

**FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
FINANCIAL STATEMENTS AT 31 DECEMBER 2020  
TOGETHER WITH AUDITOR'S REVIEW REPORT**

**(ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH**

**INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Ford Otomotiv Sanayi A.Ş.

**A. Audit of the financial statements**

**1. Our opinion**

We have audited the accompanying financial statements of Ford Otomotiv Sanayi A.Ş. (the “Company”) which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

**2. Basis for opinion**

Our audit was conducted in accordance with the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3. Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the key audit matter was addressed in the audit
<p><b>Cash Flow Hedge Accounting (Notes 2 and 28)</b></p> <p>Based on the manufacturing agreements with Ford Motor Company, the Company associates sales of specific models of commercial vehicles subject to export by the end of 2026 with long term loans denominated in Euros, borrowed for the investments related to manufacturing of such vehicles. Sales subject to the agreement are denominated in Euro and are affected by the TRY/EUR exchange rate fluctuations. The Company hedges the foreign exchange rate risk with the borrowings obtained in the same currency.</p> <p>We focused on this matter during our audit for the reasons below:</p> <ul style="list-style-type: none"> <li>- The cash flow hedge losses which are classified under equity as of 31 December 2020 amount to TRY1,431,512 thousand. This amount is material in terms of the financial statements.</li> <li>- Cash flow hedge accounting is structurally complex and its audit requires professional expertise. Mistakes that might occur when calculating and accounting for this subject may affect the financial statements significantly.</li> </ul>	<ul style="list-style-type: none"> <li>- We tested the official definition and documentation of risk management's target and strategy, which causes the Company to hedge against cash flow risk. We also tested the completeness and accuracy of data and the assumptions used in the hedge accounting work with the support of our subject matter experts.</li> <li>- We reviewed the effectiveness of the cash flow hedge. We tested whether the range of increase/decrease in the fair value of the revenue planned for in future and the increase/decrease in fair value of the borrowings are between 80% and 120%.</li> <li>- We checked the agreements related to the vehicle sales and whether sales volumes and prices of the vehicles subject to cash flow hedging agree with the budget approved by management. We checked whether methods used for calculating vehicle costs comply with the agreement.</li> <li>- We reviewed repayment plans for the borrowings denominated in Euro by reviewing the loan agreements and obtaining bank confirmations. We checked to what extent monthly borrowing payments cover monthly sales.</li> <li>- We checked the mathematical accuracy of the accounting bookings related to this subject.</li> <li>- We assessed the sufficiency of the financial statement disclosures related to the cash flow hedge accounting.</li> </ul>

Key Audit Matters	How the key audit matter was addressed in the audit
<p><b>Warranty Provisions (Notes 2 and 13)</b></p> <p>The Company has warranty provisions amounting to TRY354,216 thousand as of 31 December 2020.</p> <p>We focused on this matter during our audit for the reasons below:</p> <ul style="list-style-type: none"> <li>- The warranty provision of TRY354,216 thousand is a liability in the financial statements as of 31 December 2020. The amount of the warranty provision is material.</li> <li>- The Company provides a standard warranty service and optional roadside assistance, extended warranty and spare part warranty services for any vehicle sold domestically. The Company calculates the current period warranty provision based on the actual warranty expense per vehicle in the previous period. The warranty cost per vehicle is approved twice a year by the management and is calculated for each vehicle model, based on the technical department's experience and warranty claims in the past also complying with the instructions of Ford Motor Company. Since the warranty cost per vehicle is determined in Euro, foreign exchange rate estimation is also included in the calculation. Fluctuation of the foreign exchange rates may affect the financial statements materially.</li> </ul> <p>Warranty provision calculation is determined to be a Key Audit Matter since it involves estimations bearing an inherent risk of misstatement.</p>	<ul style="list-style-type: none"> <li>- When calculating the warranty provision, the management makes assumptions based on the number of vehicles subject to warranty, the length of the warranty period, and the warranty claims in the previous periods. We tested the effectiveness of the controls during the estimation process.</li> <li>- We confirmed that unit managers approve the unit cost estimations per vehicle. We tested unit costs through sampling by detailed tests.</li> <li>- To test the data on which the estimations are based, the number of vehicles sold were agreed to the sales reports. Sales reports were reconciled to the sale accounts.</li> <li>- Foreign exchange rates are considered when estimating the warranty cost per vehicle. We confirmed that the foreign exchange rate, which is a forward-looking estimate used when calculating the warranty provision, is the same foreign exchange rate used in the budget approved by the management. We also evaluated the reasonableness of the warranty provision considering the fluctuations of the foreign exchange rate.</li> <li>- We tested the actual warranty expenses realised in the current period on a sampling basis based on the movements of the warranty provision amounting to TRY354,216 thousand.</li> <li>- We tested the reasonableness of the actual warranty expenses with the warranty provisions set aside in previous periods.</li> <li>- Warranty provisions are calculated based on cost per vehicle estimations, considering the actual claims in the past and also technically and financially planned developments. We performed a sensitivity analysis on these estimations and assessed their impact.</li> <li>- We assessed the sufficiency of the financial statement disclosures related to warranty expenses.</li> </ul>

#### **4. Responsibilities of management and those charged with governance for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **5. Auditor's responsibilities for the audit of the financial statements**

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**B. Other responsibilities arising from regulatory requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 10 February 2021.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Beste Ortaç, SMMM  
Partner

Istanbul, 10 February 2021

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

**FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020**

<b>CONTENTS</b>	<b>PAGE</b>
STATEMENTS OF FINANCIAL POSITION.....	1-2
STATEMENTS OF PROFIT OR LOSS.....	3
STATEMENTS OF OTHER COMPREHENSIVE INCOME.....	4
STATEMENTS OF CHANGES IN EQUITY .....	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7-80
NOTE 1 ORGANIZATION AND NATURE OF THE OPERATIONS .....	7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS.....	7-30
NOTE 3 SEGMENT REPORTING.....	31
NOTE 4 CASH AND CASH EQUIVALENTS.....	31
NOTE 5 FINANCIAL INVESTMENTS.....	31
NOTE 6 FINANCIAL LIABILITIES.....	32-33
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	34-37
NOTE 8 OTHER RECEIVABLES AND PAYABLES.....	37
NOTE 9 INVENTORIES.....	38
NOTE 10 PROPERTY, PLANT AND EQUIPMENT.....	39-41
NOTE 11 INTANGIBLE ASSETS.....	41-42
NOTE 12 PREPAID EXPENSES.....	43
NOTE 13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	43-45
NOTE 14 COMMITMENTS.....	46
NOTE 15 EMPLOYEE BENEFITS.....	46-48
NOTE 16 OTHER CURRENT ASSETS .....	48
NOTE 17 EQUITY.....	48-51
NOTE 18 REVENUE AND COST OF SALES.....	52
NOTE 19 RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES.....	53
NOTE 20 EXPENSES BY NATURE.....	54
NOTE 21 OTHER OPERATING INCOME/EXPENSES.....	54
NOTE 22 FINANCIAL INCOME.....	55
NOTE 23 FINANCIAL EXPENSES.....	55
NOTE 24 TAX ASSETS AND LIABILITIES.....	55-60
NOTE 25 EARNINGS PER SHARE.....	61
NOTE 26 RELATED PARTY DISCLOSURES.....	61-67
NOTE 27 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT .....	68-75
NOTE 28 CASH FLOW HEDGE OPERATIONS.....	75-76
NOTE 29 INCOME/EXPENSES FROM INVESTING ACTIVITIES.....	76
NOTE 30 DEFERRED INCOME.....	76-77
NOTE 31 OTHER NON CURRENT LIABILITIES.....	77
NOTE 32 INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD.....	77
NOTE 33 RIGHT OF USE ASSETS.....	78
NOTE 34 GOVERNMENT INCENTIVES AND GRANTS.....	79-80
NOTE 35 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND AFFILIATED COMPANIES.....	80
NOTE 36 SUBSEQUENT EVENTS.....	80
NOTE 37 DISCLOSURE OF OTHER MATTERS.....	80

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020 AND 2019**

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

Notes	31 December 2020	Current period audited	Previous period audited
		31 December 2019	31 December 2019
<b>Assets</b>			
<b>Current assets</b>		<b>17,604,522</b>	<b>10,156,798</b>
Cash and cash equivalents	4	8,124,073	3,202,952
Trade receivables			
- Due from related parties	26	3,207,939	2,547,130
- Due from third parties	7	2,546,243	1,557,963
Other receivables			
- Due from third parties	8	1,457	1,870
Inventories	9	2,449,043	1,827,399
Prepaid expenses	12	221,872	178,382
Other current assets	16	1,053,895	841,102
<b>Non-current assets</b>		<b>6,744,657</b>	<b>6,249,574</b>
Financial assets	5	44,767	22,355
Trade receivables			
- Due from third parties	7	3,950	2,903
Property, plant and equipment	10	4,403,373	4,436,548
Intangible assets	11	904,839	831,196
Right of use assets	33	68,919	99,714
Prepaid expenses	12	359,729	204,211
Deferred tax assets	24	954,246	650,146
Investments accounted for by the equity method	32	-	-
Investments in subsidiaries, joint ventures and affiliated companies	35	4,834	2,501
<b>Total assets</b>		<b>24,349,179</b>	<b>16,406,372</b>

Financial statements for the period ended 1 January - 31 December 2020 were approved for issue by the Board of Directors on 10 February 2021.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020 AND 2019**

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

	Notes	31 December 2020	Current period audited	Previous period audited
				31 December 2019
<b>Liabilities</b>				
<b>Current liabilities</b>			<b>12,480,781</b>	<b>8,645,371</b>
Short-term borrowings				
- Bank borrowings	6		2,240,949	2,589,213
Short-term portion of long-term borrowings				
- Bank borrowings	6		1,660,704	1,025,728
- Lease liabilities	6		31,228	33,169
Trade payables				
- Due to related parties	26		1,178,339	884,554
- Due to third parties	7		6,569,454	3,660,866
Other payables				
- Due to related parties	26		34,350	20,617
- Due to third parties	8		141,846	54,541
Deferred income	30		43,037	23,830
Short-term provisions				
- Other provisions	13		273,245	121,102
Employee benefit liabilities	15		290,077	220,273
Current income tax liability	24		17,552	11,478
<b>Non-current liabilities</b>			<b>4,824,496</b>	<b>3,096,080</b>
Long-term borrowings				
- Bank borrowings	6		4,096,515	2,503,852
- Lease liabilities	6		51,478	56,084
Long-term provisions				
- Provision for employment termination benefits	15		361,058	287,884
- Other provisions	13		273,453	174,740
Deferred income	30		22,040	10,838
Other non-current liabilities	31		18,699	61,235
Derivative financial liabilities	28		1,253	1,447
<b>Equity</b>	<b>17</b>		<b>7,043,902</b>	<b>4,664,921</b>
Paid-in capital			350,910	350,910
Inflation adjustments on capital			27,920	27,920
Share premium			8	8
Other comprehensive income/(loss)				
not to be reclassified under profit or loss				
- Losses on remeasurements of defined benefit plans			(18,359)	(2,060)
- Gains from financial assets measured at fair value through other comprehensive income			41,600	20,309
Other comprehensive income/(loss) to be reclassified in profit or loss				
- Losses on cash flow hedges			(1,431,512)	(705,427)
Restricted reserves			410,493	302,764
Retained earnings			3,467,929	2,711,013
Net profit for the period			4,194,913	1,959,484
<b>Total liabilities and equity</b>			<b>24,349,179</b>	<b>16,406,372</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

**STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED  
31 DECEMBER 2020 AND 2019**

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

	Notes	Current period audited 1 January - 31 December 2020	Previous period audited 1 January - 31 December 2019
<b>Continuing operations</b>			
Revenue	18	49,451,407	39,209,019
Cost of sales	18	(43,264,878)	(35,193,802)
<b>Gross profit</b>			
		<b>6,186,529</b>	<b>4,015,217</b>
Marketing expenses	19	(843,565)	(649,102)
General administrative expenses	19	(516,688)	(372,893)
Research and development expenses	19	(459,451)	(419,583)
Other income from operating activities	21	854,776	633,778
Other expenses from operating activities	21	(415,940)	(785,389)
<b>Profit from operating activities</b>			
		<b>4,805,661</b>	<b>2,422,028</b>
Income from investing activities	29	2,549	422
Expenses from investing activities	29	(1,359)	(714)
Share of profit/(loss) of investments accounted for by the equity method	32	-	(933)
<b>Operating income before financial income/(expense)</b>			
		<b>4,806,851</b>	<b>2,420,803</b>
Financial income	22	1,855,354	1,185,601
Financial expense	23	(2,553,875)	(1,656,231)
<b>Profit from continuing operations before tax</b>			
		<b>4,108,330</b>	<b>1,950,173</b>
<b>Tax income/(expense) from continuing operations</b>			
Tax expenses for the period	24	(39,799)	(21,242)
Deferred tax (expense)/income	24	126,382	30,553
<b>Profit for the period</b>			
		<b>4,194,913</b>	<b>1,959,484</b>
<b>Earnings per share with a nominal value Kr</b>			
	25	<b>11.95 Kr</b>	<b>5.58 Kr</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

**STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**

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

	Notes	Current period audited	Previous period audited
		1 January - 31 December 2020	1 January - 31 December 2019
<b>Profit for the period</b>		<b>4,194,913</b>	<b>1,959,484</b>
<b>Other comprehensive income/(expense)</b>			
<b>Other comprehensive income</b>			
<b>not to be reclassified to profit or loss</b>			
Gains/(losses) on remeasurements of defined benefit plans	17	(20,373)	(2,226)
Gains/(losses) from financial assets measured at fair value through other comprehensive income	17	22,412	9,947
<b>Other comprehensive income taxes</b>			
<b>not to be reclassified to profit or loss</b>			
Taxes relating to remeasurements of defined benefit plans	17	4,074	445
Taxes relating to gains/(losses) from financial assets measured at fair value through other comprehensive income	17	(1,121)	(497)
<b>Other comprehensive income</b>			
<b>to be reclassified to profit or loss</b>			
Other comprehensive income relating to cash flow hedges	17	(900,850)	113,390
<b>Other comprehensive income taxes</b>			
<b>to be reclassified to profit or loss</b>			
Taxes relating to cash flow hedges	17	174,765	(24,530)
<b>Other comprehensive income</b>		<b>(721,093)</b>	<b>96,529</b>
<b>Total comprehensive income</b>		<b>3,473,820</b>	<b>2,056,013</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH  
**FORD OTOMOTİV SANAYİ A.Ş.**

**STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**

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

	Paid in capital	Inflation adjustments on capital	Share premium	Other comprehensive income not to be reclassified in profit or loss		Cash flow hedge reserve	Restricted reserves	Retained earnings			Total equity
				Gain/(losses) from financial assets measured at fair value through other comprehensive income	Gains/(losses) on remeasurements of defined benefit plans			Accumulated profit	Net profit		
<b>Balances at 1 January 2019</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>10,859</b>	<b>(279)</b>	<b>(794,287)</b>	<b>370,599</b>	<b>2,244,313</b>	<b>1,683,196</b>	<b>3,893,239</b>	
Profit for the period	-	-	-	-	-	-	-	-	1,959,484	1,959,484	
Other comprehensive income/(loss)	-	-	-	9,450	(1,781)	88,860	-	-	-	96,529	
Total comprehensive income	-	-	-	9,450	(1,781)	88,860	-	-	1,959,484	2,056,013	
Transfers	-	-	-	-	-	-	126,679	1,556,517	(1,683,196)	-	
Dividends (Note 17)	-	-	-	-	-	-	(194,514)	(1,089,817)	-	(1,284,331)	
<b>Balances at 31 December 2019</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>20,309</b>	<b>(2,060)</b>	<b>(705,427)</b>	<b>302,764</b>	<b>2,711,013</b>	<b>1,959,484</b>	<b>4,664,921</b>	
<b>Balances at 1 January 2020</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>20,309</b>	<b>(2,060)</b>	<b>(705,427)</b>	<b>302,764</b>	<b>2,711,013</b>	<b>1,959,484</b>	<b>4,664,921</b>	
Profit for the period	-	-	-	-	-	-	-	-	4,194,913	4,194,913	
Other comprehensive income/(loss)	-	-	-	21,291	(16,299)	(726,085)	-	-	-	(721,093)	
Total comprehensive income	-	-	-	21,291	(16,299)	(726,085)	-	-	4,194,913	3,473,820	
Transfers	-	-	-	-	-	-	107,729	1,851,755	(1,959,484)	-	
Dividends (Note 17)	-	-	-	-	-	-	-	(1,094,839)	-	(1,094,839)	
<b>Balances at 31 December 2020</b>	<b>350,910</b>	<b>27,920</b>	<b>8</b>	<b>41,600</b>	<b>(18,359)</b>	<b>(1,431,512)</b>	<b>410,493</b>	<b>3,467,929</b>	<b>4,194,913</b>	<b>7,043,902</b>	

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED  
31 DECEMBER 2020 AND 2019**

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

	Notes	Current period audited 1 January - 31 December 2020	Previous period audited 1 January - 31 December 2019
<b>Cash flows generated from operating activities</b>		<b>7,390,661</b>	<b>3,007,664</b>
Net profit for the period		4,194,913	1,959,484
<b>Adjustments to reconcile profit or loss</b>		<b>2,755,794</b>	<b>2,047,580</b>
Adjustments for depreciation and amortisation expense	10.11.33	916,575	775,988
Adjustments for impairment loss of inventories	9	1,408	(6,182)
Adjustments for provisions related with employee benefits		137,078	176,709
Adjustments for lawsuit and/or penalty provisions	13	34,939	10,688
Adjustments for warranty provisions	13	350,129	213,256
Adjustments for other provisions		76,277	(14,419)
Adjustments for dividend income	29	(1,172)	(422)
Adjustments for interest income	22	(423,964)	(130,798)
Adjustments for interest expense	23	199,692	84,684
Adjustments for tax expenses	24	(86,583)	(9,311)
Unearned finance income from forward sales	21	(218,467)	(212,193)
Deferred financial expense from purchases	21	301,366	533,692
Adjustments for loss on sales of property, plant and equipment	29	(18)	714
Other adjustments for which cash effects are investing or financing cash flow		1,468,534	624,241
Undistributed profits of investments accounted for by the equity method	32	-	933
<b>Changes in working capital</b>		<b>779,512</b>	<b>(434,244)</b>
Adjustments for increase/(decrease) in trade receivable		(1,678,624)	(943,931)
Adjustments for increase/(decrease) in inventories		(628,966)	25,498
Adjustments for increase/(decrease) in prepaid expenses		(41,083)	(135,142)
Adjustments for increase/(decrease) in trade payable		3,228,833	505,827
Increase/(decrease) in other assets related to operations		(189,559)	81,631
Increase/(decrease) in other liabilities related to operations		88,911	31,873
<b>Cash flows generated from operations</b>		<b>7,730,219</b>	<b>3,572,820</b>
Interest paid		(272,878)	(553,614)
Interest received		192,007	229,099
Payments related with provisions for employee benefits	15	(14,473)	(16,757)
Payments related with other provisions		(210,489)	(205,590)
Taxes paid		(33,725)	(18,294)
<b>Cash flows used in investing activities</b>		<b>(1,066,005)</b>	<b>(1,048,828)</b>
Proceeds from sales of property, plant and equipment		36,507	3,261
Purchase of property, plant and equipment		(723,803)	(1,093,013)
Purchase of intangible assets		(221,956)	(146,607)
Cash advances and payables given		(157,925)	187,109
Dividends received	29	1,172	422
Cash outflows due to share purchase/capital increase of affiliates		-	-
<b>Cash flows used in financing activities</b>		<b>(1,451,256)</b>	<b>(149,628)</b>
Proceeds from borrowings	6	5,685,628	6,237,381
Cash outflows related to borrowings	6	(6,202,154)	(5,119,841)
Dividends paid	17	(1,094,839)	(1,284,331)
Interest paid		(163,737)	(65,021)
Interest received		376,243	129,826
Cash outflows on debt payments from leasing agreements	6	(52,397)	(47,642)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,873,400</b>	<b>1,809,208</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>3,200,229</b>	<b>1,391,021</b>
<b>Cash and cash equivalents at the end of the period</b>	4	<b>8,073,629</b>	<b>3,200,229</b>

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

# CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## FORD OTOMOTİV SANAYİ A.Ş.

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

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

#### 1. ORGANIZATION AND NATURE OF THE OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the “Company”) is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford 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 Akpinar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

In its Kocaeli compound; the Company has a Gölcük plant in which the Transit and Transit Custom vehicles are manufactured and a Yeniköy plant in which the Transit Courier vehicle is manufactured and in its Eskişehir compound; a Ford Trucks 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	
	2020 December	2019 December	2020 December	2019 December
Hourly	8,740	8,230	9,913	8,290
Salaried	2,613	2,516	2,604	2,609
	<b>11,353</b>	<b>10,746</b>	<b>12,517</b>	<b>10,899</b>

Research and development operations which are also subject to service export is conducted with 1,065 employees in Sancaktepe branch, conducted with 233 employees in R&D centre in Kocaeli plant, conducted with 108 employees in R&D centre in Eskişehir plant and 7 employees in R&D ODTU Teknokent Office in totally 1,413 (31 December 2019: 1,389) employees as of 31 December 2020.

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis of presentation

###### Financial reporting standards

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

**2.1 Basis of presentation (Continued)**

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

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

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

**Going concern**

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

**Comparatives of prior periods' financial statements**

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

**2.2 Amendments and interpretations in the standards**

**The new standards, amendments and interpretations**

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

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

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
  - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in TAS 1 about immaterial information.

This change has no effect on the financial status and performance of the Company.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This change has no effect on the financial status and performance of the Company.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. This change has no effect on the financial status and performance of the Company.
- **Amendment to IFRS 16, 'Leases' - Covid - 19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID - 19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID - 19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. This change has no effect on the financial status and performance of the Company.

**(b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:**

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendments will not have an impact on the financial position or performance of the Company.
- **Amendments to IAS 1, "Presentation of financial statements' on classification of liabilities";** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. This change has no effect on the financial status and performance of the Company.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

**(b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:**

- **A number of narrow - scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
  - **Amendments to IFRS 3,** "Business combinations" update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to IAS 16,** "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to IAS 37,** "Provisions, contingent liabilities and contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, "First - time Adoption of IFRS", IFRS 9, "Financial instruments", IAS 41, "Agriculture" and the Illustrative Examples accompanying IFRS 16, "Leases".

This change has no effect on the financial status and performance of the Company.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from Annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. This change has no effect on the financial status and performance of the Company.
- **Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023. This change has no effect on the financial status and performance of the Company.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

**2.3 Summary of significant accounting policies**

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

**Cash and cash equivalents**

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

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

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

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

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

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

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

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.

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

**Inventories**

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

**Trade payables**

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

**Property, plant and equipment**

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

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

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

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

**Intangible assets**

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

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

The estimated useful lifetimes of such assets are as follows:

Rights	3 - 5 years
Capitalized development costs	Project lifetime
Other intangible assets	5 years

**Impairment of long-lived assets**

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

**Financial assets**

*Classification and Measurement*

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

*"Financial assets carried at amortized cost"*, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost.

The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. The aforementioned assets are initially measured at fair values and measured at amortized cost using the effective interest rate method in subsequent reporting. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

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

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

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

**Share premium**

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

**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.

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 income 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

**Revenue recognition**

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

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

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

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Company can identify each party's rights regarding the goods or services to be transferred,
- Company can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer

*Goods & services sales*

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

For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. But if the Company makes a sales agreement with buyback commitment, which shall most likely be applied, the sales made in this scope are not recognized as revenue and monitored under "Other Non-Current Liabilities" (Note 31). Sales, which are subject to buyback commitment, are evaluated as operating lease and monitored as deferred income through allocating the difference between the price paid by the customers and their buyback price to leasing period. (Note 30). The revenue recognised on lease revenue for the periods over 1 year is recognized as "Long term deferred revenue" (Note 30).

The vehicles with repurchase commitments are classified in tangible assets (Note 10). The vehicles are amortised during the repurchase commitment period. For export sales significant risk and rewards are transferred to the buyer on FAS, "Final Assignment to Ship" terms. Exported service sales are recorded when the service is delivered and the amount of revenue can be measured reliably.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

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

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

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

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

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

*Revenue from extended warranty and maintenance package*

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

*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:

	<b>TRY/USD</b>	<b>TRY/EUR</b>
<b>31 December 2020</b>	<b>7.3405</b>	<b>9.0079</b>
31 December 2019	5.9402	6.6506

**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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

***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.

***Capital risk management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the "net financial debt to earnings before interest tax and depreciation". This ratio is calculated as net financial debt divided by EBITDA (earnings before interest tax and depreciation) of last four quarters. Net financial debt is calculated as total short and long term borrowings minus cash and cash equivalents. The company management expects, this ratio not to exceed 3.5.

	<b>31 December 2020</b>	<b>31 December 2019</b>
Net financial liabilities	(43,199)	3,005,094
EBITDA (*)	5,722,236	3,198,016
Net financial liabilities / EBITDA(*)	<b>(0.01)</b>	<b>0.94</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

**Fair value of financial instruments**

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

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

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

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

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

***Financial assets***

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

***Financial liabilities***

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

***Cash flow hedge accounting***

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

**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 plans**

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 plans**

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" is 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).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

*Warranty provisions*

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

**Research and development expenses**

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

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

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

**Related parties**

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

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

If that person,

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

**(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 transaction with the related party is the transfer of resources, services or liabilities between a reporting entity and a related party, regardless of whether or not it is for a fee.

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

**Earnings per share**

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

**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 36).

**Offsetting**

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

**Government grants and incentives**

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

**Leases**

*Company - As a Lessee*

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

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

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

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

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

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

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

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

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

*Lease liability*

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

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

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

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

*Extension and early termination options*

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

*Variable lease payments*

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

*Practical expedient*

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

**Company - As Lessor**

The Company has no significant activity as a lessor.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

**2.4 Summary of significant accounting policies**

Due to the epidemic of COVID-19, which affects the whole world, the slowdown in economic activities, supply, production and sales in the country and sector where the Company operates and in the countries where the sales are made in parallel with the developments in general economic activities. There have been disruptions in their processes. In this context, the production activities were temporarily suspended in 2020 between the dates of 20 March - 4 May in the Company's Gölcük Plant, 23 March - 4 May in the Yeniköy Plant and 23 March - 27 April in the Eskişehir Factories. On 27 April, Eskişehir Factories and on 4 May, factories in Kocaeli campus have started their production activities again.

In this process, the necessary actions were taken by the Company management to minimize the possible effects of COVID-19 on the Company's operations and financial position. In this process, there was no delay in both payments to suppliers and collections of receivables. With the reduction of restrictions to prevent the spread of the epidemic, production and sales activities continue uninterrupted as of the balance sheet date.

COVID-19 effect of the need to continue with the world as well as in how much time in Turkey, can not be estimated yet clear is how much can be spread; As the severity and duration of the effects become clearer, it will be possible to make a more clear and healthy assessment for the medium and long term. However, while preparing the interim consolidated financial statements dated 30 September 2020, the possible effects of the COVID-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the financial statements were reviewed.

In this context, the Company has tested possible impairments in the financial assets, stocks, tangible assets in the year end financial statements dated 31 December 2020 and no impairment has been identified.

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

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

**2.6 Significant accounting estimates and decisions**

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

**2.6 Significant accounting estimates and decisions (Continued)**

- (a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed under provision for employee benefits (Note 15).
- (b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7).
- (c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9).
- (d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counsellor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.
- (e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).
- (f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of 31 December 2020 and 31 December 2019 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 24).
- (g) The Company recognizes depreciation and amortization for its property, plant and equipment and intangibles by taking into account their useful lives that are stated in Note 2 (Notes 10 and 11).
- (h) Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of 31 December 2020 and 31 December 2019, there is no impairment determined related to development costs in progress (Note 11).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

(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 2.34% (31 December 2019: 0.17%) and the weighted average interest rate for the TRY time deposits is 17.68% (31 December 2019: 10.99%).

	<b>31 December 2020</b>	<b>31 December 2019</b>
Banks - TRY time deposits	7,401,123	2,615,719
Banks - foreign currency time deposits	521,769	544,884
Banks - TRY demand deposits	147,795	36,427
Banks - foreign currency demand deposits	2,942	3,199
 <b>Cash and cash equivalents in the cash flow statement</b>	 <b>8,073,629</b>	 <b>3,200,229</b>
Interest income accrual	50,444	2,723
 <b>8,124,073</b>	 <b>3,202,952</b>	

**5. FINANCIAL ASSETS**

	<b>31 December 2020</b>	<b>31 December 2019</b>		
	<b>Ownership rate (%)</b>	<b>Amount</b>	<b>Ownership rate (%)</b>	<b>Amount</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	44,767	0.59	22,355
		<b>44,767</b>		<b>22,355</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**6. FINANCIAL LIABILITIES**

**Short-term financial liabilities**

**Bank borrowings**

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Effective interest rate (%)</b>	<b>Amount</b>	<b>Effective interest rate (%)</b>	<b>Amount</b>
- EUR	0.80	1,092,965	0.82	2,565,458
- TRY	0.17	1,147,984	-	23,755
				<b>2,240,949</b>
				<b>2,589,213</b>

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

**Bank borrowings**

- EUR	0.10	1,660,704	1.71	1,025,728
				<b>1,660,704</b>
				<b>1,025,728</b>

**Lease liabilities**

- EUR	4.68	20,158	4.60	23,361
- TRY	23.71	11,070	28	9,808
				<b>31,228</b>
				<b>33,169</b>
				<b>1,691,932</b>
				<b>1,058,897</b>

**Total short-term financial liabilities**

**3,932,881**

**3,648,110**

**Long term financial liabilities**

**Bank borrowings**

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Effective interest rate (%)</b>	<b>Amount</b>	<b>Effective interest rate (%)</b>	<b>Amount</b>
- EUR	1.77	4,096,515	1.81	2,503,852
				<b>4,096,515</b>
				<b>2,503,852</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**6. FINANCIAL LIABILITIES (Continued)**

**Lease liabilities**

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Effective interest rate (%)</b>	<b>Amount</b>	<b>Effective interest rate (%)</b>	<b>Amount</b>
- EUR	4.80	29,732	4.60	34,917
- TRY	22.22	21,746	28	21,167
		<b>51,478</b>		<b>56,084</b>
<b>Total long-term financial liabilities</b>		<b>4,147,993</b>		<b>2,559,936</b>

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

<b>Payment period</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
2021	-	1,074,945
2022	1,829,182	699,547
2023	1,115,096	411,161
2024	491,471	175,768
2025	336,818	71,997
2026	323,948	70,434
	<b>4,096,515</b>	<b>2,503,852</b>

The letters of bank guarantee given to financial institutions in connection with borrowings amounting to TRY1,458,383 (31 December 2019: TRY3,043,957) (Note 13).

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

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>6,208,046</b>	<b>4,593,920</b>
Cash inflows from borrowing	5,685,628	6,237,381
Cash outflows from borrowing	(6,202,154)	(5,119,841)
Cash outflows from loan payments from lease agreements	(52,397)	(47,642)
Unrealised foreign exchange differences	2,369,384	510,851
Change in accrual of interest	35,955	19,663
New lease agreements/effect of contract changes	36,412	13,714
<b>31 December</b>	<b>8,080,874</b>	<b>6,208,046</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**7. TRADE RECEIVABLES AND PAYABLES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Short-term trade receivables</b>		
Trade receivables	2,578,872	1,572,755
Expected credit loss	4,533	4,533
Less: unaccrued financing expense from forward purchases	<u>(32,629)</u>	<u>(14,792)</u>
	<b>2,550,776</b>	<b>1,562,496</b>
Less: provision for expected credit loss	<u>(4,533)</u>	<u>(4,533)</u>
	<b>2,546,243</b>	<b>1,557,963</b>

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days (31 December 2019: 25 days), domestic sales of spare parts turnover is 70 days (31 December 2019: 70 days) and discounted by 1.49% monthly effective interest rate (31 December 2019: 1.27%).

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.

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Long term trade receivables</b>		
Deposits and guarantees given	3,950	2,903
	<b>3,950</b>	<b>2,903</b>
 <b>31 December 2020</b> <b>31 December 2019</b>		
<b>Trade payables</b>		
Trade payables	6,624,233	3,690,149
Less: unaccrued financing expense from forward purchases	<u>(54,779)</u>	<u>(29,283)</u>
	<b>6,569,454</b>	<b>3,660,866</b>

The average turnover of trade payables is 60 days (31 December 2019: 60 days) and discounted by 1.49% monthly effective interest rate (31 December 2019: 1.27%).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**  
**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

<b>31 December 2020</b>	<b>Trade receivables</b>		<b>Other receivables</b>		<b>Deposit in bank</b>
	<b>Related party</b>	<b>Other</b>	<b>Related party</b>	<b>Other</b>	
The maximum of credit risk exposed at the reporting date (Note 26, 7, 8, 4)	3,207,939	2,546,243	-	1,457	8,073,629
- The maximum of credit risk covered by guarantees	235,000	2,544,397	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	3,170,095	2,537,594	-	1,457	8,073,629
Net book value of financial assets that are overdue but not impaired	37,844	8,649	-	-	-
- Amount of risk covered by guarantees	-	6,803	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533	-	-	-
- Impairment (-)	-	(4,533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**  
**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

<b>31 December 2019</b>	<b>Trade receivables</b>		<b>Other receivables</b>		<b>Deposit in bank</b>
	<b>Related party</b>	<b>Other</b>	<b>Related party</b>	<b>Other</b>	
The maximum of credit risk exposed at the reporting date (Note 26, 7, 8, 4)	2,547,130	1,557,963	-	1,870	3,200,229
- The maximum of credit risk covered by guarantees	235,000	1,556,766	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	2,502,169	1,555,514	-	1,870	3,200,229
Net book value of financial assets that are overdue but not impaired	44,961	2,449	-	-	-
- Amount of risk covered by guarantees	-	1,252	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533	-	-	-
- Impairment (-)	-	(4,533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

<b>31 December 2020</b>	<b>Trade receivables</b>	
	<b>Related party</b>	<b>Other</b>
1 - 30 days overdue	36,091	3,371
1 - 3 months overdue	1,571	2,835
3 - 12 months overdue	182	2,229
1 - 5 years overdue	-	214
	<b>37,844</b>	<b>8,649</b>
Amount of risk covered by guarantees	-	6,803

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

<b>31 December 2019</b>	<b>Trade receivables</b>	
	<b>Related party</b>	<b>Other</b>
1 - 30 days overdue	36,025	1,130
1 - 3 months overdue	4,037	611
3 - 12 months overdue	4,899	693
1 - 5 years overdue	-	15
	<b>44,961</b>	<b>2,449</b>
Amount of risk covered by guarantees	-	1,252

**8. OTHER RECEIVABLES AND PAYABLES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Other receivables</b>		
Other miscellaneous receivables	1,457	1,870
	<b>1,457</b>	<b>1,870</b>
<b>Other payables</b>		
Taxes and funds payable	84,469	26,694
Sales premium accruals	42,468	14,478
Other	14,909	13,369
	<b>141,846</b>	<b>54,541</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**9. INVENTORIES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Raw materials	962,381	838,126
Finished goods	530,107	230,731
Goods in transit	364,172	420,851
Vehicle spare parts	277,493	239,680
Import vehicles	255,241	27,530
Spare parts	57,270	47,635
Other	20,452	39,511
	<b>2,467,116</b>	<b>1,844,064</b>
Less: provision for impairment of finished goods and vehicle spare parts	(18,073)	(16,665)
	<b>2,449,043</b>	<b>1,827,399</b>

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

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

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>16,665</b>	<b>22,847</b>
Net change during the period	1,408	(6,182)
<b>31 December</b>	<b>18,073</b>	<b>16,665</b>

The Company has allocated provisions for inventory impairment for cases where the net realizable value in the product inventories is less than cost or has not moved for a long time. The reversal of provisions has been accounted under cost of sales (Note 18).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH  
FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**10. PROPERTY, PLANT AND EQUIPMENT**

<b>1 January 2020</b>	<b>Land</b>	<b>Land improvements</b>	<b>Buildings</b>	<b>Machine and equipment</b>	<b>Models and moulds</b>	<b>Fixture and furniture</b>	<b>Vehicles (*)</b>	<b>Constructions in progress</b>	<b>Total</b>
Cost	12,269	197,442	1,016,609	3,208,085	3,550,828	495,853	89,643	129,687	8,700,416
Accumulated depreciation	-	(90,040)	(462,296)	(1,574,195)	(1,808,122)	(313,714)	(15,501)	-	(4,263,868)
<b>Net book value</b>									
<b>12,269</b>	<b>107,402</b>	<b>554,313</b>	<b>1,633,890</b>	<b>1,742,706</b>	<b>182,139</b>	<b>74,142</b>	<b>129,687</b>	<b>4,436,548</b>	
<b>For the period ended 31 December 2020</b>									
Opening net book value	12,269	107,402	554,313	1,633,890	1,742,706	182,139	74,142	129,687	4,436,548
Additions	82,660	6,386	14,482	174,272	262,062	49,741	8,376	131,738	729,717
Transfers	-	4,326	4,580	41,551	69,581	1,234	1,855	(123,127)	-
Disposals	-	-	(250)	(3,149)	-	(3,828)	(52,884)	-	(60,111)
Depreciation charge	-	(6,825)	(30,947)	(182,577)	(464,711)	(35,626)	(6,011)	-	(726,697)
Disposals from accumulated depreciation	-	-	193	7,892	-	3,670	12,161	-	23,916
<b>Closing net book value</b>	<b>94,929</b>	<b>111,289</b>	<b>542,371</b>	<b>1,671,879</b>	<b>1,609,638</b>	<b>197,330</b>	<b>37,639</b>	<b>138,298</b>	<b>4,403,373</b>
<b>31 December 2020</b>									
Cost	94,929	208,154	1,035,421	3,420,759	3,882,471	543,000	46,990	138,298	9,370,022
Accumulated depreciation	-	(96,865)	(493,050)	(1,748,880)	(2,272,833)	(345,670)	(9,351)	-	(4,966,649)
<b>Net book value</b>	<b>94,929</b>	<b>111,289</b>	<b>542,371</b>	<b>1,671,879</b>	<b>1,609,638</b>	<b>197,330</b>	<b>37,639</b>	<b>138,298</b>	<b>4,403,373</b>

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

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

(\*) The Company makes a part of its truck sales with buyback commitment and trucks sold in this scope are monitored in "Vehicles" under Property, Plant and Equipment and their cost value amounts to TRY24,242 (31 December 2019: TRY63,655).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**  
**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

<b>1 January 2019</b>	<b>Land</b>	<b>Land improvements</b>	<b>Buildings</b>	<b>Machine and equipment</b>	<b>Models and moulds</b>	<b>Fixture and furniture</b>	<b>Vehicles</b>	<b>Constructions in progress</b>	<b>Total</b>
Cost	12,269	188,904	1,000,623	2,863,335	2,890,202	449,351	68,226	132,050	7,604,960
Accumulated depreciation	-	(83,462)	(432,266)	(1,411,727)	(1,459,374)	(283,565)	(11,819)	-	(3,682,213)
<b>Net book value</b>	<b>12,269</b>	<b>105,442</b>	<b>568,357</b>	<b>1,451,608</b>	<b>1,430,828</b>	<b>165,786</b>	<b>56,407</b>	<b>132,050</b>	<b>3,922,747</b>
<b>For the period ended 31 December 2019</b>									
Opening net book value	12,269	105,442	568,357	1,451,608	1,430,828	165,786	56,407	132,050	3,922,747
Additions	-	8,546	16,953	337,286	588,641	48,613	23,577	87,327	1,110,943
Transfers	-	-	265	13,113	74,660	265	1,387	(89,690)	-
Disposals	-	(8)	(1,232)	(5,649)	(2,675)	(2,376)	(3,547)	-	(15,487)
Depreciation charge	-	(6,581)	(30,607)	(167,870)	(350,739)	(32,449)	(4,921)	-	(593,167)
Disposals from accumulated depreciation	-	3	577	5,402	1,991	2,300	1,239	-	11,512
<b>Closing net book value</b>	<b>12,269</b>	<b>107,402</b>	<b>554,313</b>	<b>1,633,890</b>	<b>1,742,706</b>	<b>182,139</b>	<b>74,142</b>	<b>129,687</b>	<b>4,436,548</b>
<b>31 December 2019</b>									
Cost	12,269	197,442	1,016,609	3,208,085	3,550,828	495,853	89,643	129,687	8,700,416
Accumulated depreciation	-	(90,040)	(462,296)	(1,574,195)	(1,808,122)	(313,714)	(15,501)	-	(4,263,868)
<b>Net book value</b>	<b>12,269</b>	<b>107,402</b>	<b>554,313</b>	<b>1,633,890</b>	<b>1,742,706</b>	<b>182,139</b>	<b>74,142</b>	<b>129,687</b>	<b>4,436,548</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Cost of production (Note 18)	687,890	558,703
Research and development expenses (Note 19)	18,938	18,400
General administrative expenses (Note 19)	14,338	11,474
Marketing expenses (Note 19)	3,450	3,075
Associated with construction in progress	2,081	1,515
	<b>726,697</b>	<b>593,167</b>

**11. INTANGIBLE ASSETS**

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

**For the period ended 31 December 2020**

Opening net book value	24,157	524,049	281,830	1,160	831,196
Additions	25,036	-	196,920	-	221,956
Transfers	-	95,485	(95,485)	-	-
Disposals	-	-	-	(619)	(619)
Depreciation charge	(19,395)	(128,345)	-	(278)	(148,018)
Disposals from accumulated depreciation	-	324	-	-	324
<b>Closing net book value</b>	<b>29,798</b>	<b>491,513</b>	<b>383,265</b>	<b>263</b>	<b>904,839</b>

**31 December 2020**

Cost	121,228	1,136,844	383,265	7,284	1,648,621
Accumulated amortisation	(91,430)	(645,331)	-	(7,021)	(743,782)
<b>Net book value</b>	<b>29,798</b>	<b>491,513</b>	<b>383,265</b>	<b>263</b>	<b>904,839</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**11. INTANGIBLE ASSETS (Continued)**

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

**For the period ended 31 December 2019**

Opening net book value	14,977	644,226	162,777	1,362	823,342
Additions	23,962	3,511	119,053	81	146,607
Transfers	-	-	-	-	-
Amortisation charge	(14,782)	(123,688)	-	(283)	(138,753)
<b>Closing net book value</b>	<b>24,157</b>	<b>524,049</b>	<b>281,830</b>	<b>1,160</b>	<b>831,196</b>

**31 December 2019**

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Cost of production (Note 18)	131,241	126,162
General administrative expenses (Note 19)	13,471	9,157
Research and development expenses (Note 19)	2,376	2,553
Marketing expenses (Note 19)	872	855
Associated with construction in progress	58	26
	<b>148,018</b>	<b>138,753</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**12. PREPAID EXPENSES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Short-term prepaid expenses</b>		
Advances given for inventories	188,570	153,224
Other prepaid expenses	33,302	25,158
	<b>221,872</b>	<b>178,382</b>
<b>Long-term prepaid expenses</b>		
Advances given for investments (*)	336,244	178,319
Other prepaid expenses	23,485	25,892
	<b>359,729</b>	<b>204,211</b>

(\*) Advances given for investments are related to the Company's new vehicle investments. TRY148,384 (31 December 2019: TRY148,753) is given to domestic vendors as mould advances and TRY187,860 (31 December 2019: TRY29,566) is the advance given for the new project investments.

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

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

**Short- term provisions**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Warranty expense provision	164,132	88,266
Provisions for sales premium (*)	109,113	32,836
	<b>273,245</b>	<b>121,102</b>

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

**Long- term provisions**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Warranty expense provision	190,084	120,902
Provisions for lawsuits	83,369	53,838
	<b>273,453</b>	<b>174,740</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>53,838</b>	<b>50,326</b>
Paid during the period	(5,408)	(7,176)
Additions during the period	34,939	10,688
<b>31 December</b>	<b>83,369</b>	<b>53,838</b>

A movement in the warranty expense provision during the period is as follows:

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>209,168</b>	<b>194,326</b>
Paid during the period	(205,081)	(198,414)
Additions during the period (Note 19)	350,129	213,256
<b>31 December</b>	<b>354,216</b>	<b>209,168</b>

<b>Letters of guarantee and letters of credit</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Letters of guarantee given to financial institutions due to bank loans	1,458,383	3,043,957
Letters of guarantee given to customs	94,670	71,097
Letters of guarantees given to other parties	51,539	14,977
	<b>1,604,592</b>	<b>3,130,031</b>

<b>Letters of guarantee given</b>	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Original currency</b>	<b>TRY amount</b>	<b>Original currency</b>	<b>TRY amount</b>
EUR	171,957	1,548,967	467,753	3,110,835
TRY	55,625	55,625	19,196	19,196
	<b>1,604,592</b>		<b>3,130,031</b>	

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

<b>Collaterals, pledges and mortgages given by the Company</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	1,602,947	3,130,031
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	1,645	-
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of collaterals/pledges/mortgages	-	-
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>1,604,592</b>	<b>3,130,031</b>

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

**Letters of guarantee received**

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Original currency</b>	<b>TRY amount</b>	<b>Original currency</b>	<b>TRY amount</b>
TRY	302,071	302,071	146,014	146,014
EUR	22,471	202,417	3,035	20,188
USD	22	162	122	722
		<b>504,650</b>		<b>166,924</b>

**Other**

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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**14. COMMITMENTS**

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

- a) The Company has signed a 1-year loan commitment agreement with İşbank amounting to EUR 100,000,000 in 2020. With this agreement the company committed to pass the export value of EUR 200,000,000 through its accounts. As of 31 December 2020, this commitment have been fulfilled.
- b) The Company also committed to Türkiye İhracat Kredi Bankası A.Ş. (Eximbank):
  - With 2 years term credit amounting to Euro 44,000,000 used in December 2019 an export amount of Euro 44,000,000.
  - With 2 years term credit amounting to Euro 40,000,000 used in April 2020 an export amount of Euro 40,000,000.
  - With 2 years term credit amounting to Euro 23,000,000 used in May 2020 an export amount of Euro 23,000,000.,
  - With 4 mounts term credit amounting to Euro 70,000,000 used in December 2020 an export amount of Euro 70,000,000.

**15. EMPLOYEE BENEFITS**

**Liabilities for employee benefit obligations**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Salaries and social charges payable	119,836	125,962
Withholding income tax payable	90,248	53,977
Social security premiums payable	72,850	35,681
Other	7,143	4,653
	<b>290,077</b>	<b>220,273</b>

**Long-term provision for employee benefits**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Provision for employment termination benefits	312,721	256,208
Provision for unused vacation pay liability	48,337	31,676
	<b>361,058</b>	<b>287,884</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**15. EMPLOYEE BENEFITS (Continued)**

**Provision for employment termination benefits**

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

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

The amount payable consists of one month's salary limited to a maximum of full TRY7,638.96 for each year of service as of 1 January 2021 (1 January 2020: Full TRY6,730.16).

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Net discount rate (%)	4.63	4.67
Turnover rate to estimate the probability of retirement (%)	95.73	95.73

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits once a year, the maximum amount of full TRY7,638.96 which was effective as of 1 January 2021 (1 January 2020: Full TRY6,730.16) has been used in the calculations.

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

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>256,208</b>	<b>170,925</b>
Interest cost	30,745	28,613
Current year service cost	19,868	71,201
Paid during the period	(14,473)	(16,757)
<u>Actuarial gains</u>	<u>20,373</u>	<u>2,226</u>
<b>31 December</b>	<b>312,721</b>	<b>256,208</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**15. EMPLOYEE BENEFITS (Continued)**

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

Sensitivity level	Net discount rate		Turnover rate related to the probability of retirement	
	(%) 0.5 base decrease	(%) 0.5 base increase	(%) 0.5 base decrease	(%) 0.5 base increase
Rate (%)	(4.1)	(5.1)	95.2	96.2
Change in provision for employee benefits	21,043	(19,245)	(6,540)	6,873

**16. OTHER CURRENT ASSETS**

	<b>31 December 2020</b>	<b>31 December 2019</b>
VAT to be deducted (*)	985,386	704,166
Prepaid taxes and withholding	46,483	21,501
Other	22,026	7,544
Deferred VAT	-	107,891
	<b>1,053,895</b>	<b>841,102</b>

(\*) VAT to be deducted includes export VAT receivables related to November and December 2020. VAT return for November amounting to TRY359,948 has been collected in January 2021.

**17. EQUITY**

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

Shareholders	Share group	31 December 2020	Shareholders percentage (%)	31 December 2019	Shareholders percentage (%)
Koç Holding A.Ş.	B	135,631	38.65	134,953	38.46
Temel Ticaret ve Yatırım A.Ş.	B	2,356	0.67	2,356	0.67
Ford Deutschland Holding GmbH	C	143,997	41.04	143,997	41.04
Vehbi Koç Vakfı	A	2,881	0.82	3,559	1.01
Koç Holding Emekli ve Yardım Sandığı Vakfı	A	3,259	0.93	3,259	0.93
Other (Publicly traded)	A	62,786	17.89	62,786	17.89
		<b>350,910</b>	<b>100</b>	<b>350,910</b>	<b>100</b>
<b>Inflation adjustment to share capital</b>		<b>27,920</b>		<b>27,920</b>	
<b>Inflation adjusted paid in capital</b>		<b>378,830</b>		<b>378,830</b>	

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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**17. EQUITY (Continued)**

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

There are 35,091,000,000 unit of shares (31 December 2019: 35,091,000,000 unit) with a nominal value of Kr 1 each.

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

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned reserves under "Restricted reserves", the amount of restricted reserves is TRY410,493 as of 31 December 2020 (31 December 2019: TRY302,764).

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

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

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

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**17. EQUITY (Continued)**

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
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	41,600	20,309
Losses on cash flow hedge	(1,431,512)	(705,427)
Losses on remeasurements of defined benefit plans	(18,359)	(2,060)
 <b>Restricted reserves</b>	 <b>410,493</b>	 <b>302,764</b>
- Legal reserves	410,493	302,764
 <b>Retained earnings</b>	 <b>3,467,929</b>	 <b>2,711,013</b>
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	3,039,628	2,282,712
 <b>Net income for the period</b>	 <b>4,194,913</b>	 <b>1,959,484</b>
 <b>Total equity</b>	 <b>7,043,902</b>	 <b>4,664,921</b>

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**17. EQUITY (Continued)**

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

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

Otokar shares which are publicly traded in BIST are valued at their closing price as of 31 December 2020 and 31 December 2019. As of 31 December 2019, fair value change amounting to TRY21,291 net of deferred tax, (31 December 2019: TRY9,450) is shown in statement of comprehensive income.

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

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>(687,178)</b>	<b>(783,707)</b>
Gains/(losses) from financial assets measured at fair value through other comprehensive income	21,291	9,450
Actuarial gains/(losses)	(16,299)	(1,781)
Gains/(losses) on cash flow hedges	(726,085)	88,860
<b>31 December</b>	<b>(1,408,271)</b>	<b>(687,178)</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**18. REVENUE AND COST OF SALES**

	<b>2020</b>	<b>2019</b>
Export sales	34,626,072	33,375,426
Domestic sales	16,153,836	6,571,460
Other sales	211,547	192,863
Less: discounts	(1,540,048)	(930,730)
	<b>49,451,407</b>	<b>39,209,019</b>

**Units of vehicle sales**

	<b>2020</b>	<b>2019</b>				
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	5,820	141,378	147,198	3,394	175,985	179,379
Transit	24,807	88,687	113,494	12,972	116,805	129,777
Transit Courier	35,445	21,568	57,013	16,768	38,941	55,709
Passenger Vehicles	25,703	3	25,706	11,460	53	11,513
Ford Trucks	5,315	2,510	7,825	2,841	2,671	5,512
Ranger	2,528	-	2,528	821	-	821
Transit Connect	533	-	533	208	-	208
	<b>100,151</b>	<b>254,146</b>	<b>354,297</b>	<b>48,464</b>	<b>334,455</b>	<b>382,919</b>

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

	<b>2020</b>	<b>2019</b>
Cost of raw material	(34,624,112)	(29,476,279)
Production overhead costs	(2,305,054)	(1,737,003)
Amortization expenses (Notes 10, 11 and 33)	(847,758)	(714,539)
Changes in finished goods	297,968	(175,226)
<b>Total production cost</b>	<b>(37,478,956)</b>	<b>(32,103,047)</b>
Cost of trade goods sold	(5,785,922)	(3,090,755)
<b>Total cost of sales</b>	<b>(43,264,878)</b>	<b>(35,193,802)</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

	<b>2020</b>	<b>2019</b>
<b>Research and development expenses</b>		
Personnel expenses	(236,034)	(206,444)
Project costs	(119,284)	(122,421)
Mechanization expenses	(63,972)	(51,310)
Depreciation and amortization expenses (Notes 10, 11 and 33)	(23,160)	(22,954)
Other	(17,001)	(16,454)
	<b>(459,451)</b>	<b>(419,583)</b>
<b>Marketing expenses</b>		
Warranty expenses (Note 13)	(350,129)	(213,256)
Personnel expenses	(154,085)	(129,234)
Advertising expenses	(88,038)	(99,704)
Vehicle transportation expenses	(85,668)	(39,676)
Export expenses	(35,016)	(31,097)
Spare parts transportation and packaging expenses	(32,029)	(39,397)
Depreciation and amortization expenses (Notes 10, 11 and 33)	(13,776)	(14,278)
Dealer and service development expenses	(10,210)	(7,983)
Other	(74,614)	(74,477)
	<b>(843,565)</b>	<b>(649,102)</b>
<b>General administrative expenses</b>		
Personnel expenses	(190,421)	(151,548)
Grants and donations	(77,167)	(37,368)
Legal, consulting and auditing expenses	(73,132)	(50,231)
Duties, taxes and levies expenses	(37,294)	(7,061)
Depreciation and amortization expenses (Notes 10, 11 and 33)	(29,742)	(22,676)
New project administrative expenses	(18,919)	(28,111)
Repair, maintenance and energy expenses	(9,616)	(8,515)
Organization expenses	(8,985)	(22,311)
Transportation and travel expenses	(6,700)	(7,231)
Other	(64,712)	(37,841)
	<b>(516,688)</b>	<b>(372,893)</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**20. EXPENSES BY NATURE**

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

	<b>2020</b>	<b>2019</b>
Raw material cost	(34,624,112)	(29,476,279)
Cost of trade goods sold	(5,785,922)	(3,090,755)
Financial expenses	(2,553,875)	(1,656,231)
Personnel expenses	(1,758,747)	(1,498,932)
Other operational expenses	(1,172,487)	(894,442)
Other overhead costs	(1,126,846)	(725,299)
Depreciation and amortization expenses	(914,436)	(774,447)
Other expenses from operating activities	(415,940)	(785,389)
Expenses from investing activities	(1,359)	(714)
Expense from investment accounted for by equity method	-	(933)
Changes in inventories	297,968	(175,226)
 <b>Total expenses</b>	<b>(48,055,756)</b>	<b>(39,078,647)</b>

**21. OTHER OPERATING INCOME/EXPENSES**

	<b>2020</b>	<b>2019</b>
<b>Other operating income</b>		
Foreign exchange gains related to trade receivables and payables	519,289	337,840
Unearned financial income	218,467	212,193
License income	24,042	14,940
Rent income	11,590	13,422
Commission income	7,798	3,932
Price difference and claim recovery	7,674	4,671
Other	65,916	46,780
 <b>854,776</b>	<b>633,778</b>	
 <b>Other operating expenses</b>		
Unearned financial expense	(301,366)	(533,692)
Foreign exchange losses related to trade receivables and payables	(106,801)	(243,331)
Other	(7,773)	(8,366)
 <b>(415,940)</b>	<b>(785,389)</b>	

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**22. FINANCIAL INCOME**

	<b>2020</b>	<b>2019</b>
Foreign exchange gains	1,431,390	1,054,803
Interest income	423,964	130,798
	<b>1,855,354</b>	<b>1,185,601</b>

**23. FINANCIAL EXPENSES**

	<b>2020</b>	<b>2019</b>
Foreign exchange losses	(2,328,740)	(1,539,611)
Interest expenses	(199,692)	(84,684)
Other	(25,443)	(31,936)
	<b>(2,553,875)</b>	<b>(1,656,231)</b>

**24. TAX ASSETS AND LIABILITIES**

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

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

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

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

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

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

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

As of 31 December 2020, the Company utilised R&D incentive exemption amounting of TRY572,195 (31 December 2019: TRY492,495) in return for the legal tax.

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

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

- An investment of TRY559,295 has been made between 2010 and 2013 for the Transit and Transit Custom model investments at Kocaeli Gölcük Plant. The investment contribution rate of this project is 30%.
- An investment of TRY1,300,573 has been made between 2013 and 2017 at Kocaeli Gölcük Plant for Transit expenditures. The investment contribution rate of this project is 50%.
- For the new model Transit Courier investment, which started production with the establishment of the Kocaeli Yeniköy Plant, an investment expenditure of TRY798,311 was made between 2013-2016. The contribution rate of the project is 40%.
- Eskişehir Plant has two incentive certificates related to engine and truck production. The Company received an investment incentive certificate for the new 6 and 4-cylinder Engine Production project to be used in Trucks and Transit vehicles worth of TRY138,960 in Eskişehir in 2013-2019, and a second Investment Incentive Certificate for the Euro 6 Emission Truck Production project amounting to TRY529,645 in 2014-2019. The investment contribution rate of these projects is 40%. Investment periods for the incentives of Eskişehir Factories have been completed and incentive closure process is continuing with the Ministry of Industry.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

---

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

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

- In 2016, an investment incentive certificate amounting to TRY849,160 was obtained for the renovation and factory modernization investments of the Transit, Transit Courier and Transit Custom models at the Gölcük and Yeniköy plants. Investment expenditures are continuing within the scope of this project and the contribution rate of the project to investment is 40%.
- Renewal investments of machinery and equipment used for the manufacturing and assembly of F-Trucks (trucks, tractors), Transit and Transit Custom vehicles manufactured in Eskişehir Factories, Brake Disc and Front Layout that will be started to be produced for use in Transit vehicles. An investment incentive certificate amounting to TRY889,308 was obtained on 30 March 2020 for machinery and equipment investments to be made locally to manufacture the gearbox of F-Trucks, which is a product in the heavy commercial vehicle segment, as well as line installation investments for its complex manufacturing. The contribution rate of this project to investment is 40%.
- Project-based Incentives amounting to TL 20,501,206 for product diversification and expansion investments covering the production of new generation commercial vehicles and batteries in Kocaeli Plants were published in the Official Gazette with the President's Decree No. 3273 dated 4 December 2020. The rate of contribution to the investment to be utilized for this project is 100%.

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

As of the date of the balance sheet, the investment expenditures amounting to TRY4,948,893 (31 December 2019: TRY4,447,874) was made in the framework of the related new investment incentive certificates.

The Company utilized discounted corporate taxation amounting to TRY620,440 (31 December 2019: TRY264,575) in the current year and this amount has been deducted from the total deferred tax asset.

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Current year corporate tax expense	(39,799)	(21,242)
Prepaid tax and withholding	22,247	9,764
<b>Current years' profit tax (liability)</b>	<b>(17,552)</b>	<b>(11,478)</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

(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 31 December 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</b>
Current year corporate tax expense	(39,799)	(21,242)
Current year tax effect of cash flow hedge (*)	(174,765)	24,530
Deferred tax charged to statement of profit or loss	301,147	6,023
Deferred tax (expense)/income	126,382	30,553
<b>Continuing operations tax (income)/(expense)</b>	<b>86,583</b>	<b>9,311</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 31 December 2020 and 2019 and current tax ratio based on income before tax is as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Income before tax	4,108,330	1,950,173
Effective tax rate	22%	22%
Current year tax expense	(903,833)	(429,038)
Research and development deductions	125,883	108,349
Investment incentive exemption	860,174	324,535
Other	4,359	5,465
	<b>86,583</b>	<b>9,311</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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

	<b>Cumulative temporary differences</b>		<b>Deferred tax assets / (liabilities)</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Deferred tax assets</b>				
Investment incentive tax asset	(5,508,188)	(5,007,169)	1,120,004	880,274
Expense accruals and other provisions	(512,294)	(419,710)	102,453	90,754
Employee benefits provision	(312,721)	(256,208)	62,544	51,241
Warranty expense provision	(354,216)	(209,168)	70,843	43,599
Inventories	(68,338)	(81,053)	13,668	17,832
	<b>(6,755,757)</b>	<b>(5,973,308)</b>	<b>1,369,512</b>	<b>1,083,700</b>
<b>Deferred tax liabilities</b>				
Tangible and intangible assets	1,983,517	2,114,036	(396,703)	(422,807)
Income accruals and other	92,814	48,307	(18,563)	(10,747)
	<b>2,076,331</b>	<b>2,162,343</b>	<b>(415,266)</b>	<b>(433,554)</b>
<b>Net deferred tax asset</b>			<b>954,246</b>	<b>650,146</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

The deferred tax movement table is presented below:

	1 January 2020	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	31 December 2020
<b>Deferred tax liabilities</b>				
Tangible and intangible assets	(422,807)	26,104	-	(396,703)
Income accruals and other	(10,747)	(6,695)	(1,121)	(18,563)
<b>Deferred tax assets</b>				
Investment incentive tax asset	880,274	239,730	-	1,120,004
Expense accruals and other provisions	90,754	11,699	-	102,453
Provision for employee benefits	51,241	7,229	4,074	62,544
Warranty expense provision	43,599	27,244	-	70,843
Inventories	17,832	(4,164)	-	13,668
<b>Deferred tax asset, net</b>	<b>650,146</b>	<b>301,147</b>	<b>2,953</b>	<b>954,246</b>
	1 January 2019	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	31 December 2019
<b>Deferred tax liabilities</b>				
Tangible and intangible assets	(312,792)	(110,015)	-	(422,807)
Income accruals and other	(17,822)	7,572	(497)	(10,747)
<b>Deferred tax assets</b>				
Investment incentive tax asset	820,314	59,960	-	880,274
Expense accruals and other provisions	60,838	29,916	-	90,754
Provision for employee benefits	34,185	16,611	445	51,241
Warranty expense provision	41,961	1,638	-	43,599
Inventories	17,491	341	-	17,832
<b>Deferred tax asset, net</b>	<b>644,175</b>	<b>6,023</b>	<b>(52)</b>	<b>650,146</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**25. EARNINGS PER SHARE**

	<b>2020</b>	<b>2019</b>
Net profit for the year	4,194,913	1,959,484
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000
<b>Earnings per share with nominal value of Kr 1 each</b>	<b>11.95 Kr</b>	<b>5.58 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 Deutschland Holding GmbH, a subsidiary of Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies' assets are shown as related parties.

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

**a) Receivables from related parties**

*i) Trade receivable from related parties*

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Due from shareholders</b>		
Ford Motor Company and its subsidiaries	1,938,318	1,953,440
	<b>1,938,318</b>	<b>1,953,440</b>
<b>Due from group companies (*)</b>		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,278,190	597,362
Other	7,721	1,967
	<b>1,285,911</b>	<b>599,329</b>
Less: unearned credit finance income	(16,290)	(5,639)
	<b>3,207,939</b>	<b>2,547,130</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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.

**b) Payables to related parties**

*i) Trade payables to related parties*

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Due to shareholders</b>		
<hr/>		
Ford Motor Company and its subsidiaries	900,762	702,729
	<b>900,762</b>	<b>702,729</b>
<b>Due to group companies (*)</b>		
<hr/>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	127,008	77,603
Ram Dış Ticaret A.Ş.	54,043	33,250
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	29,350	19,522
Ingage Dijital Pazarlama A.Ş.	17,552	6,918
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	14,159	11,635
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	7,325	4,821
Setur Servis Turistik A.Ş.	4,491	8,870
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	4,150	3,482
Ram Sigorta Aracılık Hizmetleri A.Ş.	1,143	262
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1,021	348
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	484	10,763
Other	19,368	5,904
	<b>280,094</b>	<b>183,378</b>
Less: unearned credit finance income	(2,517)	(1,553)
	<b>1,178,339</b>	<b>884,554</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

*ii) Other payables to related parties*

	<b>31 December 2020</b>	<b>31 December 2019</b>
Koç Holding A.Ş.	18,685	14,699
Koç Finansman A.Ş.	8,864	4,005
Yapı ve Kredi Bankası A.Ş.	6,801	1,913
	<b>34,350</b>	<b>20,617</b>

*c) Sales to related parties*

	<b>2020</b>	<b>2019</b>
Ford Motor Company (*)	33,344,256	32,403,630
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	4,079,628	1,625,290
Other	161	243
	<b>37,424,045</b>	<b>34,029,163</b>
Less: financial income from credit sales	(60,990)	(61,149)
	<b>37,363,055</b>	<b>33,968,014</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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

	<b>2020</b>			
	<b>Material</b>	<b>Service</b>	<b>Fixed assets</b>	<b>Total</b>
<b>Domestic purchases</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	27,708	365,234	347	393,289
Ram Dış Ticaret A.Ş.	106,204	-	-	106,204
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	82,270	18,332	100,602
Eltek Elektrik Enerjisi İth. Ihr. ve Toptan Tic. A.Ş.	-	46,182	-	46,182
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	35,617	35,617
Koç Holding A.Ş. (*)	-	34,219	17	34,236
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	20,090	11,625	31,715
Opet Petrolcülük A.Ş.	29,966	-	-	29,966
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	22,860	-	-	22,860
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	15,145	-	15,145
Koçtaş Yapı Marketleri Ticaret A.Ş.	14,257	-	298	14,555
Setur Servis Turistik A.Ş.	-	13,783	-	13,783
Ingage Dijital Pazarlama A.Ş.	-	12,191	-	12,191
AKPA Dayanıklı Tüketicim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	6,871	-	-	6,871
Other	4,742	10,917	1,371	17,030
	<b>212,608</b>	<b>600,031</b>	<b>67,607</b>	<b>880,246</b>
Less: Financial expense from credit purchases	(4,642)	-	-	(4,642)
	<b>207,966</b>	<b>600,031</b>	<b>67,607</b>	<b>875,604</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 Communiqué about concealed Gain Distribution by Transfer Pricing.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

	<b>2019</b>			
	<b>Material</b>	<b>Service</b>	<b>Fixed assets</b>	<b>Total</b>
<b>Domestic purchases</b>				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	31,801	316,556	171	348,528
Ram Dış Ticaret A.Ş.	149,983	-	-	149,983
Eltek Elektrik Enerjisi İth. Ihr. ve Toptan Tic. A.Ş.	-	66,460	-	66,460
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	45,004	21,022	66,026
Setur Servis Turistik A.Ş.	-	36,793	-	36,793
Koç Holding A.Ş. (*)	-	33,399	-	33,399
Ingage Dijital Pazarlama A.Ş.	-	32,213	484	32,697
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	15,475	12,311	27,786
Opet Petrolcültük A.Ş.	21,523	-	-	21,523
AKPA Dayanıklı Tüketicim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	18,248	-	-	18,248
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	16,662	-	-	16,662
Koçtaş Yapı Marketleri Ticaret A.Ş.	15,374	-	41	15,415
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	12,127	-	12,127
Tanı Pazarlama İlet. Hiz. A.Ş.	-	746	-	746
Other	1,516	7,525	1,388	10,429
	<b>255,107</b>	<b>566,298</b>	<b>35,417</b>	<b>856,822</b>
Less: Financial expense from credit purchases	(11,043)	-	-	(11,043)
	<b>244,064</b>	<b>566,298</b>	<b>35,417</b>	<b>845,779</b>

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

	<b>2020</b>	<b>2019</b>
Ford Motor Company and its subsidiaries	21,042,086	15,591,722
e) License fees paid to Ford Motor Company included in cost of sales		
	<b>2020</b>	<b>2019</b>
	299,669	111,770
f) License fees received from Jiangling Motors Corporation, a subsidiary of Ford Motor Company, included in other income		
	<b>2020</b>	<b>2019</b>
	24,042	14,940

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

	<b>2020</b>	<b>2019</b>
	55,384	35,484

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

Deposits in related banks	31 December 2020	31 December 2019
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**Yapı ve Kredi Bankası A.Ş.**

- TRY time deposits	1,923,043	272,676
- TRY demand deposits	84,652	25,241
- Foreign currency time deposits	49,770	100,206
- Foreign currency demand deposits	1,346	574
	<b>2,058,811</b>	<b>398,697</b>

i) Loans from related banks

	31 December 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş.	303,975	-
	<b>303,975</b>	<b>-</b>

i) Commission income

	<b>2020</b>	<b>2019</b>
Yapı ve Kredi Bankası A.Ş.	5,103	2,169
Koç Finansman A.Ş.	2,695	1,763
	<b>7,798</b>	<b>3,932</b>

j) Commission expense

	<b>2020</b>	<b>2019</b>
Yapı ve Kredi Bankası A.Ş.	51,479	38,266
Koç Finansman A.Ş.	47,244	47,944
	<b>98,723</b>	<b>86,210</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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

**k) Interest income**

	<b>2020</b>	<b>2019</b>
Yapı ve Kredi Bankası A.Ş.	85,446	14,124

**l) Dividend income**

	<b>2020</b>	<b>2019</b>
Otokar Otomotiv ve Savunma Sanayi A.Ş.	1,172	422

**m) Compensation of key management personnel**

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

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

The total amount of compensation given to key management personnel of the Company as of 31 December 2020 is TRY57,501 (31 December 2019: TRY41,952). All of this amount consists of short term benefits.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**  
**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 31 December 2020 and 31 December 2019. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

**31 December 2020**

	<b>TRY equivalent (Functional currency)</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>
1. Trade receivables	2,416,395	14,106	256,756	2
2. Monetary financial assets (including cash and cash equivalents)	525,174	4,729	54,356	385
3. Other	371,121	23,856	21,759	-
<b>4. Current assets (1 + 2 + 3)</b>	<b>3,312,690</b>	<b>42,691</b>	<b>332,871</b>	<b>387</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>3,312,690</b>	<b>42,691</b>	<b>332,871</b>	<b>387</b>
8. Trade payables	1,365,145	45,736	113,816	8,125
9. Financial liabilities (*)	2,773,827	-	307,933	-
10. Other monetary liabilities	15,752	-	1,749	-
<b>11. Short term liabilities (8 + 9 + 10)</b>	<b>4,154,724</b>	<b>45,736</b>	<b>423,498</b>	<b>8,125</b>
12. Financial liabilities (*)	4,126,247	-	458,070	-
13. Other	1,253	-	139	-
<b>14. Long term liabilities (12+13)</b>	<b>4,127,500</b>	<b>-</b>	<b>458,209</b>	<b>-</b>
<b>15. Total liabilities (11 + 14)</b>	<b>8,282,224</b>	<b>45,736</b>	<b>881,707</b>	<b>8,125</b>
<b>16. Net foreign currency (liabilities)/assets position (7- 15)</b>	<b>(4,969,534)</b>	<b>(3,045)</b>	<b>(548,836)</b>	<b>(7,738)</b>
<b>17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)</b>	<b>(5,339,402)</b>	<b>(26,901)</b>	<b>(570,456)</b>	<b>(7,738)</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 TRY5,754,292 as of 31 December 2020 (31 December 2019: TRY3,859,197). As of 31 December 2020, the Company has a total of TRY166,918 (31 December 2019: TRY50,715) of the product to be issued.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH  
**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

**31 December 2019**

	<b>TRY equivalent (Functional currency)</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>
1. Trade receivables	2,343,969	10,022	343,494	-
2. Monetary financial assets (including cash and cash equivalents)	548,085	400	82,026	177
3. Other	424,397	25,230	41,279	-
<b>4. Current assets (1 + 2 + 3)</b>	<b>3,316,451</b>	<b>35,652</b>	<b>466,799</b>	<b>177</b>
5. Monetary financial assets	-	-	-	-
<b>6. Non-current assets (5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>7. Total assets (4 + 6)</b>	<b>3,316,451</b>	<b>35,652</b>	<b>466,799</b>	<b>177</b>
8. Trade payables	939,804	39,549	104,807	895
9. Financial liabilities (*)	3,614,548	-	543,492	-
10. Other monetary liabilities	37,663	-	5,663	-
<b>11. Short term liabilities (8 + 9 + 10)</b>	<b>4,592,015</b>	<b>39,549</b>	<b>653,962</b>	<b>895</b>
12. Financial liabilities (*)	2,538,769	-	381,735	-
13. Other	1,447	-	218	-
<b>14. Long term liabilities (12+13)</b>	<b>2,540,216</b>	<b>-</b>	<b>381,953</b>	<b>-</b>
<b>15. Total liabilities (11 + 14)</b>	<b>7,132,231</b>	<b>39,549</b>	<b>1,035,915</b>	<b>895</b>
<b>16. Net foreign currency (liabilities)/assets position (7 - 15)</b>	<b>(3,815,780)</b>	<b>(3,897)</b>	<b>(569,116)</b>	<b>(718)</b>
<b>17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)</b>	<b>(4,238,730)</b>	<b>(29,127)</b>	<b>(610,177)</b>	<b>(718)</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

***Foreign exchange risk***

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

**31 December 2020**

	<b>Profit/(loss) before taxation</b>	
	<b>Increase by 10 (%)</b>	<b>Decrease by 10 (%)</b>
<b>Appreciation/depreciation in foreign currency</b>		
<b>Change in USD against TRY</b>		
USD net assets/(liabilities)	(2,235)	2,235
USD net hedged amount	-	-
<b>USD net- gain/(loss)</b>	<b>(2,235)</b>	<b>2,235</b>
<b>Change in EUR against TRY</b>		
EUR net (liabilities)/assets	(494,386)	494,386
EUR net hedged amount	575,429	(575,429)
<b>EUR net- gain/(loss)</b>	<b>81,043</b>	<b>(81,043)</b>
<b>Change in other foreign currency against TRY</b>		
Other foreign currency denominated net (liabilities)/assets	(333)	333
Other foreign currency denominated- hedged amount	-	-
<b>Other foreign currency denominated net- (loss)/gain</b>	<b>(333)</b>	<b>333</b>

**31 December 2019**

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Total export amount	34,626,072	33,375,426
Total import amount	23,698,550	17,467,167

The Company's net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk, the Company follows a balanced foreign currency position policy. The foreign currency exposure arising from foreign currency denominated borrowings and trade payables is managed through assets denominated in foreign currency.

***Interest rate risk***

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Fixed interest rate financial instruments</b>		
Financial assets	7,922,892	3,160,603
Financial liabilities	6,400,937	4,874,051

***Floating interest rate financial instruments***

Financial liabilities	1,679,937	1,333,995
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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 TRY1,149 at 31 December 2020 (31 December 2019: TRY1,081) due to higher/lower interest expense.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH  
**FORD OTOMOTİV SANAYİ A.Ş.**

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

(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:

<b>31 December 2020</b>	<b>Book value</b>	<b>Total contractual cash outflow</b>	<b>Up to 3 months</b>	<b>Between 3 - 12 months</b>	<b>Between 1 - 5 years</b>	<b>Longer than 5 years</b>
			<b>3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>
<b>Non-derivative financial instruments</b>						
<b>Financial liabilities</b>	7,998,168	8,261,164	297,222	3,660,102	3,941,284	362,556
<b>Lease liabilities</b>	82,706	104,802	6,000	17,999	73,642	7,161
<b>Trade payables</b>						
- Related party	1,178,339	1,180,856	1,180,856	-	-	-
- Other	6,569,454	6,624,233	6,624,233	-	-	-
<b>Other payables</b>						
- Related party	34,350	34,350	34,350	-	-	-
- Other	141,846	141,846	141,846	-	-	-
<b>Derivative financial liabilities</b>						
Derivative financial instruments	1,253	1,253	-	-	1,253	-

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH  
**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

**Fair value hierarchy table**

**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 31 December 2020 and 31 December 2019, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

<b>31 December 2020</b>	<b>Level 1 (*)</b>	<b>Level 2 (**)</b>	<b>Level 3</b>
<b>Assets at fair value</b>			
<b>Derivative financial assets</b>			
Financial asset available-for-sale- Otokar	44,767	-	-
<b>Total assets</b>	<b>44,767</b>	-	-
<b>Liabilities at fair value</b>			
Derivative financial liabilities	-	1,253	-
<b>Total liabilities</b>	<b>-</b>	<b>1,253</b>	-

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

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

**31 December 2019**

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

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

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

**28. DERIVATIVE FINANCIAL INSTRUMENTS**

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

The Company hedged the interest rate risk arising from cash flows related to the borrowing used as of 31 December 2020 with the maturity of 23 May 2024 amounting to EUR150,000,000 with interest rate swapping. The critical conditions of the settlement contract such as maturity, payment, interest rate change dates are in line with the critical conditions of the foreign currency borrowing, which is the subject of financial hedge as of 31 December 2020. The fair value of the interest rate swap transaction calculated as of 31 December 2020 is TRY1,253 and it is classified as long- term liabilities.

**Derivative financial instruments**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Derivative financial liabilities	1,253	1,447
	<b>1,253</b>	<b>1,447</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

(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 November 2026 with long- term financial borrowings.

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Cash flow hedge reserve</b>		
Amount recognized in other comprehensive income	1,525,928	327,765
Amount recycled from other comprehensive income to statement of profit or (loss)	(625,078)	(441,155)
	<b>900,850</b>	<b>(113,390)</b>

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

	<b>2020</b>	<b>2019</b>
<b>Income from investing activities</b>		
Dividend income	1,172	422
Gain on sale of property, plant and equipment	1,377	-
	<b>2,549</b>	<b>422</b>
	<b>2020</b>	<b>2019</b>
<b>Expense from investing activities</b>		
Loss on sale of property, plant and equipment	(1,359)	(714)
	<b>(1,359)</b>	<b>(714)</b>

**30. DEFERRED REVENUE**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Advances received	32,775	10,519
Short-term deferred revenue	10,262	13,311
	<b>43,037</b>	<b>23,830</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**30. DEFERRED REVENUE (Continued)**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Long-term deferred revenue	22,040	10,838
	<b>22,040</b>	<b>10,838</b>

**31. OTHER NON CURRENT LIABILITIES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Other non-current liabilities (*)	18,699	61,235
	<b>18,699</b>	<b>61,235</b>

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

**32. INVESTMENTS VALUED BY EQUITY METHOD**

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>		
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Rezervis Mobil Teknoloji A.Ş.	25	-	25	-
	-	-	-	-

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

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	-	933
Profit/(losses) share	-	(933)
<b>31 December</b>	-	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**FORD OTOMOTİV SANAYİ A.Ş.**

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

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

**33. RIGHT OF USE ASSETS**

During the period, the Company has capitalized TRY120,627 of right of assets. As of 31 December 2020, the net book value of the right of use assets is TRY68,919. As of 31 December 20 and 1 January 2020, the balances of the right of use assets and the depreciation and amortization expenses in the related period are as follows:

	<b>Buildings</b>	<b>Machinery and equipments</b>	<b>Vehicles</b>	<b>Total</b>
As of 1 January 2020	38,942	47,481	13,291	99,714
<b>For the period ended 31 December 2020</b>				
Additions	-	7,208	13,705	20,913
Disposals	(6,399)	(5,672)	(271)	(12,342)
Period depreciation and amortization expenses	(13,601)	(17,643)	(10,616)	(41,860)
Withdrawals from accumulated depreciation	-	2,347	147	2,494
<b>As of 31 December 2020</b>	<b>18,942</b>	<b>33,721</b>	<b>16,256</b>	<b>68,919</b>

	<b>Buildings</b>	<b>Machinery and equipments</b>	<b>Vehicles</b>	<b>Total</b>
As of 1 January 2019	50,003	63,310	23,715	137,028
<b>For the period ended 31 December 2019</b>				
Additions	4,747	1,124	883	6,754
Period depreciation and amortization expenses	(15,808)	(16,953)	(11,307)	(44,068)
<b>As of 31 December 2019</b>	<b>38,942</b>	<b>47,481</b>	<b>13,291</b>	<b>99,714</b>

Distribution of depreciation expenses of right of use assets as of 31 December 2020 and 2019 is follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Cost of sales (Note 18)	28,627	29,674
Marketing expenses (Note 19)	9,454	10,348
General administrative expenses (Note 19)	1,933	2,045
Research and development expenses (Note 19)	1,846	2,001
	<b>41,860</b>	<b>44,068</b>

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

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**34. GOVERNMENT INCENTIVES AND GRANTS**

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

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

- An investment of TRY559,295 has been made between 2010 and 2013 for the Transit and Transit Custom model investments at Kocaeli Gölcük Plant. The investment contribution rate of this project is 30%.
- An investment of TRY1,300,573 has been made between 2013 and 2017 at Kocaeli Gölcük Plant for Transit expenditures. The investment contribution rate of this project is 50%.
- Investment expenditure of TRY798.311 was made between 2013 and 2016 for the new model Transit Courier investment, which started production with the establishment of the Yeniköy Plant in Kocaeli. The investment contribution rate of this project is 40%.
- Eskişehir Plant has two incentive certificates related to engine and truck production. The Company received an investment incentive certificate for the new 6 and 4-cylinder Engine Production project to be used in Trucks and Transit vehicles worth of TRY138,960 in Eskişehir in 2013-2019, and a second Investment Incentive Certificate for the Euro 6 Emission Truck Production project amounting to TRY529,645 in 2014-2019. The investment contribution rate of these projects is 40%. Investment periods for the incentives of Eskişehir Factories have been completed and incentive closure process is continuing with the Ministry of Industry.

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

- In 2016, an investment incentive certificate amounting to TRY849,160 was obtained for the renovation and factory modernization investments at the Gölcük and Yeniköy Factories related to Transit, Transit Courier and Transit Custom models, which are currently being produced at Kocaeli Factories. Investment expenditures are continuing within the scope of this project and the contribution rate of the project to investment is 40%.
- Renewal investments of machinery and equipment used for the manufacturing and assembly of F-Trucks (trucks, tractors), Transit and Transit Custom vehicles manufactured in Eskişehir Factories, Brake Disc and Front Layout that will be started to be produced for use in Transit vehicles. An investment incentive certificate amounting to TRY889,308 was obtained on 30 March 2020 for machinery and equipment investments to be made locally to manufacture the gearbox of F-Trucks, which is a product in the heavy commercial vehicle segment, as well as line installation investments for its complex manufacturing. The contribution rate of this project to investment is 40%.
- Project-based Incentives amounting to TL 20,501,206 for product diversification and expansion investments covering the production of new generation commercial vehicles and batteries in Kocaeli Plants were published in the Official Gazette with the President's Decree No. 3273 dated 4 December 2020. The rate of contribution to the investment to be utilized for this project is 100%.

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

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

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

**35. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

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

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

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

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
<b>Investment in subsidiaries</b>				
Gembox Teknoloji Girişimleri Anonim Şirketi	100	2,500	100	2,500
Ford Otosan Netherlands BV	100	2,334	100	1
		<b>4,834</b>		<b>2,501</b>

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

**36. SUBSEQUENT EVENTS**

There are no disclosures that arise from the balance sheet date to the reporting date.

**37. DISCLOSURE OF OTHER MATTERS**

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

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