:

##### 31 March 2020

	Level 1 (*)	Level 2 (**)	Level 3
<b>Assets at fair value</b>			
Derivative financial assets	-	-	-
Financial assets at fair value through OCI - Otokar	14,580	-	-
<b>Total assets</b>	<b>14,580</b>	-	-
<b>Liabilities at fair value</b>			
Derivative financial liabilities	-	1,587	-
<b>Total liabilities</b>	-	<b>1,587</b>	-

(\*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date.

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

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#### 27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2019

	Level 1 (*)	Level 2 (**)	Level 3
<b>Assets at fair value</b>			
Derivative financial assets	-	-	-
Financial assets at fair value through OCI - Otokar	22,355	-	-
<b>Total assets</b>	<b>22,355</b>	<b>-</b>	<b>-</b>
<b>Liabilities at fair value</b>			
Derivative financial liabilities	-	1,447	-
<b>Total liabilities</b>	<b>-</b>	<b>1,447</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).

#### 28. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses long term floating rate foreign currency loans from international markets. The Company hedges interest rate risk by securing a portion of the floating rate loans from international markets through long term swap transactions.

The Company hedged the interest rate risk arising from cash flows related to the borrowing used as of 31 March 2020 with the maturity of 23 May 2024 amounting to EUR150,000,000 with interest rate swapping. The critical conditions of the settlement contract such as maturity, payment, interest rate change dates are in line with the critical conditions of the foreign currency borrowing, which is the subject of financial hedge as of 31 March 2020. The fair value of the interest rate swap transaction calculated as of 31 March 2020 is TRY1,587 and it is classified as long - term liabilities.

##### Derivative financial instruments

	31 March 2020	31 December 2019
Derivative financial liabilities	1,587	1,447
	<b>1,587</b>	<b>1,447</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

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#### 28. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

There is an effective foreign currency cash flow hedge relationship between foreign currency long-term financial borrowings related with investment expenditures (non-derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Company will associate a portion of estimated export revenue from 1 April 2013 to November 2026 with long-term financial borrowings.

	31 March 2020	31 December 2019
<b>Cash flow hedge reserve</b>		
Amount recognized in other comprehensive income	318,815	327,765
Amount recycled from other comprehensive income to statement of profit or (loss)	(93,773)	(441,155)
	<b>225,042</b>	<b>(113,390)</b>

#### 29. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	31 March 2020	31 December 2019
<b>Income from investing activities</b>		
Dividend income	1,172	422
	<b>1,172</b>	<b>422</b>

	31 March 2020	31 December 2019
<b>Expense from investing activities</b>		
Loss on sale of property, plant and equipment	(286)	(876)
	<b>(286)</b>	<b>(876)</b>

#### 30. DEFERRED REVENUE

	31 March 2020	31 December 2019
Short-term deferred revenue	12,578	13,311
Advances received	16,038	10,519
	<b>28,616</b>	<b>23,830</b>

	31 March 2020	31 December 2019
Long-term deferred revenue	12,175	10,838
	<b>12,175</b>	<b>10,838</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 31. OTHER NON CURRENT LIABILITIES

	31 March 2020	31 December 2019
Other non-current liabilities (*)	64,672	61,235
	<b>64,672</b>	<b>61,235</b>

(\*) The Company makes a part of its fleet truck with buyback commitments and sales made within this scope are followed under “Other Non-Current Liabilities”. The buyback commitments are 3 years on average.

#### 32. INVESTMENTS VALUED BY EQUITY METHOD

The Company has a 25% share in Rezervis Mobil Teknoloji A.Ş., which was established for the purpose of developing, improving and acquiring the algorithmic based application that remodeling the individual and collective use of the means of transportation within the scope of supporting innovation. In the event that Rezervis Mobil Teknoloji A.Ş. has decided to terminate its activities, the Company has allocated provision for its existing investments.

a) The details of the investments valued by the equity method are as follows:

	31 March 2020		31 December 2019	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Rezervis Mobil Teknoloji A.Ş.	25	-	25	-
		-		-

b) Movements in the provision for investments valued by the equity method during the year are as follows:

	2020	2019
1 January	-	933
Profit/(losses) share	-	(32)
31 March	-	901

#### 33. RIGHT OF USE ASSETS

	Buildings	Machinery and equipments	Vehicles	Total
As of 1 January 2020	38,942	47,481	13,291	99,714
For the period ended 31 March 2020				
Additions	-	-	-	-
Period depreciation and amortization expenses	(3,952)	(4,290)	(2,711)	(10,953)
As of 31 March 2020	34,990	43,191	10,580	88,761

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 33. RIGHT OF USE ASSETS(Continued)

	Buildings	Machinery and equipments	Vehicles	Total
<b>As of 1 January 2019</b>	<b>50,003</b>	<b>63,310</b>	<b>23,715</b>	<b>137,028</b>
<b>For the period ended 31 March 2019</b>				
Additions	-	-	-	-
Period depreciation and amortization expenses	(3,668)	(4,277)	(2,816)	(10,761)
<b>As of 31 March 20219</b>	<b>46,335</b>	<b>59,033</b>	<b>20,899</b>	<b>126,267</b>

Distribution of depreciation expenses of right of use assets as of 31 March 2020 - 2019 is follows:

	31 March 2020	31 March 2019
Cost of sales (Note 18)	7,467	7,222
Marketing expenses (Note 19)	2,528	2,546
General administrative expenses (Note 19)	480	525
Research and development expenses (Note 19)	478	468
	<b>10,953</b>	<b>10,761</b>

#### 34. GOVERNMENT INCENTIVES AND GRANTS

The Company realizes fixed asset investments with incentives within the scope of 2009 Decisions of the Council of Ministers on State Aid in Investments 2009 numbered 2009/15199 and 2012/3305, which regulates the investment legislation.

The investment projects in which the Company has completed its investment processes and continued to benefit from the contribution amounts to the investment deserved are as follows;

- An investment of TRY559,295 has been made between 2010 and 2013 for the Transit and Transit Custom model investments at Kocaeli Gölcük Plant. The investment contribution rate of this project is 30%.
- An investment of TRY1,300,573 has been made between 2013 and 2017 at Kocaeli Gölcük Plant for Transit expenditures. The investment contribution rate of this project is 50%.
- Investment expenditure of TRY798,311 was made between 2013 and 2016 for the new model Transit Courier investment, which started production with the establishment of the Yeniköy Plant in Kocaeli. The investment contribution rate of this project is 40%.
- In the Eskişehir Plant, an investment of TRY138,960 was made between 2013 and 2019 for the new 6 and 4 cylinder engine production for use in Trucks and Transit vehicles, and an amount of TRY529,645 was invested between 2014 and 2019 for the 6 emission truck manufacturing expansion investment. The investment contribution rates of these projects are 40%. Investment periods for incentives for both investments have been completed and incentive closure processes are continuing with the Ministry of Industry.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

#### 34. GOVERNMENT INCENTIVES AND GRANTS (Continued)

The Company’s project which has ongoing investment process and continues to benefit from the investment contribution is as follows;

- In 2016, an investment incentive certificate amounting to TRY849,160 was obtained for the renovation and factory modernization investments at the Gölcük and Yeniköy Factories related to Transit, Transit Courier and Transit Custom models, which are currently being produced at Kocaeli Factories. Investment expenditures are continuing within the scope of this project and the contribution rate of the project to investment is 40%.
- Renovation investments of machinery and equipment used for the manufacturing and assembly of F-Trucks (trucks, tractors), Transit and Transit Custom vehicles manufactured in Eskişehir Factories, Brake Disc and Front Layout, which will start production in Transit vehicles. An investment incentive certificate amounting to TRY500,640 on March 30, 2020 for machinery and equipment investments to produce F-Trucks' gearbox locally. The investment requirement ratio of this project is 40%.

With the decision of the Council of Ministers, 15 points were added to the investment contribution rates for the investments to be realized in 2017, and the 15 points advantage that was added to the existing investment contributions was extended with the decisions of the Council of Ministers for the investments of 2018 and 2022.

#### 35. INVESTMENTS VALUED BY EQUITY METHOD

Gembox Teknoloji Girişimleri A.Ş was established with 100% contribution to capital by Ford Otosan capital in order to carry out research, development, consultancy, engineering and incubation activities and to invest in companies and initiatives established in these areas.

For the central management of the Company's Ford Trucks exporting activities, Ford Otosan Netherlands BV was founded with 100% contribution to capital by Ford Otosan capital.

Investments in subsidiaries as of 31 March 2020 and 31 December 2019 are as follows:

	<b>31 March 2020</b>		<b>31 December 2019</b>	
	<b>Ownership rate (%)</b>	<b>Amount</b>	<b>Ownership rate (%)</b>	<b>Amount</b>
<b>Investment in subsidiaries</b>				
Gembox Teknoloji Girişimleri Anonim Şirketi	100	2,500	100	2,500
Ford Otosan Netherlands BV	100	1	100	1
		<b>2,501</b>		<b>2,501</b>

These investments are carried at cost and are not included in the scope of consolidation since their financial statements do not have a significant effect on the financial statements of the Company.

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2020**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

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#### **36. SUBSEQUENT EVENTS**

Possible effects of COVID-19 (Coronavirus), which affects the whole world, are closely monitored in all respects, and necessary actions are taken to ensure that our Company is affected in the least possible way. Due to the coronavirus, there may be disruptions in the Company's procurement, production and sales processes in parallel with the developments / slowdowns in the sector in which the Company operates and in general economic activity. In this context, production activities were temporarily interrupted between 20 March 2020 - 4 May 2020 in our Company's Gölcük Plant, 23 March 2020 - 4 May 2020 in Yeniköy Plant and 23 March 2020 - 27 April 2020 in Eskişehir Plant. Predictions are not precise about how long coronavirus will continue and how far it will spread, in the world and in Turkey. As the severity and duration of the effects become clear, it will be possible to make a more clear and healthy assessment for the medium and long term. In this context, since the economic effects of the epidemic are uncertain as of the reporting date, the effects on the Company's operations and financial statements cannot be reasonably estimated.

In accordance with the letter sent by the Competition Board, an investigation was initiated against our Company in order to determine whether there has been a violation of Article 4 of the Law No. 4054 on the Protection of Competition and plea of our Company has been requested in this context. The investigation has been initiated on the ground of execution of State Council's judgement dated on 04.12.2019, which cancelled the decision of the Competition Board dated on 24.06.2009. The Competition Board decided not to open an investigation and refusal of the complaints which were accusing that the new passenger car and light commercial vehicle manufacturer and distributor undertakings had increased prices and restricted the supply of goods by acting together following the special consumption tax discount introduced for the automotive industry in 2009.

As it is known, opening an investigation by the Competition Authority cannot be interpreted as the undertakings or association of undertakings subject to the investigation violate the Law No. 4054, as being or will subject to penalty under the Law.

#### **37. DISCLOSURE OF OTHER MATTERS**

There is no other issue that significantly affects the financial statements or needs to be explained in order for the financial statements to be clear, interpretable and understandable.