

**FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
1 JANUARY - 30 SEPTEMBER 2018**

**(ORIGINALLY ISSUED IN TURKISH)**

# FORD OTOMOTİV SANAYİ A.Ş.

## FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2018

<b>CONTENTS</b>		<b>PAGE</b>
<b>STATEMENT OF FINANCIAL POSITION.....</b>		<b>1-2</b>
<b>STATEMENT OF PROFIT OR LOSS.....</b>		<b>3</b>
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME .....</b>		<b>4</b>
<b>STATEMENT OF CHANGES IN EQUITY .....</b>		<b>5</b>
<b>STATEMENT OF CASH FLOWS.....</b>		<b>6</b>
<b>NOTES TO THE FINANCIAL STATEMENTS .....</b>		<b>7-73</b>
NOTE 1	ORGANIZATION AND NATURE OF THE OPERATIONS.....	7
NOTE 2	BASIS OF PRESENTATION OF FINANCIAL STATEMENTS .....	7-28
NOTE 3	SEGMENT REPORTING .....	29
NOTE 4	CASH AND CASH EQUIVALENTS.....	29
NOTE 5	FINANCIAL INVESTMENTS .....	29
NOTE 6	FINANCIAL LIABILITIES .....	30-31
NOTE 7	TRADE RECEIVABLES AND PAYABLES.....	31-34
NOTE 8	OTHER RECEIVABLES AND PAYABLES.....	34
NOTE 9	INVENTORIES .....	35
NOTE 10	PROPERTY, PLANT AND EQUIPMENT.....	36-38
NOTE 11	INTANGIBLE ASSETS.....	38-39
NOTE 12	PREPAID EXPENSES.....	39
NOTE 13	PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	40-42
NOTE 14	COMMITMENTS .....	42-43
NOTE 15	EMPLOYEE BENEFITS.....	43-44
NOTE 16	OTHER CURRENT ASSETS .....	45
NOTE 17	EQUITY .....	45-48
NOTE 18	REVENUE AND COST OF SALES .....	48-49
NOTE 19	RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES.....	49-50
NOTE 20	EXPENSES BY NATURE .....	50
NOTE 21	OTHER OPERATING INCOME/EXPENSES.....	51
NOTE 22	FINANCIAL INCOME.....	51
NOTE 23	FINANCIAL ASSETS.....	51
NOTE 24	TAX ASSETS AND LIABILITIES.....	52-56
NOTE 25	EARNINGS PER SHARE.....	56
NOTE 26	RELATED PARTY DISCLOSURES.....	56-62
NOTE 27	FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT .....	63-70
NOTE 28	DERIVATIVE FINANCIAL INSTRUMENTS.....	70-71
NOTE 29	INCOME/EXPENSES FROM INVESTING ACTIVITIES .....	71
NOTE 30	DEFERRED INCOME.....	71
NOTE 31	OTHER NON CURRENT LIABILITIES .....	72
NOTE 32	INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD.....	72
NOTE 33	GOVERNMENT INCENTIVES AND GRANTS.....	73
NOTE 34	SUBSEQUENT EVENTS .....	73
NOTE 35	DISCLOSURE OF OTHER MATTERS.....	73

# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

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

	Note	Current period unaudited 30 September 2018	Previous period audited 31 December 2017
<b>Assets</b>			
<b>Current assets</b>		<b>8,082,790</b>	<b>6,827,040</b>
Cash and cash equivalents	4	1,379,488	1,805,945
Trade receivables			
- Due from related parties	26	2,696,954	2,057,267
- Due from third parties	7	907,217	1,299,746
Other receivables			
- Due from third parties	8	2,385	521
Inventories	9	2,340,762	1,152,490
Prepaid expenses	12	205,654	101,979
Other current assets	16	549,727	404,561
Assets related to current period tax	24	603	-
Derivative financial assets	28	-	4,531
<b>Non-current assets</b>		<b>5,617,747</b>	<b>5,184,700</b>
Financial assets	5	11,670	17,406
Trade receivables			
- Due from third parties	7	3,485	3,002
Property, plant and equipment	10	3,710,001	3,536,220
Intangible assets	11	791,977	690,337
Prepaid expenses	12	419,059	311,292
Deferred tax assets	24	680,549	626,443
Investments accounted for by the equity method	32	1,006	-
<b>Total assets</b>		<b>13,700,537</b>	<b>12,011,740</b>

Financial statements for the period ended 1 January - 30 September 2018 were approved for issue by the Board of Directors on 25 October 2018.

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

# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

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

	Note	Current period unaudited 30 September 2018	Previous period audited 31 December 2017
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>7,585,938</b>	<b>6,049,677</b>
Short-term borrowings			
- Bank borrowings	6	2,193,110	1,061,621
Short-term portion of long-term borrowings			
- Bank borrowings	6	910,108	722,259
Trade payables			
- Due to related parties	26	1,311,638	895,559
- Due to third parties	7	2,715,222	2,921,390
Other payables			
- Due to related parties	26	4,349	31,438
- Due to third parties	8	93,974	56,385
Deferred revenue	30	12,158	10,929
Short-term provisions			
- Other provisions	13	185,926	159,614
Employee benefit liabilities	15	159,453	184,092
Current tax liabilities	24	-	6,390
<b>Non-current liabilities</b>		<b>2,694,066</b>	<b>2,266,204</b>
Long-term borrowings			
- Bank borrowings	6	2,244,736	1,820,167
Long-term provisions			
- Provision for employment termination benefits	15	189,784	153,484
- Other provisions	13	170,770	169,285
Deferred revenue	30	6,846	7,450
Other non-current liabilities	31	81,714	115,631
Derivative financial liabilities	28	216	187
<b>Equity</b>	<b>17</b>	<b>3,420,533</b>	<b>3,695,859</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		(6,517)	(14,001)
Other comprehensive income / (loss) to be reclassified in profit or loss			
- Gains from financial assets measured at fair value through other comprehensive income		10,158	15,608
- Losses on cash flow hedges		(1,252,763)	(503,120)
Restricted reserves		332,657	254,404
Retained earnings		2,685,802	2,074,147
Net profit for the period		1,272,358	1,489,983
<b>Total liabilities and equity</b>		<b>13,700,537</b>	<b>12,011,740</b>

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

# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

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

	Note	Unaudited 1 January 2018 - 30 September 2018	Unaudited 1 January 2017 - 30 September 2017	Unaudited 1 July 2018 - 30 September 2018	Unaudited 1 July 2017 - 30 September 2017
<b>Continuing operations</b>					
Revenue	18	23,244,383	17,138,240	7,772,025	5,485,632
Cost of sales	18	(20,743,703)	(15,338,251)	(6,949,940)	(4,857,549)
<b>Gross profit</b>		<b>2,500,680</b>	<b>1,799,989</b>	<b>822,085</b>	<b>628,083</b>
Marketing expenses	19	(374,093)	(351,008)	(121,602)	(118,422)
General administrative expenses	19	(241,237)	(175,304)	(83,520)	(61,409)
Research and development expenses	19	(281,265)	(221,638)	(97,683)	(74,089)
Other income from operating activities	21	687,449	265,249	364,631	103,298
Other expenses from operating activities	21	(423,234)	(188,838)	(154,158)	(57,095)
<b>Profit from operating activities</b>		<b>1,868,300</b>	<b>1,128,450</b>	<b>729,753</b>	<b>420,366</b>
Income from investing activities	29	410	363	-	-
Expenses from investing activities	29	(3,616)	(1,685)	(1,446)	(205)
Share of profit / (loss) of investments accounted for by the equity method	32	(21)	-	(21)	-
<b>Operating income before financial income / (expense)</b>		<b>1,865,073</b>	<b>1,127,128</b>	<b>728,286</b>	<b>420,161</b>
Financial income	22	1,072,929	268,311	861,290	90,471
Financial expenses	23	(1,508,168)	(408,953)	(1,100,155)	(154,464)
<b>Profit from continuing operations before tax</b>		<b>1,429,834</b>	<b>986,486</b>	<b>489,421</b>	<b>356,168</b>
<b>Tax income / (expense) from continuing operations</b>		<b>(157,476)</b>	<b>(6,622)</b>	<b>(135,582)</b>	<b>(10,222)</b>
- Tax income / (expense) for the period	24	(7,836)	(14,319)	2,852	(4,676)
- Deferred tax income / (expense)	24	(149,640)	7,697	(138,434)	(5,546)
<b>Net profit</b>		<b>1,272,358</b>	<b>979,864</b>	<b>353,839</b>	<b>345,946</b>
<b>Earnings per share with a nominal value Kr</b>	<b>25</b>	<b>3.63 Kr</b>	<b>2.79 Kr</b>	<b>1.01 Kr</b>	<b>0.99 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 INTERIM PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

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

	Note	Unaudited 1 January 2018 - 30 September 2018	Unaudited 1 January 2017 - 30 September 2017	Unaudited 1 July 2018 - 30 September 2018	Unaudited 1 July 2017 - 30 September 2017
<b>Net Profit</b>		<b>1,272,358</b>	<b>979,864</b>	<b>353,839</b>	<b>345,946</b>
<b>Other comprehensive income / (expense)</b>					
<b>Other comprehensive income not to be reclassified to profit or loss</b>					
(Losses) / gains on remeasurements of defined benefit plans	17	9,355	(828)	7,599	(2,284)
<b>Other comprehensive income tax not to be reclassified to profit or loss</b>					
Taxes relating to remeasurements of defined benefit plans	17	(1,871)	166	(1,520)	457
<b>Other comprehensive income to be reclassified to profit or loss</b>					
(Losses) / gains from financial assets measured at fair value through other comprehensive income	17	(5,736)	(4,555)	1,062	(1,377)
Gains / (losses) on cash flow hedges	17	(954,974)	(125,172)	(688,576)	(45,227)
<b>Other comprehensive income taxes to be reclassified to profit or loss</b>					
Taxes relating to gains / (losses) from financial assets measured at fair value through other comprehensive income	17	286	228	(54)	69
Taxes relating to cash flow hedges	17	205,331	25,034	147,033	9,045
<b>Other comprehensive income / (loss)</b>		<b>(747,609)</b>	<b>(105,127)</b>	<b>(534,456)</b>	<b>(39,317)</b>
<b>Total comprehensive income</b>		<b>524,749</b>	<b>874,737</b>	<b>(180,617)</b>	<b>306,629</b>

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

# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

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

	Paid-in capital	Inflation adjustments on capital	Share premium	Other comprehensive income reclassified in profit or loss	Cash flow hedge reserve	Other comprehensive income not to be reclassified profit or loss	Restricted reserves	Retained earnings		Total equity
				Gains / (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 2017</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>16,890</b>	<b>(336,189)</b>	<b>(14,019)</b>	<b>284,207</b>	<b>1,878,584</b>	<b>955,308</b>	<b>3,163,619</b>
Profit for the period	-	-	-	-	-	-	-	-	979,864	979,864
Other comprehensive income / (loss)	-	-	-	(4,327)	(100,138)	(662)	-	-	-	(105,127)
Total comprehensive income	-	-	-	(4,327)	(100,138)	(662)	-	-	979,864	874,737
Transfers	-	-	-	-	-	-	38,249	917,059	(955,308)	-
Dividends (Note 17)	-	-	-	-	-	-	-	(400,037)	-	(400,037)
<b>Balances at 30 September 2017</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>12,563</b>	<b>(436,327)</b>	<b>(14,681)</b>	<b>322,456</b>	<b>2,395,606</b>	<b>979,864</b>	<b>3,638,319</b>
<b>Balances at 1 January 2018</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>15,608</b>	<b>(503,120)</b>	<b>(14,001)</b>	<b>254,404</b>	<b>2,074,147</b>	<b>1,489,983</b>	<b>3,695,859</b>
Profit for the period	-	-	-	-	-	-	-	-	1,272,358	1,272,358
Other comprehensive income / (loss)	-	-	-	(5,450)	(749,643)	7,484	-	-	-	(747,609)
Total comprehensive income	-	-	-	(5,450)	(749,643)	7,484	-	-	1,272,358	524,749
Transfers	-	-	-	-	-	-	78,253	1,411,730	(1,489,983)	-
Dividends (Note 17)	-	-	-	-	-	-	-	(800,075)	-	(800,075)
<b>Balances at 30 September 2018</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>10,158</b>	<b>(1,252,763)</b>	<b>(6,517)</b>	<b>332,657</b>	<b>2,685,802</b>	<b>1,272,358</b>	<b>3,420,533</b>

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

# FORD OTOMOTİV SANAYİ A.Ş.

## STATEMENT OF CASH FLOWS

### FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

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

	Note	Current period unaudited 30 September 2018	Previous period unaudited 30 September 2017
<b>Cash flows generated from / (used in) operating activities</b>		<b>1,311,486</b>	<b>952,132</b>
Net profit for the period		1,272,358	979,864
<b>Adjustments to reconcile profit or loss</b>		<b>1,759,171</b>	<b>748,116</b>
Adjustments for depreciation and amortisation expense	10,11	417,724	353,128
Adjustments for impairment loss of inventories	9	15,020	(1,467)
Adjustments for provisions related with employee benefits		33,917	46,491
Adjustments for lawsuit and/or penalty provisions	13	8,582	9,470
Adjustments for warranty provisions	13	82,523	104,802
Adjustments for other provisions		34,536	1,677
Adjustments for dividend income	29	(410)	(351)
Adjustments for interest income	22	(59,534)	(50,507)
Adjustments for interest expense	23	40,100	31,514
Adjustments for tax expenses	24	157,476	6,622
Adjustments for unearned financing income	21	(135,713)	(91,370)
Adjustments for deferred financing expense	21	210,088	120,628
Adjustments for loss on sales of property, plant and equipment	29	3,616	1,673
Other adjustments for which cash effects are investing or financing cash flow		951,225	215,806
Undistributed profits of investments accounted for by the equity method	32	21	-
<b>Changes in working capital</b>		<b>(1,500,512)</b>	<b>(649,192)</b>
Decrease / (increase) in trade receivable		(237,399)	(376,321)
(Increase) / decrease in inventories		(1,205,611)	(67,518)
(Increase) / decrease in prepaid expenses		(111,491)	(130,611)
Increase / (decrease) in trade payable		219,251	(154,976)
(Increase) / decrease in other assets		(142,470)	56,936
Increase / (decrease) in other payables		(22,792)	23,298
<b>Cash flows generated from operations</b>		<b>1,531,017</b>	<b>1,078,788</b>
Interest paid		(220,330)	(117,866)
Interest received		126,373	87,623
Payments related with provisions for employee benefits	15	(12,901)	(8,366)
Payments related with other provisions		(97,844)	(77,677)
Taxes paid		(14,829)	(10,370)
<b>Cash flows used in investing activities</b>		<b>(785,655)</b>	<b>(593,131)</b>
Proceeds from sales of property, plant and equipment		35,927	1,112
Purchase of property, plant and equipment		(548,296)	(306,731)
Purchase of intangible assets		(172,718)	(118,918)
Cash advances given and payables		(99,951)	(168,945)
Dividends received	29	410	351
Cash outflows from acquisition or share or debt instruments of other entities		(1,027)	-
<b>Cash flows (used in) / generated from financing activities</b>		<b>(950,940)</b>	<b>(52,596)</b>
Proceeds from borrowings		2,115,930	2,113,776
Repayment of borrowings		(2,278,222)	(1,779,532)
Dividends paid	17	(800,075)	(400,037)
Interest paid		(49,455)	(37,310)
Interest received		60,882	50,507
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(425,109)</b>	<b>306,405</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1,802,917</b>	<b>1,189,033</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>1,377,808</b>	<b>1,495,438</b>

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 1. ORGANIZATION AND NATURE OF THE OPERATIONS

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

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

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

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

	Average		Period End	
	2018 September	2017 September	2018 September	2017 December
Hourly	8,474	7,943	8,222	8,847
Salaried	2,601	2,667	2,564	2,654
	<b>11,075</b>	<b>10,610</b>	<b>10,786</b>	<b>11,501</b>

Research and development operations which are also subject to service export is conducted with 1,110 employees in Sancaktepe branch, conducted with 235 employees in R&D centre in Kocaeli plant, and conducted with 113 employees in R&D centre in Eskişehir İnönü plant, totally 1,458 employees as of 30 September 2018 (31 December 2017: 1,508).

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of presentation

##### Financial reporting standards

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

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

# **FORD OTOMOTİV SANAYİ A.Ş.**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

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

---

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

#### **2.1 Basis of presentation (Continued)**

The Company prepared the interim financial statements for the six-months period ended on 30 September 2018 in accordance with the TAS 34 "Interim Financial Reporting" in the framework of the Communiqué Serial XII, No. 14.1 and its related announcements. The interim financial statements and its accompanying notes are consolidated are presented in accordance with the formats recommended by the CMB, including the mandatory information.

In compliance with TAS 34, the entities have preference in presenting their interim financial statements whether full set or condensed. In this framework, the Company has preferred to prepare its interim financial statements in full set.

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

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

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

#### **Going concern**

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

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

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at 30 September 2018 has been provided with the comparative financial information of 31 December 2017 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the interim period between 1 January and 30 September 2018 have been provided with the comparative financial information, for the period between 1 January 2017 and 30 September 2017.

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

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

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

- (a) The new standards, amendments and interpretations which are effective as at 30 September 2018 are as follows:
- TFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
ENDED 30 SEPTEMBER 2018**

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

---

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

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

- TFRS 15, ‘Revenue from contracts with customers’; Effective for annual reporting periods beginning on or after 1 January 2018. The compliance effort with Accepted Accounting Standards in the United States was intended to provide financial reporting of the resulting new standard revenue and comparability of the total income of the financial statements on a worldwide basis.
- Amendment to TFRS 15, ‘Revenue from contracts with customers’; effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- Amendments to TFRS 4, “Insurance contracts” regarding the implementation of TFRS 4, ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- Amendment to TAS 40, “Investment property” relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Amendments to TFRS 2, “Share based payments” on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
ENDED 30 SEPTEMBER 2018**

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

---

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

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

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

- TFRS 1, “First-time adoption of TFRS”; regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10 effective 1 January 2018.
  - TAS 28, ‘Investments in associates and joint venture’ regarding measuring an associate or joint venture at fair value.
- TFRS 22, “Foreign currency transactions and advance consideration”, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- (b)** The following new standards, interpretations and amendments have been issued as of 30 September 2018, which are not yet effective for the current reporting period and have not been early adopted by the Company as of the date of approval of the financial statements for the year then ended. The Company will make necessary changes to affect its financial statements and footnotes after the new standards and interpretations have entered into force, unless otherwise stated.
- 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.
  - 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.
  - 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
ENDED 30 SEPTEMBER 2018**

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

---

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

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

- 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 Group does not expect any material impact on the consolidated financial statements and performance.

- TFRS 17, “Insurance Contracts” is effective for annual reporting periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which allows a wide range of applications. TFRS 17 will change the basis of insurance contracts and the accounting of all entities that issue investment contracts with voluntary participation features.

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.

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.

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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

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

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

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

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

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

Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for receivables, debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, 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 future credit loss experience as well as forecasts for the future.

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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)

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

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

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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)

##### 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 year
Capitalized improvement expenses	Project lifetime
Other intangible assets	5 year

##### Impairment of long-lived assets

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

##### Financial assets

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

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

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

(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)**

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

Interest and dividends associated to the financial assets at fair value through other comprehensive income are accounted under corresponding interest income and dividend income accounts.

##### **Share Premium**

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

##### **Share capital and dividends**

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

##### **Taxes on income**

Taxes include current period income taxes and deferred taxes.

##### Current period income tax

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

##### Deferred tax

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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)

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

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

##### Current and deferred tax

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

##### **Revenue recognition**

##### *Goods & services sales*

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

For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. But if the Company makes a sales agreement with buyback commitment, which shall most likely be applied, the sales made in this scope are not recognized as revenue and monitored under “Other 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).

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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)

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

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

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

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

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

	TRY / USD	TRY / EUR	TRY / GBP
<b>30 September 2018</b>	<b>5,9902</b>	<b>6,9505</b>	<b>7,8079</b>
31 December 2017	3,7719	4,5155	5,0803
30 September 2017	3,5521	4,1924	4,7478

###### **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.

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

(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)**

###### ***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.

###### ***Liquidity risk***

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

###### ***Interest rate risk***

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

###### ***Funding risk***

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

###### ***Foreign exchange risk***

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

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

###### ***Capital risk management***

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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)

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

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

	30 September 2018	31 December 2017
Net financial debt	3,968,466	1,798,102
Total tangible equity	2,628,556	3,005,522
<b>Net financial debt / tangible equity ratio</b>	<b>1.51</b>	<b>0.60</b>

#### 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

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

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

(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 liabilities*

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

###### *Cash flow hedge accounting*

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
ENDED 30 SEPTEMBER 2018**

(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)**

**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.

*Provisions for sales premium*

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

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

(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)**

###### *Warranty expenses provision*

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

###### **Research and development expenses**

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

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

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

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

###### *Operating leases*

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

###### **Leasing - the Company as the lessor**

###### *Operational leasing*

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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)

###### Related parties

Finansal tablolarını hazırlayan işletmeyle (raporlayan işletme) ilişkili olan kişi veya işletmedir.

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.

- (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).

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

(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)**

###### **Reporting of cash flows**

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

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

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

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

###### **Contingent assets and liabilities**

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

###### **Subsequent events**

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

###### **Offsetting**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
ENDED 30 SEPTEMBER 2018**

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

---

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

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

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

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

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

**2.4.1 TFRS 15 “Revenue From Contracts with Customers”**

**Revenue recognition**

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.

- Identify the contact with customers
- Identify separate performance obligations in the contract
- Determine the transaction price in contract
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue

The Company assess the goods or services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer.

For each performance obligation identified, the entity determine at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Company transfers control of a good or service over time and therefore satisfies a performance obligation and recognises revenue over time. Service sales under extended warranty with goods sales are recognized as revenue on a linear basis over the extended warranty period.

The Company recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer. An asset is transferred when the customer obtains control of that asset or service.

The Company considers the following in the assessment of transfer of control of goods sold and services,

- a) The entity has a right to payment for the goods or service,
- b) The customer has legal title to the goods or service,
- c) The entity has transferred physical possession of the asset,
- d) The customer has the significant risks and rewards related to the ownership of the goods or services,
- e) The customer has accepted the goods or services.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
ENDED 30 SEPTEMBER 2018**

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

---

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

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

The Company does not adjust the promised amount of consideration for the effects of a significant financing component since the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If the financing component is significant in revenue, future collections are discounted by the interest rate in financing component. The difference is recognised as income from operating activities in current period.

*First time adoption of TFRS 15 “Revenue From Contracts with Customers”*

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

**2.4.2 TFRS 9 “Financial Instruments”**

*Classification and measurement*

The Company classifies the financial assets as three groups such as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification is made on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

“Financial assets measured at amortised cost”, are the financial assets held within a business model whose objective is to hold financial 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, not have an active market and non derivative financial assets. “Cash and cash equivalents”, “trade receivables” are classified as financial assets measured at amortised cost. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Gains and losses recognised as a result of the fair value adjustments of financial assets amortised at cost and non derivative financial assets are included in the income statement.

“Financial assets measured at fair value through other comprehensive income” consist of the financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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. Any gains or losses arising from the related financial assets are recognized in other comprehensive income except for impairment losses, gains or losses and exchange rate differences income or expenses. In the case of the sale of assets, the valuation differences classified as other comprehensive income are classified as retained earnings.

For investments made on equity-based financial assets, the Company may inadvertently choose the method of reflecting subsequent comprehensive changes in fair value to other comprehensive income during the first financial statement purchase. If such preference is made, it is accounted in the table of dividend income obtained from related investments.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

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

“Financial assets measured at fair value through profit or loss” are consist of assets except for the assets measured at amortised cost and at fair value through other comprehensive income Any gain or loss arising from fair value is recognised in income statement.

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

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

  

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

##### *Impairment*

The recognition of credit losses defined in TMS 39 “Financial Instruments:Recognition and Measurement” which was effective before 1 janury 2018 is replaced by recognition of expected credit losses. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition whether assessed on an individual or collective basis considering all reasonable and supportable information, including that which is forward-looking.

##### *Trade receivables*

The Company has chosen “practical expedient” explained in TFRS 9 for the calculation of impairment of trade receivables (with maturities less than one year) that do not contain a significant financing component and accounted at amortised cost. Accordingly, the Company measured the loss allowance for trade receivables at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that is no longer met, the entity shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Company uses a provision matrix in the calculation of expected credit losses. Provision rate is calculated based on the overdue days of trade receivables and the rates are revised each reporting period if necessary. The change in expected credit losses is recognised in operational expense/income in income statement.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
ENDED 30 SEPTEMBER 2018**

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

---

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

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

*First time adoption of TFRS 9 “Financial assets”*

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

**2.5 Significant accounting estimates and decisions**

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

- (a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15).
- (b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7).
- (c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel’s opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9).
- (d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company’s Legal Counsellor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.
- (e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).
- (f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of 30 September 2018 and 31 December 2017 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 24).
- (g) The Company recognizes depreciation and amortization for its property, plant and equipment and intangibles by taking into account their useful lives that are stated in Note 2 (Notes 10 and 11).

Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of 30 September 2018 and 31 December 2017, there is no impairment determined related to development costs in progress (Note 11).

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

#### 3. SEGMENT REPORTING

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

#### 4. CASH AND CASH EQUIVALENTS

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for foreign currency denominated time deposits is 1.92% ( 31 December 2017: 2.24%) and the weighted average interest rate for the TRY time deposits is 25.96% (31 December 2017: 14.91%).

	30 September 2018	31 December 2017
Banks - TRY time deposits	747,890	724,578
Banks - foreign currency time deposits	536,579	1,039,955
Banks - TRY demand deposits	90,304	35,399
Banks - foreign currency demand deposits	3,035	2,985
<b>Cash and cash equivalents in the cash flow statement</b>	<b>1,377,808</b>	<b>1,802,917</b>
Interest income accrual	1,680	3,028
	<b>1,379,488</b>	<b>1,805,945</b>

#### 5. FINANCIAL ASSETS

	<u>30 September 2018</u>		<u>31 December 2017</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	11,670	0.59	17,406
		<b>11,670</b>		<b>17,406</b>

(\*) The Company’s shareholding in Otokar was stated at market value at 30 September 2018 and 31 December 2017 which is assumed to approximate its fair value.

**FORD OTOMOTİV SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
ENDED 30 SEPTEMBER 2018**

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

**6. FINANCIAL LIABILITIES****Short-term borrowings**

	<b>30 September 2018</b>		<b>31 December 2017</b>	
	<b>Effective interest rate (%)</b>	<b>TRY Amount</b>	<b>Effective interest rate (%)</b>	<b>TRY Amount</b>
- EUR	0.75	2,190,540	0.84	910,746
- USD	-	-	2.41	150,875
- TRY	-	2,570	-	-
		<b>2,193,110</b>		<b>1,061,621</b>

**Short-term portion of long-term borrowings**

- EUR	1.66	910,108	1.80	722,259
		<b>910,108</b>		<b>722,259</b>

<b>Total short-term borrowings</b>		<b>3,103,218</b>		<b>1,783,880</b>
------------------------------------	--	------------------	--	------------------

**Long-term borrowings**

	<b>30 September 2018</b>		<b>31 December 2017</b>	
	<b>Effective interest rate (%)</b>	<b>TRY Amount</b>	<b>Effective interest rate (%)</b>	<b>TRY Amount</b>
- EUR	1.64	2,244,736	1.62	1,820,167
		<b>2,244,736</b>		<b>1,820,167</b>

The payment schedules of long-term bank borrowings as of 30 September 2018 and 31 December 2017 are as follows:

<b>Payment period</b>	<b>30 September 2018</b>	<b>31 December 2017</b>
2019 (October-December)	284,305	551,302
2020	760,204	489,827
2021	564,555	366,299
2022	288,147	186,965
2023	231,683	150,517
2024	115,842	75,257
	<b>2,244,736</b>	<b>1,820,167</b>

The letters of bank guarantee given to financial institutions in connection with borrowings amounting to TRY2,787,883 (31 December 2017: TRY1,432,410) (Note 13).

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 6. FINANCIAL LIABILITIES (Continued)

The movement of financial liabilities as of 30 September 2018 and 2017 is as follows:

	2018	2017
1 January	3,604,047	2,852,130
Effect of cash flows	(162,292)	334,244
Unrealised foreign exchange differences	1,906,199	340,980
<b>30 September</b>	<b>5,347,954</b>	<b>3,527,354</b>

### 7. TRADE RECEIVABLES AND PAYABLES

30 September 2018 31 December 2017

#### Short - term trade receivables

Trade receivables	918,119	1,317,031
Doubtful receivables	4,533	4,533
Less: Unearned credit finance income	(10,902)	(17,285)
	<b>911,750</b>	<b>1,304,279</b>
Less: Provision for doubtful receivables	(4,533)	(4,533)
	<b>907,217</b>	<b>1,299,746</b>

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days (31 December 2017: 25 days), domestic sales of spare parts turnover is 70 days (31 December 2017: 70 days) and discounted by 1.98% monthly effective interest rate (31 December 2017: 1.32%).

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

30 September 2018 31 December 2017

#### Long - term trade receivables

Deposits and guarantees given	3,485	3,002
	<b>3,485</b>	<b>3,002</b>

30 September 2018 31 December 2017

#### Trade payables

Trade payables	2,744,133	2,941,886
Less: Unearned credit finance expense	(28,911)	(20,496)
	<b>2,715,222</b>	<b>2,921,390</b>

The average turnover of trade payables is 60 days (31 December 2017: 60 days) and discounted by 1.98% monthly effective interest rate (31 December 2017: 1.32%).

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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 30 September 2018 and 31 December 2017 is as follows:

30 September 2018	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)	2,696,954	907,217	-	2,385	1,377,808
- The maximum of credit risk covered by guarantees	225,000	894,534	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	2,580,723	892,269	-	2,385	1,377,808
Net book value of financial assets that are overdue but not impaired	116,231	14,948	-	-	-
- Amount of risk covered by guarantees	-	2,265	-	-	-
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 INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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:

30 September 2018	Trade receivables	
	Related party	Other
1-30 days overdue	33,139	10,556
1-3 months overdue	27,415	2,823
3-12 months overdue	53,945	1,443
1-5 years overdue	1,732	126
	<b>116,231</b>	<b>14,948</b>
Risk covered by guarantees	-	2,265

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

#### 8. OTHER RECEIVABLES AND PAYABLES

	30 September 2018	31 December 2017
<b>Other receivables</b>		
Other miscellaneous receivables	2,385	521
	<b>2,385</b>	<b>521</b>
<b>Other payables</b>		
Taxes and funds payable	30,926	42,234
Donation provisions	24,864	-
Marketing expense and other expense accruals	18,331	-
Sales premium accruals	12,003	8,359
Other	7,850	5,792
	<b>93,974</b>	<b>56,385</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

#### 9. INVENTORIES

	30 September 2018	31 December 2017
Raw materials	598,530	410,330
Finished goods	740,702	214,519
Goods in transit	360,540	189,613
Import vehicles	259,483	114,479
Vehicle spare parts	264,581	169,971
Spare parts	44,684	25,014
Other	91,168	32,470
	<b>2,359,688</b>	<b>1,156,396</b>
Less: Provision for impairment of finished goods and vehicle spare parts	(18,926)	(3,906)
	<b>2,340,762</b>	<b>1,152,490</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:

	2018	2017
<b>1 January</b>	<b>3,906</b>	<b>5,232</b>
Change within the period	15,020	(1,467)
<b>30 September</b>	<b>18,926</b>	<b>3,765</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 INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

#### 10. PROPERTY, PLANT AND EQUIPMENT

1 January 2018	Land	Land improvements	Buildings	Machine & equipment	Models & moulds	Fixture & furniture	Vehicles (*)	Construction in progress	Total
Cost	12,269	163,711	977,033	2,600,505	2,386,432	407,829	123,031	114,972	6,785,782
Accumulated depreciation	-	(77,166)	(401,565)	(1,270,803)	(1,226,214)	(251,898)	(21,916)	-	(3,249,562)
<b>Net book value</b>	<b>12,269</b>	<b>86,545</b>	<b>575,468</b>	<b>1,329,702</b>	<b>1,160,218</b>	<b>155,931</b>	<b>101,115</b>	<b>114,972</b>	<b>3,536,220</b>
<b>For the period ended 30 September 2018</b>									
Opening net book value	12,269	86,545	575,468	1,329,702	1,160,218	155,931	101,115	114,972	3,536,220
Additions	-	2,055	7,493	160,158	295,497	24,420	4,170	66,177	559,970
Transfers	-	12,938	8,501	15,094	8,134	2,014	-	(46,681)	-
Disposals	-	(8)	(767)	(9,197)	(3,594)	(1,091)	(52,606)	-	(67,263)
Depreciation charge	-	(4,746)	(23,827)	(111,252)	(173,708)	(24,540)	(8,573)	-	(346,646)
Disposals from accumulated depreciation	-	8	767	8,872	1,800	827	15,446	-	27,720
<b>Closing net book value</b>	<b>12,269</b>	<b>96,792</b>	<b>567,635</b>	<b>1,393,377</b>	<b>1,288,347</b>	<b>157,561</b>	<b>59,552</b>	<b>134,468</b>	<b>3,710,001</b>
<b>30 September 2018</b>									
Cost	12,269	178,696	992,260	2,766,560	2,686,469	433,172	74,595	134,468	7,278,489
Accumulated depreciation	-	(81,904)	(424,625)	(1,373,183)	(1,398,122)	(275,611)	(15,043)	-	(3,568,488)
<b>Net book value</b>	<b>12,269</b>	<b>96,792</b>	<b>567,635</b>	<b>1,393,377</b>	<b>1,288,347</b>	<b>157,561</b>	<b>59,552</b>	<b>134,468</b>	<b>3,710,001</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 and interest costs equal to an amount of TRY9,355 (31 December 2017: TRY9,857) has been recognized under property, plant and equipment according to the cumulative approach within the context of TMS 23 as of 30 September 2018

There is no collateral, pledge or mortgage on tangible assets as of 30 September 2018 and 2017.

(\*) The Company makes a part of its truck sales with buyback commitment and trucks sold in this scope are monitored in “Vehicles” under Property, Plant and Equipment and their cost value amounts to TRY57,934 (31 December 2017: TRY103,636).

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

1 January 2017	Land	Land improvements	Buildings	Machine & equipment	Models & moulds	Fixture & furniture	Vehicles (*)	Construction in progress	Total
Cost	12,269	155,317	938,595	2,406,475	2,097,201	382,723	91,150	93,680	6,177,410
Accumulated depreciation	-	(71,313)	(370,831)	(1,145,067)	(1,053,373)	(219,873)	(14,208)	-	(2,874,665)
<b>Net book value</b>	<b>12,269</b>	<b>84,004</b>	<b>567,764</b>	<b>1,261,408</b>	<b>1,043,828</b>	<b>162,850</b>	<b>76,942</b>	<b>93,680</b>	<b>3,302,745</b>
<b>For the period ended 30 September 2017</b>									
Opening net book value	12,269	84,004	567,764	1,261,408	1,043,828	162,850	76,942	93,680	3,302,745
Additions	-	6,088	5,078	91,312	121,881	19,723	14,531	66,897	325,510
Transfers	-	48	5,482	13,721	3,669	-	5,133	(28,053)	-
Disposals	-	-	-	(8,904)	(1,608)	(351)	(3,030)	-	(13,893)
Depreciation charge	-	(4,368)	(23,592)	(104,975)	(129,983)	(24,707)	(7,524)	-	(295,149)
Disposals from accumulated depreciation	-	-	-	8,314	1,608	257	929	-	11,108
<b>Closing net book value</b>	<b>12,269</b>	<b>85,772</b>	<b>554,732</b>	<b>1,260,876</b>	<b>1,039,395</b>	<b>157,772</b>	<b>86,981</b>	<b>132,524</b>	<b>3,330,321</b>
<b>30 September 2017</b>									
Cost	12,269	161,453	949,155	2,502,604	2,221,143	402,095	107,784	132,524	6,489,027
Accumulated depreciation	-	(75,681)	(394,423)	(1,241,728)	(1,181,748)	(244,323)	(20,803)	-	(3,158,706)
<b>Net book value</b>	<b>12,269</b>	<b>85,772</b>	<b>554,732</b>	<b>1,260,876</b>	<b>1,039,395</b>	<b>157,772</b>	<b>86,981</b>	<b>132,524</b>	<b>3,330,321</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

The allocation of depreciation expense as of 30 September 2018 and 2017 is as follows:

	30 September 2018	30 September 2017
Cost of production (Note 18)	320,780	273,937
Research and development expenses (Note 19)	13,223	12,041
General administrative expenses (Note 19)	6,800	6,070
Marketing expenses (Note 19)	2,290	2,201
Associated with construction in progress	3,553	900
	<b>346,646</b>	<b>295,149</b>

### 11. INTANGIBLE ASSETS

1 January 2018	Rights	Development cost	Development cost in progress	Other	Total
Cost	55,093	652,389	330,166	7,556	1,045,204
Accumulated amortisation	(45,405)	(303,302)	-	(6,160)	(354,867)
<b>Net book value</b>	<b>9,688</b>	<b>349,087</b>	<b>330,166</b>	<b>1,396</b>	<b>690,337</b>
<b>For the period ended 30 September 2018</b>					
Opening net book value	9,688	349,087	330,166	1,396	690,337
Additions	5,635	167,023	-	60	172,718
Transfers	-	264,136	(264,136)	-	-
Amortisation charge	(8,720)	(62,132)	-	(226)	(71,078)
<b>Closing net book value</b>	<b>6,603</b>	<b>718,114</b>	<b>66,030</b>	<b>1,230</b>	<b>791,977</b>
<b>30 September 2018</b>					
Cost	60,728	1,083,548	66,030	7,616	1,217,922
Accumulated amortisation	(54,125)	(365,434)	-	(6,386)	(425,945)
<b>Net book value</b>	<b>6,603</b>	<b>718,114</b>	<b>66,030</b>	<b>1,230</b>	<b>791,977</b>

There is no fully depreciated intangible assets as of 30 September 2018. As of 30 September 2018, there is no capitalized interest costs and foreign exchange differences in accordance with TMS 23 (31 December 2017: None).

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 11. INTANGIBLE ASSETS (Continued)

1 January 2018	Rights	Development cost	Development cost in progress	Other	Total
Cost	40,352	653,879	129,107	6,483	829,821
Accumulated amortisation	(36,497)	(235,286)	-	(5,475)	(277,258)
<b>Net book value</b>	<b>3,855</b>	<b>418,593</b>	<b>129,107</b>	<b>1,008</b>	<b>552,563</b>
<b>For the period ended 30 September 2017</b>					
Opening net book value	3,855	418,593	129,107	1,008	552,563
Additions	6,045	-	111,986	887	118,918
Amortisation charge	(6,425)	(51,028)	-	(526)	(57,979)
<b>Closing net book value</b>	<b>3,475</b>	<b>367,565</b>	<b>241,093</b>	<b>1,369</b>	<b>613,502</b>
<b>30 September 2017</b>					
Cost	46,397	653,879	241,093	7,370	948,739
Accumulated amortisation	(42,922)	(286,314)	-	(6,001)	(335,237)
<b>Net book value</b>	<b>3,475</b>	<b>367,565</b>	<b>241,093</b>	<b>1,369</b>	<b>613,502</b>

The allocation of amortisation charges of intangible assets relating to 30 September 2018 and 2017 is as follows:

	30 September 2018	30 September 2017
Cost of production (Note 18)	63,988	52,235
General administrative expenses (Note 19)	4,471	3,243
Research and development expenses (Note 19)	2,115	2,093
Marketing expenses (Note 19)	487	323
Associated with construction in progress	17	85
	<b>71,078</b>	<b>57,979</b>

### 12. PREPAID EXPENSES

Short - term prepaid expenses	30 September 2018	31 December 2017
Advances given for inventories	183,548	86,338
Other prepaid expenses	22,106	15,641
	<b>205,654</b>	<b>101,979</b>
Long - term prepaid expenses	30 September 2018	31 December 2017
Advances given for investments (*)	400,756	300,805
Other prepaid expenses	18,303	10,487
	<b>419,059</b>	<b>311,292</b>

(\*) Advances given for investments are related to the Company’s new vehicle investments. TRY269,569 (31 December 2017: TRY244,988) is given to domestic vendors as mould advances and TRY131,187 (31 December 2017: TRY55,817) is given for the new project investments.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

#### 13. PROVISIONS, 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

	30 September 2018	31 December 2017
Warranty expense provision	100,676	108,900
Provisions for sales premium (*)	85,250	50,714
	<b>185,926</b>	<b>159,614</b>

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

##### Long-term provisions

	30 September 2018	31 December 2017
Warranty expense provision	121,157	122,625
Provisions for lawsuits	49,613	46,660
	<b>170,770</b>	<b>169,285</b>

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

	2018	2017
<b>1 January</b>	<b>46,660</b>	<b>39,295</b>
Paid during the period	(5,629)	(3,413)
Additions during the period	8,582	9,470
<b>30 September</b>	<b>49,613</b>	<b>45,352</b>

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

	2018	2017
<b>1 January</b>	<b>231,525</b>	<b>154,387</b>
Paid during the period	(92,215)	(74,264)
Additions during the period (Note 19)	82,523	104,802
<b>30 September</b>	<b>221,833</b>	<b>184,925</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

Letters of guarantee and letters of credit	30 September 2018	31 December 2017
Letters of guarantee given to financial institutions due to bank loans	2,787,883	1,432,410
Letters of guarantee given to customs	74,096	49,762
Letters of guarantees given to other parties	14,919	14,102
	<b>2,876,898</b>	<b>1,496,274</b>

Letters of guarantee given	30 September 2018		31 December 2017	
	Original currency	TRY amount	Original currency	TRY amount
Euro	411,377	2,859,274	293,866	1,326,954
USD	13	78	40,013	150,925
TRY	17,546	17,546	18,395	18,395
		<b>2,876,898</b>		<b>1,496,274</b>

The allocation of collaterals, pledges and mortgages as of 30 September 2018 and 31 December 2017 as follows:

Collaterals, pledges and mortgages given by the Company	30 September 2018	31 December 2017
A. Total amount of collaterals/pledges/mortgages given for its own Legal entity	2,876,898	1,496,274
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	-	-
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of collaterals/pledges/mortgages given for the parent company	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section	-	-
	<b>2,876,898</b>	<b>1,496,274</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

As of 30 September 2018 and 31 December 2017, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows:

##### Letters of guarantee received

	30 September 2018		31 December 2017	
	Original currency	TRY amount	Original currency	TRY amount
TRY	139,788	139,788	213,657	213,657
Euro	13,031	90,575	13,358	60,318
USD	548	3,283	4,602	17,358
		<b>233,646</b>		<b>291,333</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 December 2017. As of 30 September 2018, due to the depreciation of the Turkish Lira, this rate has been above the specified limits and the Company has submitted a waiver request from the related institutions for long-term credit agreements and received positive turn. In the case of monetary erosion, the ratios to be calculated on the cash generation capacity of the Company are being discussed instead of the financial ratios based on the Turkish lira denominated equity.

#### 14. COMMITMENTS

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

- a) Based on the one year credit agreements made in 2018, amounting to Euro 40,000,000 with Yapı Kredi and amounting to Euro 60,000,000 with İş Bankası A.Ş., totally Euro 100,000,000, the Company is required to ensure that its export proceeds up to an amount equal to Euro 80,000,000 is transacted through Yapı Kredi and Euro 120,000,000 is transacted through İş Bankası, totalling Euro 200,000,000 for the year 2018.
- b) The Company, also committed to Türkiye İhracat Kredi Bankası A.Ş (Eximbank);
  - With 8 months term credit amounting to Euro 70,000,000 used in March 2018 an export amount of Euro 70,000,000,
  - With 8 months term credit amounting to Euro 40,000,000 used in May 2018 an export amount of Euro 40,000,000,
  - With 8 months term credit amounting to Euro 30,000,000 used in June 2018 an export amount of Euro 30,000,000.
  - With 8 months term credit amounting to Euro 40,000,000 used in July 2018 an export amount of Euro 40,000,000.
  - With 8 months term credit amounting to Euro 70,000,000 used in August 2018 an export amount of Euro 70,000,000.
  - With 8 months term credit amounting to Euro 35,000,000 used in September 2018 an export amount of Euro 35,000,000.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

#### 14. COMMITMENTS (Continued)

##### Operational lease commitments

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

	30 September 2018	31 December 2017
Within 1 year	15,411	8,282
Between 1 year to 5 years	22,783	10,053
	<b>38,194</b>	<b>18,335</b>

#### 15. EMPLOYEE BENEFITS

##### Liabilities for employee benefit obligations

	30 September 2018	31 December 2017
Salaries and social charges payable	92,508	110,644
Social security premiums payable	48,391	40,402
Withholding income tax payable	15,271	30,298
Other	3,283	2,748
	<b>159,453</b>	<b>184,092</b>

##### Provision for employee benefits

	30 September 2018	31 December 2017
Provision for employment termination benefits	163,179	131,726
Provision for unused vacation pay liability	26,605	21,758
	<b>189,784</b>	<b>153,484</b>

##### 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 TRY5,434.42 for each year of service as of 1 July 2018 (1 January 2018: Full TRY5,001.76).

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

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

#### 15. EMPLOYEE BENEFITS (Continued)

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

	30 September 2018	31 December 2017
Discount rate (%)	11,8	11,8
Expected salary increase rate (%)	6,5	6,5
Net discount rate	4,9	4,9
<b>Turnover rate to estimate the probability of retirement (%)</b>	<b>96,0</b>	<b>96,0</b>

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 TRY5,434.42 which was effective as of July 1, 2018 (1 January 2018: Full TRY5,001.76) has been used in the calculations.

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

	2018	2017
<b>1 January</b>	<b>131,726</b>	<b>110,025</b>
Interest cost	11,628	8,887
Current year service cost	42,081	15,237
Paid during the period	(12,901)	(8,366)
Actuarial (losses) / gains	(9,355)	828
<b>30 September</b>	<b>163,179</b>	<b>126,611</b>

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 30 September 2018 is below:

Sensitivity level	Net discount rate		Turnover rate related to the probability of retirement	
	%0,5 baz decrease	%0,5 baz increase	%0,5 baz decrease	%0,5 baz increase
Rate (%)	(4,4)	(5,4)	95,5	96,5
Change in provision for employee benefits	8,635	(7,710)	(6,331)	6,940

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

#### 16. OTHER CURRENT ASSETS

	30 September 2018	31 December 2017
VAT to be deducted (*)	531,233	371,827
Prepaid taxes and withholding	9,909	12,682
Other	8,585	20,052
	<b>549,727</b>	<b>404,561</b>

(\*) VAT to be deducted includes export VAT receivables related to August and September 2018. VAT return for August amounting to full TRY 88 million has been collected in October 2018.

#### 17. EQUITY

The composition of the Company’s paid-in capital as of 30 September 2018 and 31 December 2017 is as follows:

Shareholders	Share Group	30 September 2018	Shareholders percentage (%)	31 December 2017	Shareholders percentage (%)
Koç Holding A.Ş.	B	134,953	38.46	134,953	38.46
Temel Ticaret ve Yatırım A.Ş.	B	2,356	0.67	2,356	0.67
Ford Motor Company	C	143,997	41.04	143,997	41.04
Vehbi Koç Vakfi	A	3,559	1.01	3,559	1.01
Koç Holding Emekli ve Yardım Sandığı Vakfi	A	3,259	0.93	3,259	0.93
Other (Publicly Held)	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>	

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

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

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

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned reserves under “Restricted reserves”, the amount of restricted reserves is TRY332,657 as of 30 September 2018 (31 December 2017 : TRY254,404).

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

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

---

#### **17. EQUITY (Continued)**

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

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

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

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

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

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 17. EQUITY (Continued)

In accordance with Communiqué No: II-14,1, “Communiqué on the Principles of Financial Reporting In Capital Markets”, equity schedule at 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Issued capital	350,910	350,910
Inflation adjustments on capital	27,920	27,920
Share premium	8	8
Gains from financial assets measured at fair value through other comprehensive income	10,158	15,608
Losses on cash flow hedge	(1,252,763)	(503,120)
Losses on remeasurements of defined benefit plans	(6,517)	(14,001)
<b>Restricted reserves</b>	<b>332,657</b>	<b>254,404</b>
- Legal reserves	332,657	254,404
<b>Retained earnings</b>	<b>2,685,802</b>	<b>2,074,147</b>
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	2,257,501	1,645,846
<b>Net income for the period</b>	<b>1,272,358</b>	<b>1,489,983</b>
<b>Total equity</b>	<b>3,420,533</b>	<b>3,695,859</b>

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended 30 September 2018 and 31 December 2017 are as follows:

30 September 2018	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	332,657	391,410	58,753
Extraordinary reserves	2,257,501	2,626,646	369,145
Share premium	8	361	353
Other reserves	-	50	50
	<b>2,941,076</b>	<b>3,397,297</b>	<b>456,221</b>
31 December 2017	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	254,404	313,157	58,753
Extraordinary reserves	1,645,846	2,014,991	369,145
Share premium	8	361	353
Other reserves	-	50	50
	<b>2,251,168</b>	<b>2,707,389</b>	<b>456,221</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 17. EQUITY (Continued)

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

Otokar shares which are publicly traded in BIST are valued at their closing price as of 30 September 2018 and 30 September 2017. As of 30 September 2018, fair value change (negative) amounting to TRY(5,450) net of deferred tax, (30 September 2017: TRY4,327) is shown in statement of comprehensive income.

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

	2018	2017
<b>1 January</b>	<b>(501,513)</b>	<b>(333,318)</b>
(Losses) from financial assets measured at fair value through other comprehensive income	(5,450)	(4,327)
Actuarial gains / (losses)	7,484	(662)
Losses on cash flow hedges	(749,643)	(100,138)
<b>30 September</b>	<b>(1,249,122)</b>	<b>(438,445)</b>

### 18. REVENUE AND COST OF SALES

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Export sales	18,779,500	12,410,717	6,680,992	3,735,195
Domestic sales	5,006,471	5,186,737	1,277,540	1,923,827
Other sales	122,911	85,011	35,262	29,718
Less: Discounts	(664,499)	(544,225)	(221,769)	(203,108)
	<b>23,244,383</b>	<b>17,138,240</b>	<b>7,772,025</b>	<b>5,485,632</b>

#### Units of vehicle sales

	1 January - 30 September 2018			1 January - 30 September 2017		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	3,818	119,709	123,527	4,972	112,269	117,241
Transit	12,352	87,946	100,298	18,236	73,614	91,850
Transit Courier	16,359	29,477	45,836	22,265	24,685	46,950
Passenger vehicles	15,210	135	15,345	22,779	444	23,223
Cargo	2,882	1,157	4,039	3,259	625	3,884
Ranger	1,129	34	1,163	1,600	32	1,632
New Transit Connect	722	-	722	1,259	26	1,285
	<b>52,472</b>	<b>238,458</b>	<b>290,930</b>	<b>74,370</b>	<b>211,695</b>	<b>286,065</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 18. REVENUE AND COST OF SALES (Continued)

	1 July - 30 September 2018			1 July - 30 September 2017		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	614	35,612	36,226	2,193	33,020	35,213
Transit	2,868	26,770	29,638	7,002	19,688	26,690
Transit Courier	2,970	10,478	13,448	6,488	6,254	12,742
Passenger vehicles	3,645	51	3,696	7,594	68	7,662
Cargo	511	381	892	1,268	247	1,515
Ranger	458	-	458	698	18	716
New Transit Connect	210	-	210	468	12	480
	<b>11,276</b>	<b>73,292</b>	<b>84,568</b>	<b>25,711</b>	<b>59,307</b>	<b>85,018</b>

Summaries of cost of production as of 30 September 2018 and 2017 are as follows:

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Raw material cost	(17,603,639)	(12,176,745)	(5,910,413)	(3,682,976)
Production overhead costs	(1,087,883)	(862,386)	(364,716)	(311,263)
Amortization expenses (Note 10 ve 11)	(384,768)	(326,172)	(136,347)	(107,903)
Changes in finished goods	511,163	14,894	83,419	(37,861)
<b>Total production cost</b>	<b>(18,565,127)</b>	<b>(13,350,409)</b>	<b>(6,328,057)</b>	<b>(4,140,003)</b>
Cost of trade goods sold	(2,178,576)	(1,987,842)	(621,883)	(717,546)
<b>Total cost of sales</b>	<b>(20,743,703)</b>	<b>(15,338,251)</b>	<b>(6,949,940)</b>	<b>(4,857,549)</b>

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

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
<b>Marketing expenses</b>				
Warranty expenses (Note 13)	(82,523)	(104,802)	(19,617)	(45,401)
Personnel expenses	(73,935)	(60,672)	(24,022)	(20,545)
Advertising expenses	(69,718)	(68,319)	(26,819)	(15,646)
Vehicle transportation expenses	(35,157)	(37,686)	(10,068)	(13,330)
Spare parts transportation and packaging expenses	(21,910)	(16,916)	(8,046)	(5,492)
Export expenses	(12,957)	(10,762)	(4,334)	(3,402)
Dealer and service development expenses	(7,729)	(13,662)	(595)	(4,959)
Depreciation and amortization expenses (Note 10 ve 11)	(2,777)	(2,524)	(912)	(881)
<b>Total</b>	<b>(67,387)</b>	<b>(35,665)</b>	<b>(27,189)</b>	<b>(8,766)</b>
	<b>(374,093)</b>	<b>(351,008)</b>	<b>(121,602)</b>	<b>(118,422)</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 19. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (Continued)

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
<b>General administrative expenses</b>				
Personnel expenses	(92,881)	(76,274)	(30,444)	(25,354)
Grants and donations	(33,609)	(19,302)	(9,793)	(6,707)
Legal, consulting and auditing expenses	(25,351)	(23,782)	(8,614)	(8,739)
New project administrative expenses	(16,643)	(4,999)	(7,464)	(3,092)
Organization expenses	(15,385)	(8,778)	(6,537)	(1,905)
Depreciation and amortization expenses (Note 10 ve 11)	(11,271)	(9,313)	(3,931)	(3,258)
Transportation and travel expenses	(5,858)	(4,594)	(2,954)	(1,694)
Repair, maintenance and energy expenses	(3,856)	(2,604)	(2,031)	(850)
Duties, taxes and levies	(2,328)	(2,931)	(731)	(652)
Other	(34,055)	(22,727)	(11,021)	(9,158)
	<b>(241,237)</b>	<b>(175,304)</b>	<b>(83,520)</b>	<b>(61,409)</b>

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
<b>Research and development expenses</b>				
Personnel expenses	(130,436)	(110,810)	(41,647)	(33,690)
Project costs	(85,386)	(55,079)	(31,657)	(18,953)
Mechanization expenses	(43,589)	(34,455)	(17,267)	(12,494)
Depreciation and amortization expenses (Note 10 ve 11)	(15,338)	(14,134)	(5,052)	(4,773)
Other	(6,516)	(7,160)	(2,060)	(4,179)
	<b>(281,265)</b>	<b>(221,638)</b>	<b>(97,683)</b>	<b>(74,089)</b>

### 20. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 30 September 2018 and 2017 is as follows:

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Raw material cost	(17,603,639)	(12,176,745)	(5,910,413)	(3,682,976)
Cost of trade goods sold	(2,178,576)	(1,987,842)	(621,883)	(717,546)
Financial expenses	(1,508,168)	(408,953)	(1,100,155)	(154,464)
Personnel expenses	(917,923)	(696,959)	(301,593)	(235,029)
Other operational expenses	(569,958)	(474,223)	(196,797)	(165,419)
Other overhead costs	(467,212)	(413,183)	(159,236)	(155,823)
Other expenses from operating activities	(423,234)	(188,838)	(154,158)	(57,095)
Depreciation and amortization expenses	(414,153)	(352,143)	(146,242)	(116,815)
Expenses from investing activities	(3,616)	(1,685)	(1,446)	(205)
Expense from investment accounted for by equity method	(21)	-	(21)	-
Changes in inventories	511,163	14,894	83,419	(37,861)
<b>Total expenses</b>	<b>(23,575,337)</b>	<b>(16,685,677)</b>	<b>(8,508,525)</b>	<b>(5,323,233)</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 21. OTHER OPERATING INCOME / EXPENSES

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
<b>Other operating income</b>				
Foreign exchange gains				
related to trade receivables and payables	489,502	121,339	288,589	51,101
Unearned financial income	135,713	91,370	48,939	36,667
License income	11,690	9,131	5,774	2,913
Price difference and claim recovery	8,941	9,782	3,673	1,230
Rent income	5,142	3,687	1,611	860
Commission income	3,355	3,947	776	1,406
Previous period corporate tax corrections	-	3,302	-	2,327
Other	33,106	22,691	15,269	6,794
	<b>687,449</b>	<b>265,249</b>	<b>364,631</b>	<b>103,298</b>
	<b>1 January - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2018</b>	<b>1 July - 30 September 2017</b>
<b>Other operating expenses</b>				
Foreign exchange losses				
related to trade receivables and payables	(211,222)	(65,558)	(79,698)	(12,881)
Unearned financial expense	(210,088)	(120,628)	(74,896)	(43,858)
Other	(1,924)	(2,652)	436	(356)
	<b>(423,234)</b>	<b>(188,838)</b>	<b>(154,158)</b>	<b>(57,095)</b>

### 22. FINANCIAL INCOME

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Foreign exchange gains	1,013,395	217,804	838,776	68,433
Interest income	59,534	50,507	24,426	22,038
Other	-	-	(1,912)	-
	<b>1,072,929</b>	<b>268,311</b>	<b>861,290</b>	<b>90,471</b>

### 23. FINANCIAL EXPENSES

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Foreign exchange losses	(1,446,873)	(362,259)	(1,076,673)	(138,316)
Interest expenses	(40,100)	(31,514)	(16,872)	(14,554)
Other	(21,195)	(15,180)	(6,610)	(1,594)
	<b>(1,508,168)</b>	<b>(408,953)</b>	<b>(1,100,155)</b>	<b>(154,464)</b>

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

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

---

#### **24. TAX ASSETS AND LIABILITIES**

Corporate Tax Law was amended by the Law No, 5520 dated June 13, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from January 1, 2006. Accordingly, the corporate tax rate for the fiscal year 2018 is 22% (31 December 2017: 20%). Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc.) and corporate income tax deductions (e.g. research and development expenditures deduction). No further tax is payable unless the profit is distributed.

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

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

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

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

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 30 September 2018, the Company utilised R&D incentive exemption amounting of TRY336,057 (30 September 2017: TRY331,353) in return for the legal tax.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

Within the scope of the 2009/15199 Decree of the Council of Ministers on State Aid for Investments, the Company has received a Large-Scale Investment Incentive Certificate with an investment contribution rate of 30% for investments in the New Generation Transit and new product Transit Custom model. The total investment amount is TRY559,295 investment expenditures have been made, the document closed in 2013.

Within the scope of the "Decree of the Council of Ministers on State Aids in Investments" number 2012/3305 re-arranging the investment incentive system;

- In the Kocaeli Gölcük Plant, for the New Generation Transit expenditures, amounting to TRY1,194,398 in 2013 (with the investment expenditure of TRY1,300,573 in 2017, the document closing process is continuing),
- In Kocaeli Yeniköy Plant, for the new model Transit Courier investment, amounting to TRY697,394 in 2013 (completed with investment expenditures of TRY798,311 in 2016 and the document was closed in 2018),
- For the production of new 6 and 4-cylinder engines for use in Ford Cargo Truck and Ford Transit vehicles at the Eskişehir İnönü Plant, in 2013 amounting to TRY187,379,
- In Eskişehir Inonu Plant, for Euro 6 emission truck manufacturing expense investment amounting to TRY331,362 in 2014,
- For the renewal and factory modernization investments of Ford Transit, Ford Transit Courier and Ford Transit Custom models, which are still in production at Kocaeli Plant, in 2016 amounting to TRY849,160,

Priority Investment Incentive Certificates were received. These investments have an investment contribution rate of 40% and the investment of Kocaeli Gölcük Plant, which exceeds 1 billion TRY, benefits from the contribution rate of 10% additional investment. With the Decision of Council of Ministers dated 13.02,2017 numbered 2017/9917; 15 points have been added to the investment contribution rate for the investment expenditures to be realized between 01.01,2017 - 31.12,2017. This period has been extended until 31.12,2018 with the decision of the Council of Ministers dated 25.12,2017 numbered 2017/11175.

As of the date of the balance sheet, the investment expenditures amounting to TRY3,246,784 (30 September 2017: TRY2,448,857) was made in the framework of the related new investment incentive certificates.

The Company utilized discounted corporate taxation amounting to TRY45,288 (30 September 2017: TRY112,044) in the current year and this amount has been deducted from the total deferred tax asset.

The Company's net tax position as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Current year corporate tax expense	(7,836)	(19,511)
Prepaid tax and withholding	8,439	13,121
<b>Current years' profit tax asset / (liability)</b>	<b>603</b>	<b>(6,390)</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

The taxation on income for the periods ended 30 September 2018 and 2017 are as follows;

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Current year corporate tax expense	(7,836)	(14,319)	2,852	(4,676)
Current year tax effect of cash flow hedge (*)	(205,331)	(25,034)	(147,033)	(9,045)
Other deferred tax	55,691	32,731	8,599	3,499
Deferred tax income	(149,640)	7,697	(138,434)	(5,546)
<b>Continuing operations tax (expense) / income</b>	<b>(157,476)</b>	<b>(6,622)</b>	<b>(135,582)</b>	<b>(10,222)</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.

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at 30 September 2018 and 2017 and current tax ratio based on income before tax is as follows:

	30 September 2018	30 September 2017
Income before tax:	1,429,834	986,486
Effective tax rate	%22	%20
Current year tax expense	(314,564)	(197,297)
Research and development deductions	73,932	66,271
Investment incentive exemption	80,657	122,153
Other	2,499	2,251
	<b>(157,476)</b>	<b>(6,622)</b>

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

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

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 30 September 2018 and 31 December 2017 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
<b>Deferred tax assets</b>				
Investment incentive tax asset	4,026,081	4,037,011	800,332	764,963
Expense accruals and other provisions	353,982	398,708	76,430	86,416
Employee benefits provision	163,179	131,726	32,636	26,345
Warranty expense provision	221,833	231,525	48,010	50,520
Inventories	94,955	26,380	20,890	5,803
	<b>4,860,030</b>	<b>4,825,350</b>	<b>978,298</b>	<b>934,047</b>
<b>Deferred tax liabilities</b>				
Tangibles and intangibles	1,456,687	1,459,592	(291,337)	(291,918)
Income accruals and other	29,709	72,168	(6,412)	(15,686)
	<b>1,486,396</b>	<b>1,531,760</b>	<b>(297,749)</b>	<b>(307,604)</b>
<b>Net deferred tax asset</b>			<b>680,549</b>	<b>626,443</b>

The deferred tax movement table is presented below:

	1 January 2018	Charged to Statement of profit or loss as income / (expense)	Charged to comprehensive income statement as income / (expense)	30 September 2018
<b>Deferred tax liabilities</b>				
Tangible and intangible assets	(291,918)	581	-	(291,337)
Income accruals and other	(15,686)	8,988	286	(6,412)
<b>Deferred tax assets</b>				
Investment incentive tax asset	764,963	35,369	-	800,332
Expense accruals and other	86,416	(9,986)	-	76,430
Provision for employee benefits	26,345	8,162	(1,871)	32,636
Warranty expense provision	50,520	(2,510)	-	48,010
Inventories	5,803	15,087	-	20,890
<b>Deferred tax asset, net</b>	<b>626,443</b>	<b>55,691</b>	<b>(1,585)</b>	<b>680,549</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

	1 January 2017	Charged to Statement of profit or loss as income / (expense)	Charged to comprehensive income statement as income / (expense)	30 September 2017
<b>Deferred tax liabilities:</b>				
Tangible and intangible assets	(286,054)	3,752	-	(282,302)
Income accruals and other	(18,441)	12,103	228	(6,110)
<b>Deferred tax assets:</b>				
Investment incentive tax asset	740,039	10,109	-	750,148
Expense accruals and other	61,211	(2,142)	-	59,069
Provision for employee benefits	22,005	3,152	166	25,323
Warranty expense provision	30,878	6,108	-	36,986
Inventories	6,676	(351)	-	6,325
<b>Deferred tax asset, net</b>	<b>556,314</b>	<b>32,731</b>	<b>394</b>	<b>589,439</b>

#### 25. EARNINGS PER SHARE

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Net income for the year (TRY)	1,272,358	979,864	353,839	345,946
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000	35,091,000,000	35,091,000,000
<b>Earnings per share with nominal value of Kr 1 each</b>	<b>3.63 Kr</b>	<b>2.79 Kr</b>	<b>1.01 Kr</b>	<b>0.99 Kr</b>

#### 26. RELATED PARTY DISCLOSURES

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

The related party balances at 30 September 2018 and 31 December 2017 and the transactions with related parties during the year are as follows:

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

##### a) Receivables from related parties

##### i) Trade receivable from related parties

30 September 2018 31 December 2017

##### Due from shareholders

Ford Motor Company and its subsidiaries	2,280,447	1,444,291
	<b>2,280,447</b>	<b>1,444,291</b>

##### Due from group companies (\*)

Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	419,521	619,403
Other	1,290	1,736
	<b>420,811</b>	<b>621,139</b>

Less: Unearned credit finance income	(4,304)	(8,163)
	<b>2,696,954</b>	<b>2,057,267</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 INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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

	30 September 2018	31 December 2017
<b>Due to shareholders</b>		
Ford Motor Company and its subsidiaries	1,180,495	760,742
	<b>1,180,495</b>	<b>760,742</b>
<b>Trade payables due to related parties (*)</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	53,515	56,218
Ram Dış Ticaret A.Ş.	37,419	45,224
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	7,612	14,058
Setur Servis Turistik A.Ş.	7,799	4,464
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	3,872	3,403
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	2,778	3,193
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	9,948	3,029
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	2,544	1,960
Ram Sigorta Aracılık Hizmetleri A.Ş.	1,442	97
Other	6,164	4,196
	<b>133,093</b>	<b>135,842</b>
Less: Unearned credit finance expense	(1,950)	(1,025)
	<b>1,311,638</b>	<b>895,559</b>

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

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

	30 September 2018	31 December 2017
Koç Holding A.Ş.	4,349	10,458
Koç Finansman A.Ş.	-	13,277
Yapı ve Kredi Bankası A.Ş.	-	7,703
	<b>4,349</b>	<b>31,438</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 26. RELATED PARTY DISCLOSURES (Continued)

#### c) Sales to related parties

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Ford Motor Company (*)	18,418,157	12,216,723	6,527,987	3,658,083
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	1,123,099	1,307,429	277,865	481,756
Other	120	100	115	54
	<b>19,541,376</b>	<b>13,524,252</b>	<b>6,805,967</b>	<b>4,139,893</b>
Less: Financial income from credit sales	(35,107)	(25,734)	(12,788)	(10,274)
	<b>19,506,269</b>	<b>13,498,518</b>	<b>6,793,179</b>	<b>4,129,619</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 - 30 September 2018			Total
	Material	Service	Fixed assets	
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	24,424	211,847	57	236,328
Ram Dış Ticaret A.Ş.	126,648	-	-	126,648
Setur Servis Turistik A.Ş.	-	32,861	-	32,861
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	14,916	8,054	22,970
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	2,626	17,729	20,355
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	17,436	-	-	17,436
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	11,869	-	11,869
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	10,995	-	-	10,995
Koç Holding A.Ş. (*)	-	9,525	-	9,525
Koçtaş Yapı Marketleri Ticaret A.Ş.	9,475	-	24	9,499
Opet Petrolcülük A.Ş.	4,683	-	-	4,683
Tanı Pazarlama İlet. Hiz. A.Ş.	-	1,488	-	1,488
Other	5,278	9,889	8,722	23,889
	<b>198,939</b>	<b>295,021</b>	<b>34,586</b>	<b>528,546</b>
Less: Financial expense from credit purchases	(4,998)	-	-	(4,998)
	<b>193,941</b>	<b>295,021</b>	<b>34,586</b>	<b>523,548</b>

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

(\*\*) Contains paid and accrued premium amounts for the period ended 30 September 2018 and period ended 2017 within the context of insurance policies signed with insurance companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 26. RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 September 2017			Total
	Material	Service	Fixed assets	
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	14,101	186,625	142	200,868
Ram Dış Ticaret A.Ş.	90,830	-	-	90,830
Setur Servis Turistik A.Ş.	-	20,610	-	20,610
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	14,834	4,824	19,658
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	11,591	5,744	17,335
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	13,545	-	-	13,545
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	8,884	-	8,884
Koç Holding A.Ş. (*)	-	8,863	-	8,863
Koçtaş Yapı Marketleri Ticaret A.Ş.	8,292	-	16	8,308
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	8,056	-	-	8,056
Opet Petrolcülük A.Ş.	3,785	-	-	3,785
Tanı Pazarlama İlet. Hiz. A.Ş.	-	1,453	-	1,453
Other	265	3,511	222	3,998
	<b>138,874</b>	<b>256,371</b>	<b>10,948</b>	<b>406,193</b>
Less: Financial expense from credit purchases	(2,751)	-	-	(2,751)
	<b>136,123</b>	<b>256,371</b>	<b>10,948</b>	<b>403,442</b>
	1 July - 30 September 2018			
	Material	Service	Fixed assets	Total
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	13,001	58,896	25	71,922
Ram Dış Ticaret A.Ş.	44,740	-	-	44,740
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	19	8,300	8,319
Setur Servis Turistik A.Ş.	-	8,263	-	8,263
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	5,672	-	-	5,672
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	2,805	2,560	5,365
Koç Holding A.Ş. (*)	-	3,685	-	3,685
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	3,451	-	-	3,451
Koçtaş Yapı Marketleri Ticaret A.Ş.	3,136	-	22	3,158
Opet Petrolcülük A.Ş.	1,808	-	-	1,808
Tanı Pazarlama İlet. Hiz. A.Ş.	-	471	-	471
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	446	-	446
Other	537	7,437	-	7,974
	<b>72,345</b>	<b>82,022</b>	<b>10,907</b>	<b>165,274</b>
Less: Financial expense from credit purchases	(2,059)	-	-	(2,059)
	<b>70,286</b>	<b>82,022</b>	<b>10,907</b>	<b>163,215</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 26. RELATED PARTY DISCLOSURES (Continued)

	1 July - 30 September 2017			Total
	Material	Service	Fixed assets	
<b>Domestic purchases:</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	4,375	57,218	53	61,646
Ram Dış Ticaret A.Ş.	26,647	-	-	26,647
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	4,442	3,168	7,610
Setur Servis Turistik A.Ş.	-	6,041	-	6,041
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	2,081	2,128	4,209
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	4,019	-	-	4,019
Koç Holding A.Ş. (*)	-	2,980	-	2,980
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	2,601	-	-	2,601
Koçtaş Yapı Marketleri Ticaret A.Ş.	2,558	-	9	2,567
Opet Petrolcülük A.Ş.	1,364	-	-	1,364
Tanı Pazarlama İlet. Hiz. A.Ş.	-	434	-	434
Ram Sigorta Aracılık Hizmetleri A.Ş.(**)	-	303	-	303
Other	234	360	-	594
	<b>41,798</b>	<b>73,859</b>	<b>5,358</b>	<b>121,015</b>
Less: Financial expense from credit purchases	(961)	-	-	(961)
	<b>40,837</b>	<b>73,859</b>	<b>5,358</b>	<b>120,054</b>

### Material, vehicle and service purchases from abroad

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Ford Motor Company and subsidiaries	10,193,720	7,437,116	3,602,531	2,085,779

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

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
	82,479	92,528	19,111	35,344

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

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
	11,690	9,131	5,774	2,913

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

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
	32,787	19,044	9,471	6,595

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

### 26. RELATED PARTY DISCLOSURES (Continued)

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

Deposits in related banks	30 September 2018	31 December 2017
<b>Yapı ve Kredi Bankası A.Ş.</b>		
- TRY time deposits	250,555	105,630
- Foreign currency time deposits	131,803	-
- TRY demand deposits	71,471	8,005
- Foreign currency demand deposits	2,440	2,561
	<b>456,269</b>	<b>116,196</b>

#### i) Commission income

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Koç Finansman A.Ş.	2,085	2,448	466	910
Yapı ve Kredi Bankası A.Ş.	1,270	1,499	310	496
	<b>3,355</b>	<b>3,947</b>	<b>776</b>	<b>1,406</b>

#### i) Commission expense

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Koç Finansman A.Ş.	49,283	46,620	13,254	17,538
Yapı ve Kredi Bankası A.Ş.	26,567	19,157	15,414	6,996
	<b>75,850</b>	<b>65,777</b>	<b>28,668</b>	<b>24,534</b>

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.

#### j) Interest income

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Yapı ve Kredi Bankası A.Ş.	10,153	9,012	4,012	2,759

#### k) Dividend income

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Otokar Otomotiv ve Savunma Sanayi A.Ş.	410	351	-	-

#### l) 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 30 September 2018 is TRY12,774 (30 September 2017: TRY11,909).

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

(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 30 September 2018 and 31 December 2017. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

##### 30 September 2018

	TRY (Functional currency)	USD	Euro	Other
1. Trade receivables	2,425,981	14,584	336,468	-
2. Monetary financials assets (including cash and cash equivalents)	539,699	367	77,323	15
3. Other	410,311	11,406	49,202	-
<b>4. Current assets (1 + 2 + 3)</b>	<b>3,375,991</b>	<b>26,357</b>	<b>462,993</b>	<b>15</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>3,375,991</b>	<b>26,357</b>	<b>462,993</b>	<b>15</b>
8. Trade payables	1,427,492	20,062	187,954	1,922
9. Financial liabilities (*)	3,100,648	-	446,104	-
10. Other monetary liabilities	6,538	-	941	-
<b>11. Short term liabilities (8 + 9 + 10)</b>	<b>4,534,678</b>	<b>20,062</b>	<b>634,999</b>	<b>1,922</b>
12. Financial liabilities (*)	2,244,736	-	322,960	-
13. Other	61,977	-	8,917	-
<b>14. Long term liabilities (12+13)</b>	<b>2,306,713</b>	<b>-</b>	<b>331,877</b>	<b>-</b>
<b>15. Total liabilities (11 + 14)</b>	<b>6,841,391</b>	<b>20,062</b>	<b>966,876</b>	<b>1,922</b>
<b>16. Net foreign currency (liabilities) / assets position (7 - 15)</b>	<b>(3,465,400)</b>	<b>6,295</b>	<b>(503,883)</b>	<b>(1,907)</b>
<b>17. Net monetary foreign currency (liabilities) / assets (1 + 2 + 5 - 8 - 9 - 10 - 12)</b>	<b>(3,813,734)</b>	<b>(5,111)</b>	<b>(544,168)</b>	<b>(1,907)</b>

(\*) The Company's net foreign exchange position is mainly due to long - term Euro denominated loans obtained to fund its investments. The Company is hedging for the foreign currency exchange risk arising from its Euro denominated long-term loans with export agreements signed with Ford Motor Company. The TRY equivalent of such loans amount to TRY3,348,547 as of 30 September 2018 (31 December 2017: TRY1,862,921). As of 30 September 2018, the Company has a total of TRY187,591 (31 December 2017: TRY69,802) of the product to be issued.

**FORD OTOMOTİV SANAYİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE  
INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

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

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

**31 December 2017**

	TRY (Functional currency)	USD	Euro	Other
1. Trade receivables	1,667,304	32,001	342,509	-
2. Monetary financials assets (including cash and cash equivalents)	1,043,634	40,104	197,508	102
3. Other	215,695	7,702	41,334	-
<b>4. Current assets (1 + 2 + 3)</b>	<b>2,926,633</b>	<b>79,807</b>	<b>581,351</b>	<b>102</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>2,926,633</b>	<b>79,807</b>	<b>581,351</b>	<b>102</b>
8. Trade payables	964,733	25,331	190,882	1,429
9. Financial liabilities (*)	1,783,879	40,000	361,644	-
10. Other monetary liabilities	5,256	-	651	456
<b>11. Short term liabilities (8 + 9 + 10)</b>	<b>2,753,868</b>	<b>65,331</b>	<b>553,177</b>	<b>1,885</b>
12. Financial liabilities (*)	1,820,166	-	403,093	-
13. Other	102,204	-	22,634	-
<b>14. Long term liabilities (12+13)</b>	<b>1,922,370</b>	<b>-</b>	<b>425,727</b>	<b>-</b>
<b>15. Total liabilities (11 + 14)</b>	<b>4,676,238</b>	<b>65,331</b>	<b>978,904</b>	<b>1,885</b>
<b>16. Net foreign currency (liabilities) / assets position (7 - 15)</b>	<b>(1,749,605)</b>	<b>14,476</b>	<b>(397,553)</b>	<b>(1,783)</b>
<b>17. Net monetary foreign currency (liabilities) / assets (1 + 2 + 5 - 8 - 9 - 10 - 12)</b>	<b>(1,863,096)</b>	<b>6,774</b>	<b>(416,253)</b>	<b>(1,783)</b>

# FORD OTOMOTİV SANAYİ A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

#### *Foreign exchange risk*

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

#### 30 September 2018

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)	3,771	(3,771)
USD net hedged amount	-	-
<b>USD net- gain / (loss)</b>	<b>3,771</b>	<b>(3,771)</b>
<b>Change in Euro against TRY</b>		
Euro net (liabilities) / assets	(350,224)	350,224
Euro net hedged amount	334,855	(334,855)
<b>Euro net- gain / (loss)</b>	<b>(15,369)</b>	<b>15,369</b>
<b>Change in other foreign currency against TRY</b>		
Other foreign currency denominated net (liabilities) / assets	(88)	88
Other foreign currency denominated- hedged amount	-	-
<b>Other foreign currency denominated net - (loss) / gain</b>	<b>(88)</b>	<b>88</b>

#### 31 December 2017

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)	5,460	(5,460)
USD net hedged amount	-	-
<b>USD net- gain / (loss)</b>	<b>5,460</b>	<b>(5,460)</b>
<b>Change in Euro against TRY</b>		
Euro net (liabilities) / assets	(179,515)	179,515
Euro net hedged amount	186,292	(186,292)
<b>Euro net- gain / (loss)</b>	<b>6,777</b>	<b>(6,777)</b>
<b>Change in other foreign currency against TRY</b>		
Other foreign currency denominated net (liabilities) / assets	(906)	906
Other foreign currency denominated- hedged amount	-	-
<b>Other foreign currency denominated net - (loss) / gain</b>	<b>(906)</b>	<b>906</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

---

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

The comparative amounts for total export and import amounts for the year ended 30 September 2018 and 2017 are as follows:

	30 September 2018	30 September 2017
Total export amount	18,779,500	12,410,717
Total import amount	11,143,834	7,877,430

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 payables is managed through assets denominated in foreign currency.

#### *Interest rate risk*

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

	30 September 2018	31 December 2017
<b>Fixed interest rate financial instruments</b>		
Financial assets	1,284,469	1,764,533
Financial liabilities	3,461,938	1,885,646
<b>Floating interest rate financial instruments</b>		
Financial liabilities	1,886,016	1,718,401

If the interest rates of floating interest-bearing Euro denominated borrowings were 100 basis points higher / lower with all other variables held constant, profit before tax for the year would have been lower / higher by TRY7,179 at 30 September 2018 (31 December 2017: TRY2,495) due to higher / lower interest expense.

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

##### *Liquidity risk*

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

30 September 2018	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
<b>Non-derivative financial instruments</b>						
<b>Financial liabilities</b>	5,347,954	5,462,675	822,943	2,299,340	2,105,258	235,134
<b>Trade payables</b>						
- Related party	1,311,638	1,313,588	1,313,588	-	-	-
- Other	2,715,222	2,744,133	2,744,133	-	-	-
<b>Other liabilities</b>						
- Related party	4,349	4,349	4,349	-	-	-
- Other	93,974	93,974	93,974	-	-	-
<b>Derivative financial liabilities</b>						
<b>Derivative financial instruments</b>	216	216	-	-	216	-

**FORD OTOMOTİV SANAYİ A.Ş.****NOTES TO THE FINANCIAL STATEMENTS FOR THE  
INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

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

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

<b>31 December 2017</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>	3,604,047	3,702,568	485,287	1,310,866	1,830,415	76,000
<b>Trade payables</b>						
- Related party	895,559	896,585	896,585	-	-	-
- Other	2,921,390	2,941,886	2,941,886	-	-	-
<b>Other liabilities</b>						
- Related party	31,438	31,438	31,438	-	-	-
- Other	56,385	56,385	56,385	-	-	-
<b>Derivative financial liabilities</b>						
<b>Derivative financial instruments</b>	187	187	-	-	187	-

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

##### Fair value hierarchy table

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

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

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

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

As of 30 September 2018 and 31 December 2017, the Company’s hierarchy table for its assets and liabilities recorded at fair value are as follows:

##### 30 September 2018

	Level 1 (*)	Level 2 (**)	Level 3
<b>Assets at fair value</b>			
Derivative financial assets	-	-	-
Financial asset available-for-sale - Otokar	11,670	-	-
<b>Total assets</b>	<b>11,670</b>	-	-
<b>Liabilities at fair value</b>			
Derivative financial liabilities	-	216	-
<b>Total liabilities</b>	-	<b>216</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 INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

31 December 2017

	Level 1 (*)	Level 2 (**)	Level 3
<b>Assets at fair value</b>			
Derivative financial assets	-	4,531	-
Financial asset available-for-sale - Otokar	17,406	-	-
<b>Total assets</b>	<b>17,406</b>	<b>4,531</b>	-
<b>Liabilities at fair value</b>			
Derivative financial liabilities	-	187	-
<b>Total liabilities</b>	-	<b>187</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 30 September 2018 with the maturity of 3 November 2019 amounting to Euro 38,571,429 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 30 September 2018. The fair value of the interest rate swap transaction calculated as of 30 September 2018 is TRY216 and it is classified as long - term liabilities.

##### Derivative financial instruments

	30 September 2018	31 December 2017
Derivative financial liabilities	216	187
	<b>216</b>	<b>187</b>

In July 2018, the Company applied foreign currency forward as part of the loan balances in order to hedge exchange rate risk on the repayment of some of the loans denominated in Euro, which will be floated in July 2018. This currency forward transaction was realized in July 2018.

	30 September 2018	31 December 2017
Derivative financial assets	-	4,531
	-	<b>4,531</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

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

There is an effective foreign currency cash flow hedge relationship between foreign currency long-term financial borrowings related with investment expenditures (non-derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Company will associate a portion of estimated export revenue from 1 April 2013 to June 2024 with long-term financial borrowings.

	30 September 2018	31 December 2017
<b>Cash flow hedge reserve</b>		
Amount recognized in other comprehensive income	1,226,572	392,450
Amount recycled from other comprehensive income to statement of profit or loss	(271,598)	(183,786)
	<b>954,974</b>	<b>208,664</b>

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

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
<b>Income from investing activities</b>				
Dividend income	410	351	-	-
Gain on sale of property, plant and equipment	-	12	-	-
	<b>410</b>	<b>363</b>	<b>-</b>	<b>-</b>
	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
<b>Expense from investing activities</b>				
Loss on sale of property, plant and equipment	(3,616)	(1,685)	(1,446)	(205)
	<b>(3,616)</b>	<b>(1,685)</b>	<b>(1,446)</b>	<b>(205)</b>

#### 30. DEFERRED REVENUE

	30 September 2018	31 December 2017
Advances received	12,158	10,929
	<b>12,158</b>	<b>10,929</b>
	30 September 2018	31 December 2017
Long term deferred revenue	6,846	7,450
	<b>6,846</b>	<b>7,450</b>

## FORD OTOMOTİV SANAYİ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

#### 31. OTHER NON CURRENT LIABILITIES

	30 September 2018	31 December 2017
Other non-current liabilities (*)	81,714	115,631
	<b>81,714</b>	<b>115,631</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.

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

	30 September 2018		31 December 2017	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Rezervis Mobil Teknoloji A.Ş.	25	1,006	-	-
		<b>1,006</b>		<b>-</b>

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

	2018	2017
1 January	1,027	-
Profit / (Loses) share	(21)	-
30 September	<b>1,006</b>	<b>-</b>

## **FORD OTOMOTİV SANAYİ A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

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

---

#### **33. GOVERNMENT INCENTIVES AND GRANTS**

Within the scope of the 2009/15199 Decree of the Council of Ministers on State Aid for Investments, the Company has received a Large-Scale Investment Incentive Certificate with an investment contribution rate of 30% for investments in the New Generation Transit and new product Transit Custom model. The total investment amount is TRY559,295 investment expenditures have been made, the document closed in 2013.

Within the scope of the "Decree of the Council of Ministers on State Aids in Investments" number 2012/3305 re-arranging the investment incentive system;

- In the Kocaeli Gölcük Plant, for the New Generation Transit expenditures, amounting to TRY1,194,398 in 2013 (with the investment expenditure of TRY1,300,573 in 2017, the document closing process is continuing),
- In Kocaeli Yeniköy Plant, for the new model Transit Courier investment, amounting to TRY697,394 in 2013 (completed with investment expenditures of TRY798,311 in 2016 and the document was closed in 2018),
- For the production of new 6 and 4-cylinder engines for use in Ford Cargo Truck and Ford Transit vehicles at the Eskişehir İnönü Plant, in 2013 amounting to TRY187,379,
- In Eskişehir Inonu Plant, for Euro 6 emission truck manufacturing expense investment amounting to TRY331,362 in 2014,
- For the renewal and factory modernization investments of Ford Transit, Ford Transit Courier and Ford Transit Custom models, which are still in production at Kocaeli Plant, in 2016 amounting to TRY849,160, Priority Investment Incentive Certificates. These investments have an investment contribution rate of 40% and the investment of Kocaeli Gölcük Plant, which exceeds 1 billion TRY, benefits from the contribution rate of 10% additional investment. With the Decision of Council of Ministers dated 13.02.2017 numbered 2017/9917; 15 points have been added to the investment contribution rate for the investment expenditures to be realized between 01.01.2017 - 31.12.2017. This period has been extended until 31.12.2018 with the decision of the Council of Ministers dated 25.12.2017 numbered 2017/11175.

#### **34. SUBSEQUENT EVENTS**

In accordance with the Board of Directors meeting dated 17 October 2018, the Company has decided to distribute cash dividends at the rate of 115% gross (97.75% net) with a total of TL 403.547 as full TL 1.15 gross (Kr 97.75 net) for each share with a value of full TL 1. It is decided to submit this decision to the approval of the Extraordinary General Assembly to be held on 16 November 2018.

#### **35. DISCLOSURE OF OTHER MATTERS**

There are no other matters other than stated above, which would materially affect or that would have material effect on the financial statements, required for the purpose of understanding and interpreting the financial statements.