



Ford Otomotiv Sanayi A. Ş.

01.01.2012 - 30.09.2012

Interim Report

COMPANY INFORMATION

Board of Directors:

Rahmi M. Koç	Chairman
Stephen T. Odell	Vice Chairman
Bülent Bulgurlu	Member
Y. Ali Koç	Member
O. Turgay Durak	Member
John Fleming	Member
Lyle A. Watters	Member
Jeffery Carter Wood	Member
Haydar Yenigün	Member - General Manager
Grant E. Belanger	Member – Deputy General Manager
Mehmet Barmanbek	Independent Member
Günter Verheugen	Independent Member

Auditors:

Mehmet Apak	Auditor
Bilgütay Yaşar	Auditor

Our Board of Directors resolved in their meeting dated July 10, 2012, with no 2012/18, to establish the following committees and determine their working principles within the scope of Capital Market Board's Communiqué on Determination and Application of Corporate Governance Principles Serial: IV, No: 56 and Turkish Commercial Code:

- Corporate Governance Committee to be established to advise the Board of Directors with the purpose of developing our Company's corporate governance practices; the duties of Nomination Committee defined in the Communiqué to be carried out by the Corporate Governance Committee; the Corporate Governance Committee to consist of three members with Mr. Günter Verheugen elected as Committee Chairman with Mr. Yıldırım Ali Koç and Mr. Lyle Alexander Watters as Committee Members; and
- An Early Determination and Management of Risk Committee to be established to advise the Board of Directors with the purpose of early determination of risks as the Company may face from time to time and establishment of an efficient risk management system; the Early Determination and Management of Risk Committee to consist of three members with Mr. Mehmet Barmanbek elected as Committee Chairman with Mr. Bülent Bulgurlu and Mr. Lyle Alexander Watters as Committee Members; and
- A Remuneration Committee to be established to advise the Board of Directors with the purpose of determining the remuneration to be paid to Board of Directors members and senior executives; the Remuneration Committee to consist of three members with Mr. Mehmet Barmanbek elected as Committee Chairman with Mr. Osman Turgay Durak and Mr. Stephen Terrence Odell as Committee Members;

The scope of duties, working principles and members of the committees have been published on our Company's internet website.

Shareholder Structure:

The details of our Company's shareholder structure as of September 30, 2012 is as follows:

Shareholder	Value of the share (TL)	Share (%)
Koç Group Companies	143,997,036	41.04
Ford Motor Company	143,997,036	41.04
Other (Free float)	62,915,928	17.92
Total	350,910,000	100.00

TURKISH AUTOMOTIVE MARKET AND OPERATIONS OF THE COMPANY

1. Market

The Turkish automotive industry contracted by 12% in the first nine months of 2012, due to the Special Consumption Tax (SCT) increase that took place in 4Q11 and lower economic activity. Declining interest rates positively contributed to the PC sales, which increased in August and September. Rumors of a tax increase and the SCT increase on PCs below 1.6 lt that became effective on September 22, 2012 created a pull forward demand as the companies absorbed the increase until month-end, pushing the September volumes up. Commercial vehicles -excluding heavy trucks- also showed a slight YoY increase in September.

As a result, total domestic sales decreased by 12% to 554,837 (633,887) units in the first nine months of 2012. On a segment basis; 379,617 (412,103) passenger cars, 88,308 (119,159) light commercial vehicles, 62,788 (72,189) medium commercial vehicles and 21,730 (26,788) heavy commercial vehicles were sold in the first three quarters and the segments contracted by 8%, 26%, 13% and 19%, respectively.

Due to the SCT increase in the in the last quarter of 2011, the highest contraction was recorded in the light commercial vehicle segment.

2. Market Shares

Ford Otosan maintained its market leadership with 13.8% (15.3%) share as of September 2012. Our passenger car market share decreased to 9.0% (10.3%) while light commercial vehicle market share increased by 0.8% to 20.9% (20.1%). Ford Otosan continued to lead the medium commercial vehicle segment with 31.7% (34.1%) share while ranking second in the heavy commercial vehicle segment with 19.9% (21.8%) share.

3. Production and Capacity

Total production volume decreased by 8% in the first nine months of 2012 to 198,598 (216,393) units, as a reflection of the contraction in the domestic light commercial vehicle sales and European markets. As a result, Kocaeli Plant capacity utilization rate was 80% (87%). 110,388 units Transit, 2,122 units Transit / Tourneo Custom and 80,011 units Connect were manufactured in the Kocaeli Plant and 6,077 units Cargo trucks were manufactured in the İnönü Plant.

4. Exports and Domestic Sales

Due to the European slowdown, export volumes dropped 7% to 148,557 (159,856) units in the first nine months. Export revenues increased by 1% to TL4,268 million (TL4,213 million) despite declining unit sales. Due to the contraction, especially in the light commercial vehicle segment, total sales volume decrease by 13% to 224,675 (257,675) units, including 76,118 (97,237) units sold to domestic dealers. Domestic revenues declined by 15% to TL2,680 million as a result of the market contraction, lower unit sales and ongoing aggressive price competition. Decrease in revenues was limited to 6% and reached TL6,948 million (TL7,375 million).

5. Investments

Within the context of our ongoing \$1 billion investment plan (2011-2014), capital expenditures reached TL618 million (TL190 million) in the first nine months of 2012. Capital expenditure is expected to continue in the last quarter of the year and to reach \$440 million this year.

6. R&D Activities

TL77 million (TL86 million) R&D expenditure was made in the first nine months of the year for various product development projects. R&D Projects are carried out in line with the product programs. The number of R&D engineers exceeded 1,000.

7. Number of Personnel

As of September 30, Ford Otosan has a total of 9,823 employees composed of 2,451 white-collar and 7,372 blue-collar workers. (31 December 2011: total of 9,581 employees composed of 2,167 white-collar and 7,414 blue-collar workers). The Collective Labor Agreement, signed between Turkish Metals Union and MESS, Turkish Employers' Association of Metal Industries, expired on August 31, 2012. As the new Unions and Collective Agreement Law has not come into force yet, negotiations for the Collective Labor Agreement for the next period has not started as of the date of publication of this report.

8. Profitability

Operating Profit was TL454 million (TL560 million) and Profit Before Tax was TL452 million (TL617 million) as of September-end. Net income was TL476 million (TL506 million), higher than profit before tax, due to the establishment of deferred tax asset based on the future tax benefits from the investment incentives. Operating profit margin which was 7.6% in the first nine months of 2011 decreased to 6.5% as a result of the decline in unit sales due to the contraction in domestic and export markets, ongoing price competition, lower profitability due to leadership target and aging product portfolio and lower number of higher margin products in the domestic sales mix. Factory shutdown and EID holiday in August and launch expenses of the new products result in lower profitability and margins in the third quarter compared to second quarter.

9. Financing

The company repaid €67 million in January-September period and €155 million new loan was used. Consequently, as of September-end, total debt level increased to €445 million (€302 million) from the year-end level of €357 million. The cash balance is TL402 million (TL839 million) as of September 30, 2012.

Ford Otosan continues to follow financial risks very closely and maintain prudent policies. The main policies regarding various risks are summarized in the Note 2 of financial statements.

10. Other Significant Developments

Transit Custom and Tourneo Custom, the first products of our \$1 billion investment plan, were introduced to the domestic and export markets in October.

The distribution of TL228,091,500 cash dividend, in the ratio of gross 65.00%, net 57.2693%, of TL350,910,000 paid in capital was started on October 31, 2012.

11. Guidance

Demand is expected to decline in the last quarter of 2012 as a result of negative outlook in Europe, slowdown in Turkish economic activity compared to the same period of last year and downward revision of estimates and the SCT increases on light commercial vehicles in the last quarter of 2011 and on PCs below 1.6 lt that became effective in September 2012. However, our exports are more resilient due to the diversity and different dynamics of our export markets. For the fourth quarter of 2012, we expect a moderate trend in our export volumes, a slowdown in domestic demand due to the SCT increase in September-end, despite the positive macro environment and low base year effect, and higher production and sales performance with the support of our newly launched products, Transit Custom and Tourneo Custom.