

# FORD OTOSAN

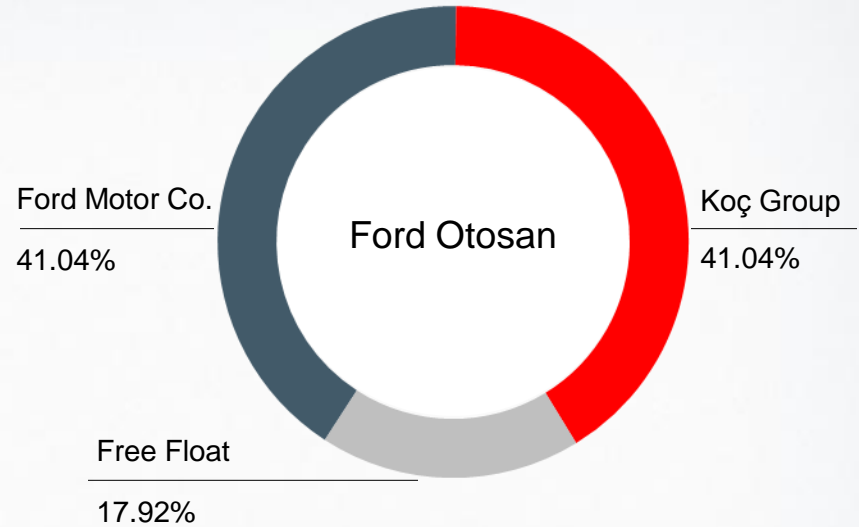
## Investor Presentation



September 2013

# Company Profile

Key Performance Indicators, 2012		
Net Sales		\$ 5.5 billion
Export Revenues		\$ 3.2 billion
EBITDA		\$ 444 million
Profit Before Tax		\$ 358 million
Net Profit		\$ 377 million
ROE		33.8%
EBITDA margin		8.1%
Annual Production Capacity		330,000
	Kocaeli	320,000
	İnönü	10,000
Total Employees		9,527
	Blue Collar	7,069
	White Collar	2,458



Traded on Borsa Istanbul since 13 January 1986

Ticker: FROTO.IS

# Ford Otosan at a Glance

## Pioneer of Turkish automotive

- **First** Turkish passenger car Anadol (1966)
- Turkey's **first** domestic diesel engine Erk (1986)
- Turkey's **first** private R&D center in automotive (1961)
- **First** export of Turkish automotive to the US (2009)
- **First** export of Turkish automotive to Mexico (2013)

## Strong value contribution

- **Export leader** in Turkish automotive; 2<sup>nd</sup> largest exporter overall
- Turkey's 2<sup>nd</sup> **largest** industrial enterprise
- **Highest** employment in Turkish automotive
- Listed among the **world's top 1000** companies by R&D investment in 'EU Research & Development Investment Scoreboard'

## Leadership and scale

- 11 consecutive years of **market leadership**
- **Widest** product range in Turkish automotive
- **25%** of Turkey's total automotive production (2012)
- **55%** of Turkey's total commercial vehicle production (2012)
- **60%** of Turkey's total commercial vehicle exports (2012)

# Key Player in Ford Motor Company Universe

**Market leader in a dynamic environment**

- **Highest** commercial vehicle market share of Ford in Europe (26.7%)
- **Second highest** Ford market share in Europe

**Leading manufacturing hub**

- **Lead** manufacturing plant for Ford Transit
- **Single** source of Ford Transit Custom & Tourneo Custom
- **Single** source of Ford Transit Connect (ending 4Q13)
- **Single** source of Ford Transit Courier & Tourneo Courier (starting 1Q14)
- **One of the two** production centers globally for Ford Cargo heavy trucks

**Strong R&D edge**

- **3<sup>rd</sup> largest** R&D center globally
- **Global** engineering center for diesel engines
- **Global** engineering center for heavy trucks

# Vision, Mission and Strategy

## Vision

To become Turkey's customer-focused, leader company in automotive products and services.

## Mission

To be Turkey's leading automotive company with optimal automotive products and services to fit customer needs and expectations and to be the commercial vehicle center of Ford of Europe.

## Strategy

- Achieving sustainable growth
- Creating brand and customer value
- Achieving quality, cost and process improvements
- Creating a leading team
- Demonstrating strong corporate citizenship
- Generating superior shareholder returns



# 2012 Highlights

Market Leader for **11 consecutive years**

Turkish Industry Volume	812K
Retail Sales Volume	112K
Export Volume	205K
Export Revenues	US\$ 3.2 billion
Production Volume	272K
Total Employment	9,527
PD Engineers	1,240
Investments (excl. capitalized R&D expenses)	US\$ 440million
Dividends	TL 579 million





# Brief History

First automotive production starts in Turkey under license agreements in a heavily protected domestic economy.



Turkey takes first steps to liberalize its economy and integrate with the rest of the world.



Customs Union is signed with the EU in 1996. Exports start to increase. Incentives are introduced for production in Turkey.



Turkey becomes a major hub in automotive production and moves up the value chain, from an assembly center to full product development and manufacturing with focus on R&D.



Turkey is the 16<sup>th</sup> largest auto manufacturing hub in the world and 5<sup>th</sup> largest among EU 27 countries.



## First Years

## 1980s

## 1990s

## 2000-2010

## 2010+

**1928 – Vehbi Koç is assigned as Ankara Ford dealer**

**1959 – Otosan is founded as Ford assembler in Turkey**

1960 – Otosan's first production: Ford Consul

**1966 – Otosan produces the first Turkish car Anadol**

1967 – Otosan produces its first Transit

1982 – İnönü Plant opens

1983 – Cargo production starts

**1983- Ford Motor Co. increases its share in Otosan to 30%**

1985 – Production of Ford Taunus

**1986 – Otosan produces Turkey's first diesel engine ERK**

1992 – Production of the new generation Transit

1993 - Production of Ford Escort

**1997 – Ford assumes 41% equity in 'Ford Otosan'**

1998 – Ford Otosan spare parts distribution center opens

**2001 – Kocaeli Plant opens**

2002 – Transit Connect launches

2003 – New Cargo launches

2003 – Transit Connect 'International Van of the Year'

**2007 – Gebze Engineering Center opens**

2007 – Transit 'International Van of the Year'

**2009 – First vehicle export to NA**

**2010 – Ford Otosan's 50<sup>th</sup> Anniversary**

2010 – Transit Connect 'N.A. Truck of the Year'

2011 – Transit Connect NYC Taxi launches

**2011 – Ford Otosan's 10<sup>th</sup> year of market leadership**

2012 – Ford Otosan celebrates 11 years of market leadership

**2012- Launch of Transit Custom**

**2013 – First export of Turkish automotive to Mexico**

# Awards & Achievements

## Vehicle Awards:

2013: International Van of the Year, Ford Transit Custom

2012: 1<sup>st</sup> commercial vehicle with 5-star rating in Euro NCAP, Ford Transit Custom

2012: Truck of the Year, 3<sup>rd</sup> place, Ford Cargo

2010: North American Truck of the Year, Ford Transit Connect

2007: International Van of the Year, Ford Transit

2003: International Van of the Year, Ford Transit Connect

2001: International Van of the Year, Ford Transit



## Plant Awards:

2012: Rio +20 United Nations Conference on Sustainable Development, one of Turkey's best sustainability examples

2012: President Health & Safety Award - Six categories including Global Winner - Excellence in Safety Culture and Standards

2011: Chairman's Leadership Award for Diversity - First woman dent repair technician

2011: Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry - İnönü Plant

2010: Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry - Kocaeli Plant

2010: Chairman's Leadership Award for Diversity - "Let's Remove Barriers" project

2008: Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry - İnönü Plant

2007 :Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry - Kocaeli Plant

2004: Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry - Kocaeli Plant





# Locations of Plants & Facilities

Kartal Parts Distribution Center (1998)



Gebze Engineering Center (2007)



Kocaeli Plant – Transit (2001)



Kocaeli Plant – Courier (2013)



İnönü Plant (1982)



# Kocaeli Plant - Lead manufacturing plant of the new generation Transit



- Opened in 2001
- Transit, Transit Custom & Tourneo Custom, Transit Connect production
- 1,600,000m<sup>2</sup> total area, 340,000m<sup>2</sup> covered area
- 320,000 units annual production capacity





# Kocaeli Plant - The single production center of Ford Courier in the world



- New production facility at Kocaeli plant site
- Groundbreaking ceremony took place on March 19<sup>th</sup>, 2012
- 70,000m<sup>2</sup> covered area
- Production of Ford's new light commercial vehicle, Transit Courier and Tourneo Courier will start in 1Q14
- 110,000 units annual production capacity

# İnönü Plant - One of Ford's two global production centers for Cargo



- Opened in 1982
- 79,000m<sup>2</sup> covered area
- Cargo truck, engine and powertrain production
- Annual capacity: 10,000 units truck, 66,000 units engine, 140,000 units powertrain





# Kartal Parts Distribution Center - 95% Fill rate



- Opened in 1998
- 25,000 m<sup>2</sup> warehouse: Largest of its kind in Turkey
- 4<sup>th</sup> largest warehouse capacity among Ford's parts distribution centers in Europe
- Home to the Company's spare parts, marketing, sales and after sales operations



# Gebze Engineering Center - Ford's global diesel engine development center



- Opened in 2007
- Developing the newest products and most advanced technologies
- The Center pioneers the engineering of Ford's global diesel engines and heavy trucks
- 3<sup>rd</sup> largest R&D center of Ford globally with 1,240 R&D engineers

# Products: Transit

- Manufactured by Ford Otosan since 1967
- Over 6 million units produced since its launch in 1965
- Longest-running model in Ford of Europe's product range
- Pickup, van and minibus body styles offering endless combinations
- 30K units sold in the domestic market in 2012
- Undisputable market leader in 2012 with 33.3% share; higher than the 2 next brands
- 115K units exported in 2012
- "International Van of the Year" 2001 & 2007



# Products: Transit Custom & Tourneo Custom

- Ford Otosan is the single source of Ford Transit Custom & Tourneo Custom
- Newest member of the Transit family
- Production started in 2012 with 130,000 annual capacity
- "International Van of the Year" 2013
- First commercial vehicle to receive 5-star rating in Euro NCAP





# Products: Transit Connect

- Manufactured at Ford Otosan's Kocaeli Plant since 2002 ~1 million units
- Best selling light commercial vehicle in Turkey in 2010 & 2011
- First Turkish vehicle exported to the US: ~150K exports since '09
- 22.1% domestic market share in 2012: 29K units sold
- 75K units exported in 2012
- "International Van of the Year" 2003
- 2010 North American Truck of the Year



# Products: Transit Connect North America Taxi

- Transit Connect is among the approved models for use as NYC taxis by The New York City Taxi and Limousine Commission
  - ✓ 2.0-liter four-cylinder gas engine
  - ✓ Automatic transmission
  - ✓ Up to 30% more fuel efficient than traditional taxis
  - ✓ Engine conversions to CNG and LPG available





# Products: Cargo Truck

- Manufactured at Ford Otosan's İnönü Plant since 1983
- Trailer, construction and truck series
- 20.0% domestic market share in 2012
- Exported to 30 countries in Europe, Asia and Africa
- Cargo 1846T – 2013 International Truck of the Year 3<sup>rd</sup> place



# A Full Line of Cars



FORD FOCUS



FORD B-MAX



FORD RANGER



FORD FIESTA



FORD C-MAX



FORD KUGA



FORD S-MAX



FORD MONDEO



FORD GALAXY

# Major Product Acceleration - 15 New Product Launches



Focus 1LT EcoBoost



B-Max



Ranger



Transit Custom



Tourneo Custom

**2012**



Fiesta



Ford Cargo 1846T



Kuga



Transit Connect



Tourneo Connect



Transit

**2013**



Ecosport



Tourneo Courier



Transit Courier



Mondeo

**2014**

# Investment Case

# Why Ford Otosan?

## Scale and visibility

- Domestic market leader for 11 consecutive years
- Largest manufacturer and exporter of commercial vehicles in Turkey
- New projects to strengthen the product range, increase capacity & profitability

## Resilience and efficiency

- Diversified export markets
- Large-scale export program: 70% of total unit sales
- High capacity utilization rate: Above European and Turkish industry average
- Efficient, flexible and low-cost manufacturing and engineering

## Strong balance sheet and prudent risk management

- Strong cash generation capacity
- Solid financials
- Natural hedge due to fx-denominated export revenues

## Shareholder value creation

- Sustainable and attractive dividend yield
- Strong relative share performance
- Commitment to good corporate governance



# Turkish Market Leader for the 11<sup>th</sup> Consecutive Year - 2012



**01**

26.7% market share in LCV



**02**

20% market share in truck



**04**

8.5% market share in PC

**01**

Leader with 13.8% share

# Relatively Favorable Taxes on Commercial Vehicles

Passenger Cars					Commercial Vehicles				
Engine Size	Model	VAT	SCT	Total	Engine Size	Model	VAT	SCT	Total
<1600 cc	Fiesta				<3000cc	Transit Van	18%	4%	23%
	B-Max					Transit Custom Van			
	Focus					Connect Van			
	C-Max	18%	40%****	65%		Ranger			
	Mondeo (1.6)								
1601-2000	S-Max (1.6)					Minibus	18%	9%	29%
	Mondeo (2.0)								
	S-Max (2.0)	18%	80%*	112%					
	Kuga								
>2000	Galaxy					Transit Combi	18%	15%***	36%
						Transit Custom Combi			
						Transit Custom Combi Van			
						Tourneo Custom			
						Connect Combi			
		18%	130%**	171%		Cargo	18%	4%	23%

Increases took place as of October 12, 2011:

- \* From 60% to 80%
- \*\* From 84% to 130%
- \*\*\* From 10% to 15%

Increase took place as of September 22, 2012:

- \*\*\*\* From 37% to 40%

VAT: Value added tax  
SCT: Special consumption tax

# Large-Scale Export Program

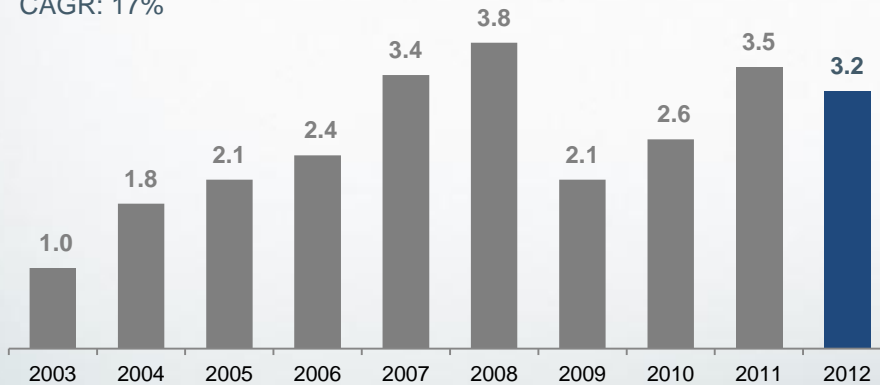
## Exports (000 units)

CAGR: 14%



## Export Revenues (US\$ Bn)

CAGR: 17%



Turkey's export leader in automotive

**Net exporter** in the last five years with  
US\$ 2.1 billion (2008-2012)

Vehicles and spare parts exported to

**76 countries in 5 continents**

**New markets** added in 2012:

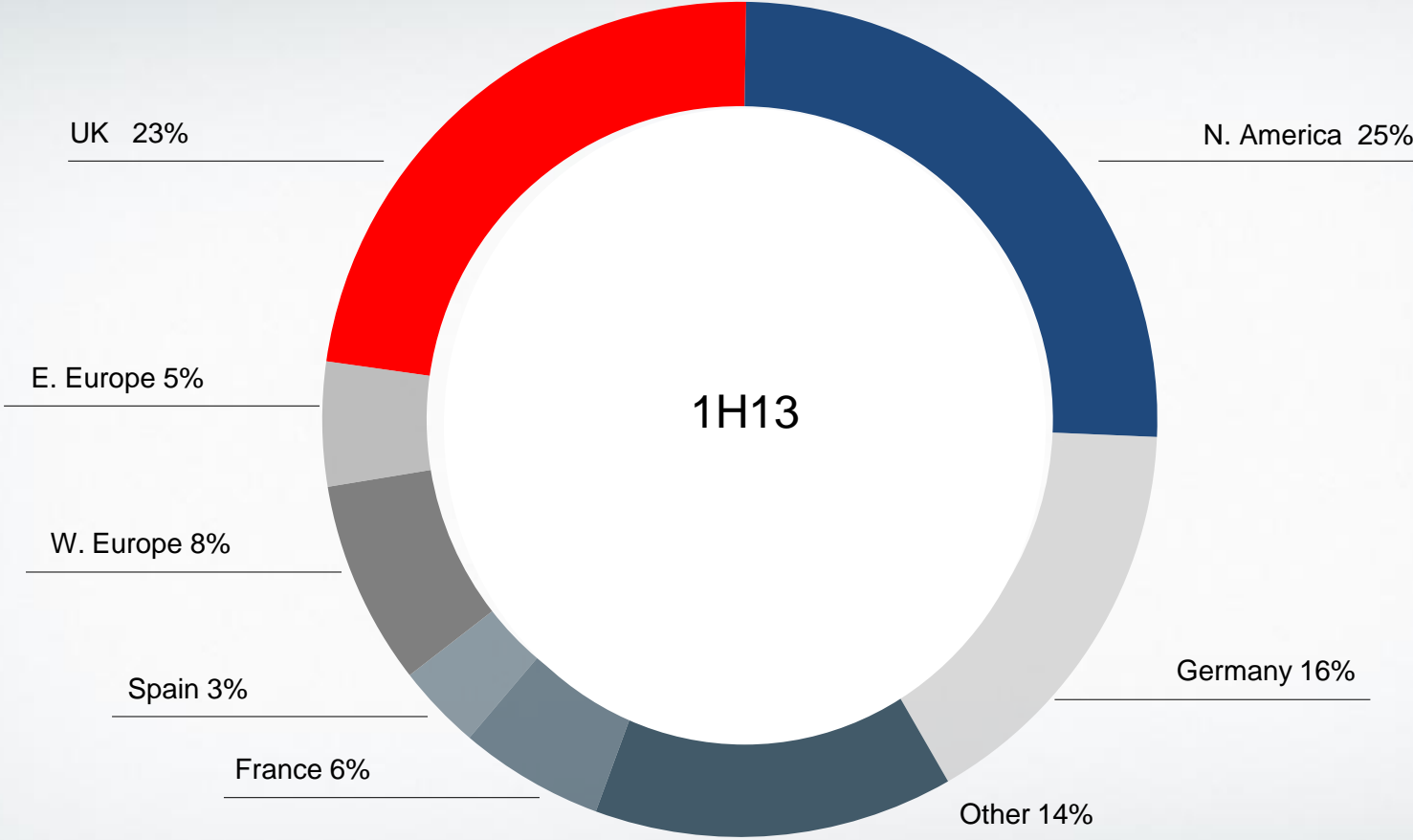
- South Africa
- Georgia
- Turkmenistan
- Kazakhstan

**60% of Turkey's total commercial vehicle exports** is done by Ford Otosan

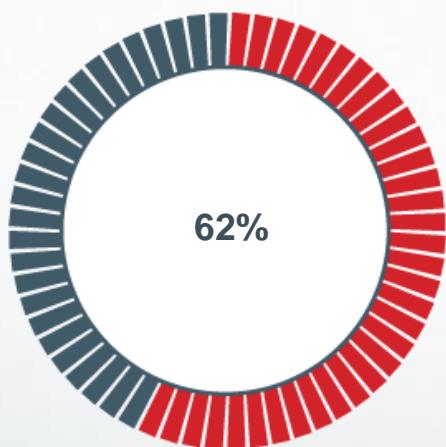
Export receivables are easy to manage as  
Ford of Europe is the **single counterparty**

**Export receivables** from Ford Motor Company  
and its subsidiaries are collected within **14 days**

# Diversified Export Markets (units)



# Solid Export Performance



Ford Otosan's share in Turkey's CV exports, 1H13

- Our largest export market in Europe, **UK registered 7.2% growth** in commercial vehicle demand from January to June. (Source: ACEA)
- **Transit Custom and Tourneo Custom are performing well even in contracting markets and driving market share gains.**
- Ford is very focused on increasing CV market share in Europe.
- Ford's August CV market share was 10.2%, up 2.2 pps, Ford's best August result in 15 years. CV sales volume was up 18%.
- Ford's European CV market share increased to 9.3% August year-to-date, up 0.9 pps YoY.
- **Ford Otosan's August year-to-date export units increased by 15% YoY.**



# New Projects: Total Investment >US\$1 Billion (2011-2014)

## 1. New generation Transit family

- Largest investment in a specific product in Turkish automotive: US\$ 630 million
- i. **Tourneo Custom & Transit Custom**  
Mass production started on 23 July 2012.  
Introduced to the market in October 2012.



- ii. **Next generation Transit**

### Financing:

- €150 million loan agreement with EBRD in 2010  
5-year loan with 2-years grace period at EURIBOR+275bps
- €190 million loan agreement with EIB in 2012  
8-year loan with 2-years grace period  
€100 million in Q3 at 2.06%; €90 million in Q4 at 1.47%



# New Projects: Total Investment >US\$1 Billion (2011-2014)

## 2. New LCV – Transit Courier & Tourneo Courier

- €205 million fixed asset procurement
- Ford Otosan is the single source globally (starting 1Q14)
- 110,000 units annual production capacity
- Lower fuel costs and more safety features than peers
- 1.0 lt Ecoboost engine, 1.5 lt and 1.6 lt diesel engines





# New Projects: Total Investment >US\$1 Billion (2011-2014)

## 3. New Ford Cargo

- \$75 million investment to develop a more globally competitive product
- Ford Otosan is responsible for product development, design, engineering and R&D
- Manufactured in Ford Otosan's İnönü plant and Ford's Brazilian division
- 1846T model was launched in January 2013



# Increasing Capacity

Current  
330.000



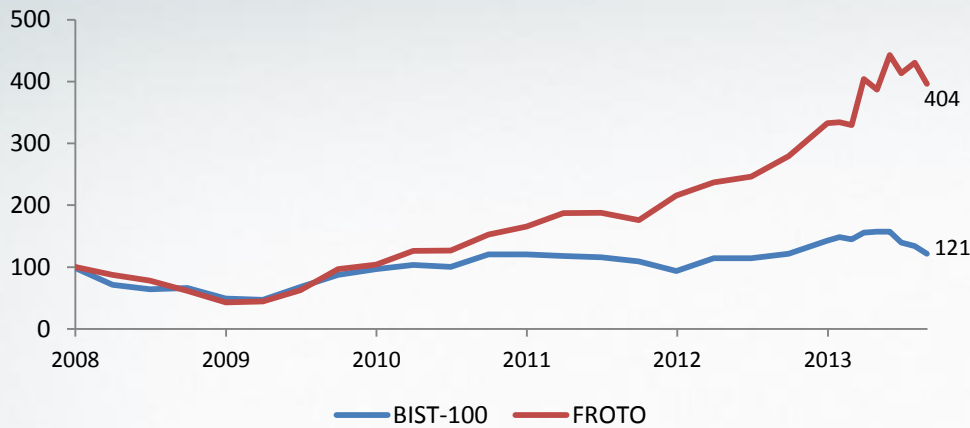
2014  
415.000





# Focus on Shareholder Value

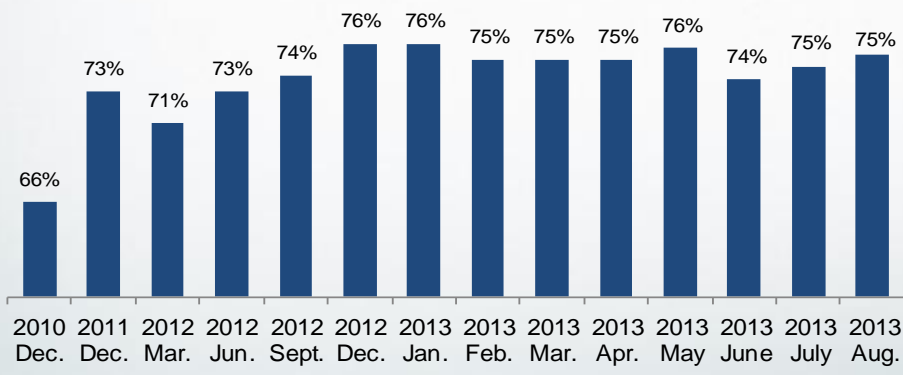
## Strong relative share performance



## Dividend Policy

- Providing high returns for our shareholders
- Predictable and stable dividend distribution, including during moderate economic stagnation periods, except periods of large investment and serious economic crisis.
- No privileges in Ford Otosan shares pertaining to dividend distribution.

## Increasing foreign ownership in free float



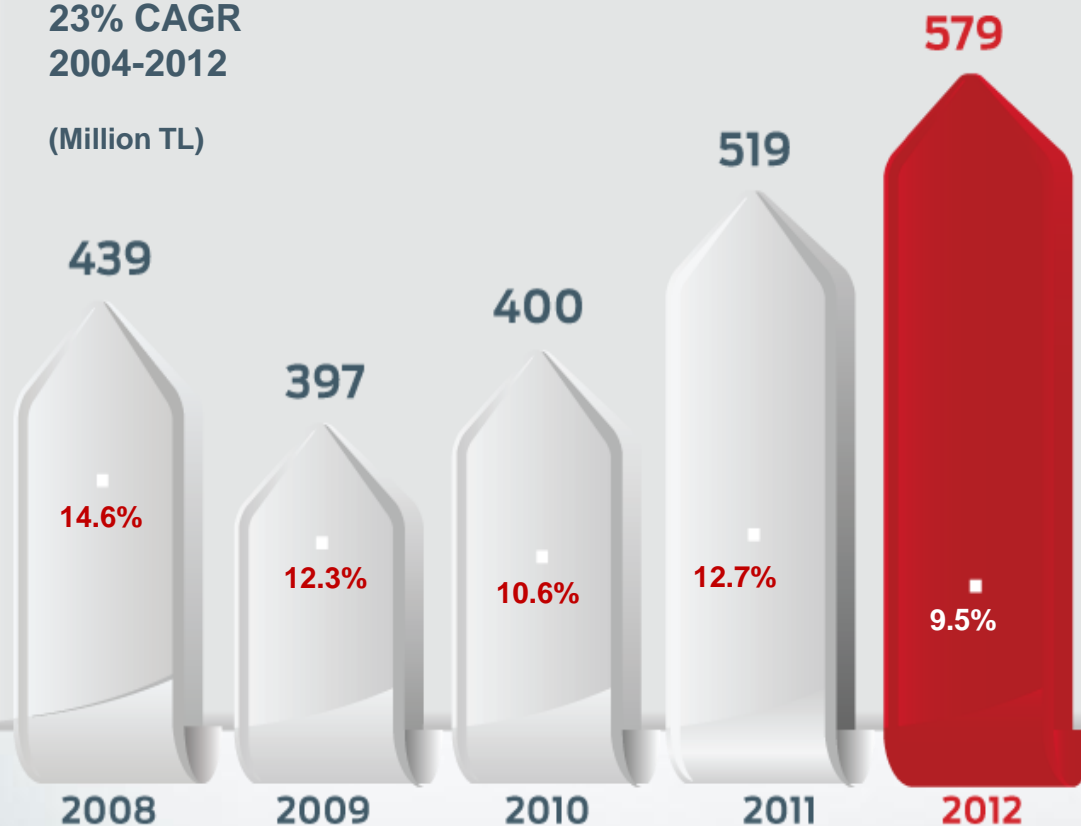
## Commitment to corporate governance

- Separate CEO and Chairman roles
- Independent BoD members
- Executive Committee
- Audit Committee
- Corporate Governance Committee
- Risk Committee
- Remuneration Committee

# Attractive & Sustainable Dividend Yield

23% CAGR  
2004-2012

(Million TL)



□ Dividend Yield

- 2.5 billion US\$ dividend payment between 2004-2012
- 1<sup>st</sup> among BIST companies with 12% average dividend yield in the last 5 years
- 2<sup>nd</sup> highest dividend payer among Turkish industrials since its public offering
- There are no privileges in dividend distribution based on shareholder type
- Ford Otosan usually pays dividends twice a year
- Current dividend policy is expected to continue throughout the investment period.

# Strong & Committed JV Partner Support



- Turkey's largest industrial and services group in terms of revenues, exports, market capitalization and number of employees.
- Holds leading positions with strong competitive advantages in energy, automotive, consumer durables and finance sectors, which offer strong long term growth potential.
- The only Turkish company in Fortune Global 500



- Global automotive industry leader based in Dearborn, Michigan, that manufactures and distributes automobiles across six continents
- Automotive brands include Ford and Lincoln
- 164,000 employees and about 70 plants worldwide
- Provides financial services through Ford Motor Credit Company

# Large Distribution Network



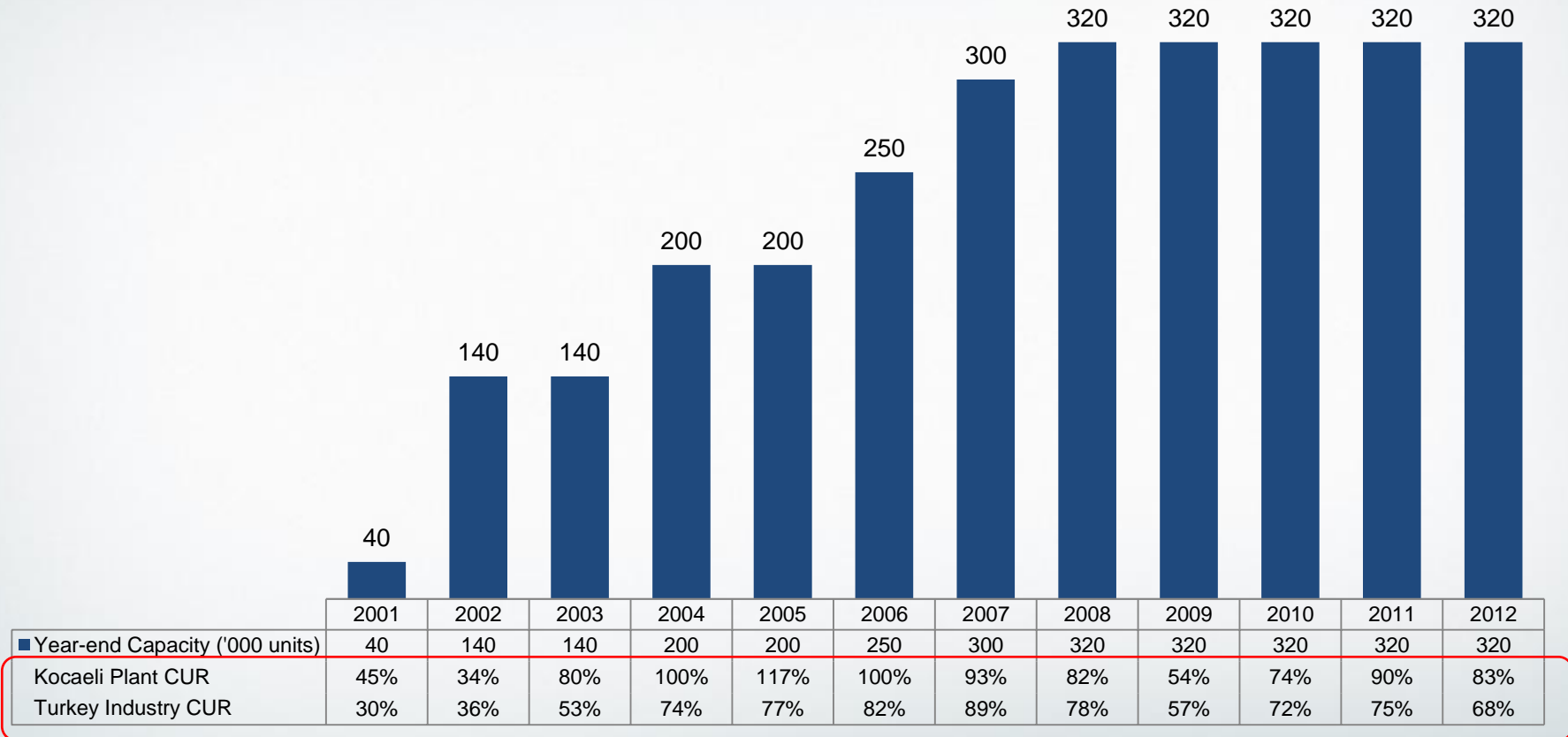
Ford Otosan provides maintenance, servicing and repairs through its customer-focused and innovative sales and after-sales network that spans the whole country.

Sales: 116  
After-Sales: 158  
Total Dealers: 205



# Efficient Production Hub - 2012 CUR above EU & TR industry average

## Kocaeli Plant Capacity and Utilization Rate



# R&D Focused on Excellence - Ford's 3<sup>rd</sup> largest global R&D centre

- The largest R&D center of the Turkish automotive industry
- R&D activities for Ford Otosan products and engineering services for Ford Motor Co.
- Ford's global engineering center in heavy trucks and diesel engines
- Capability and infrastructure to design, develop and test a complete vehicle end-to-end, including its engine

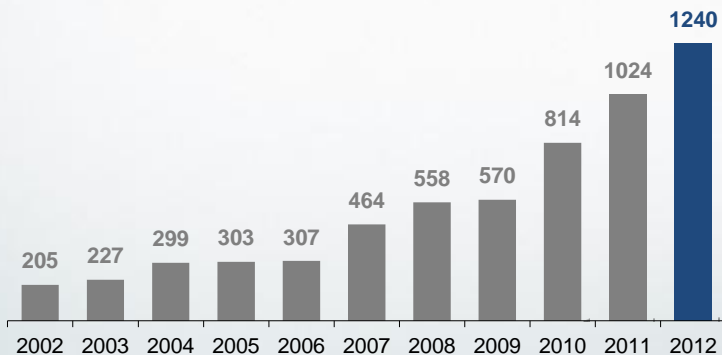
## Kocaeli

- Located in Gölcük plant
- 300+ R&D engineers
- Engine testing, design studio and development workshops are located at this site

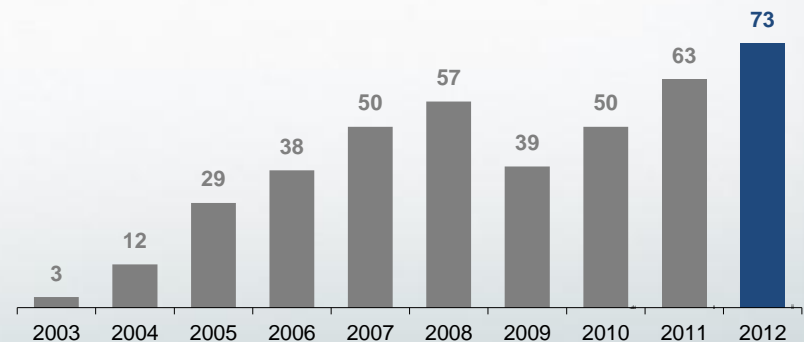
## Gebze

- Located in Tübitak MAM Technology Free Zone
- 700+ R&D engineers
- Global Center of Excellence for small diesel engines
- R&D center for Global Cargo

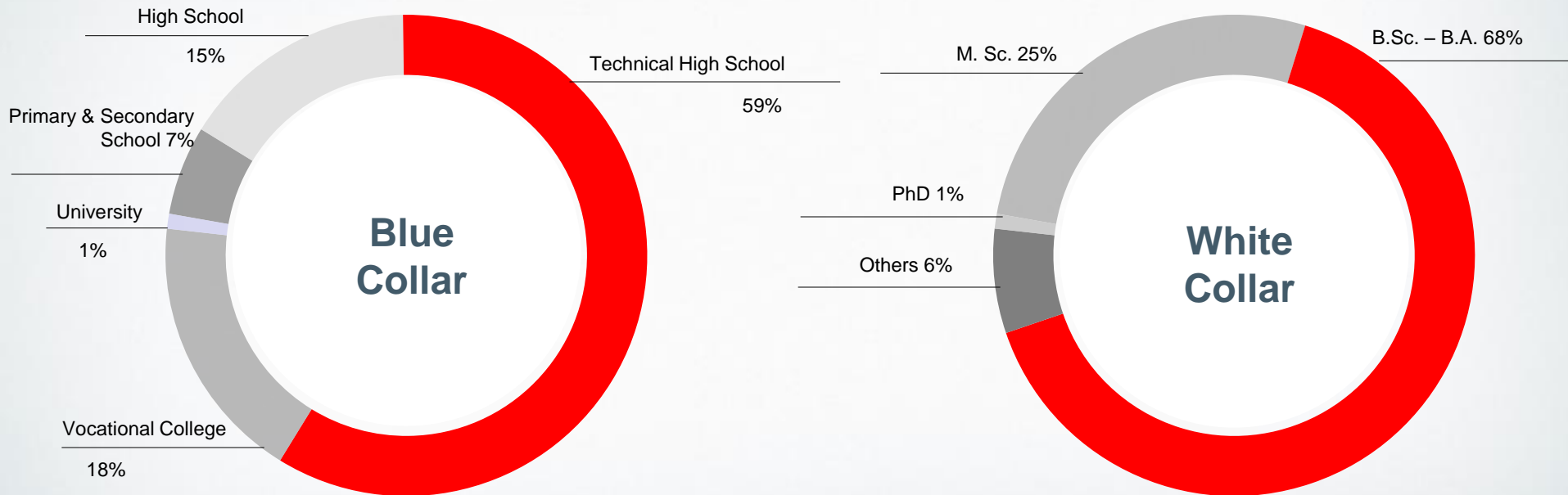
## R&D Engineers



## Patent Applications



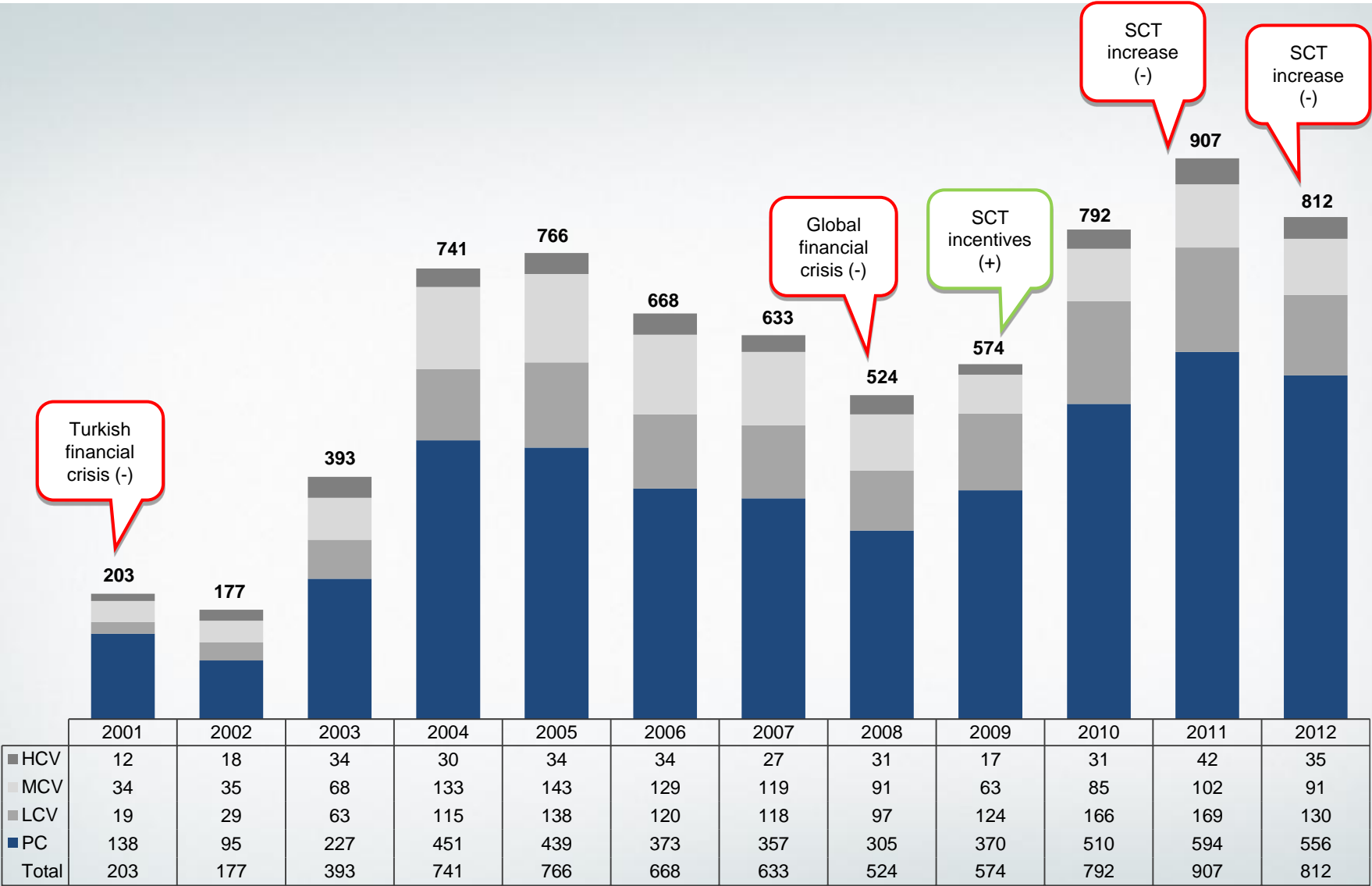
# Experienced and Skilled Workforce



# Operating & Financial Performance



# Turkish Automotive Industry (000 units)

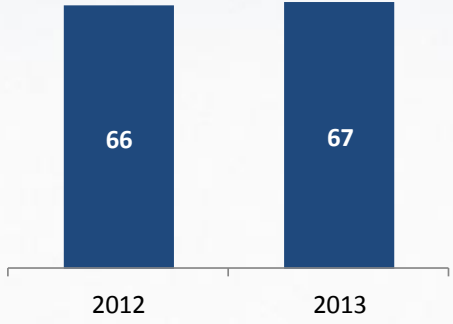


# Domestic Market (000 units)

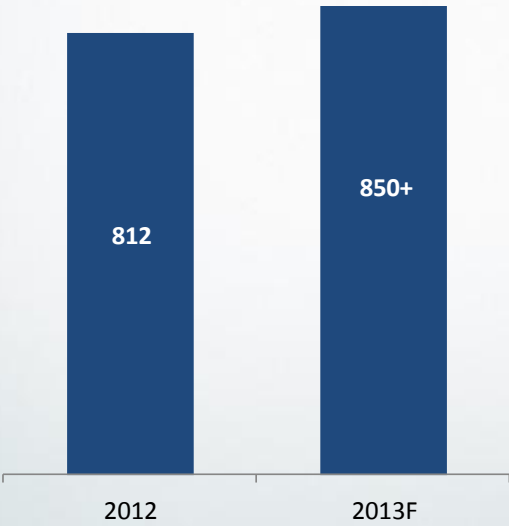
Total Industry, August 2013 YTD



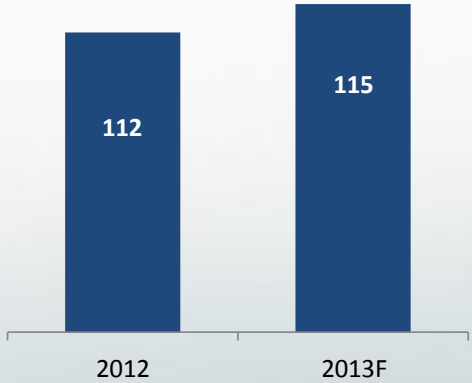
Ford Otosan, August 2013 YTD



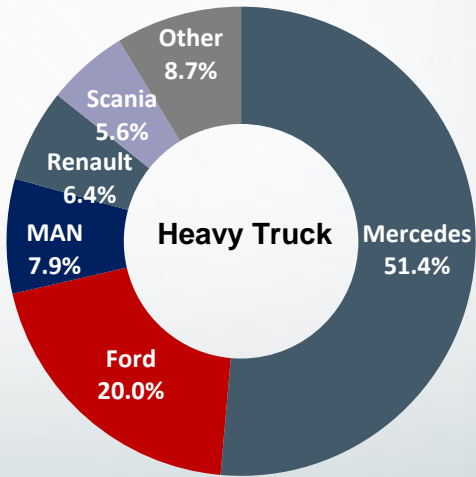
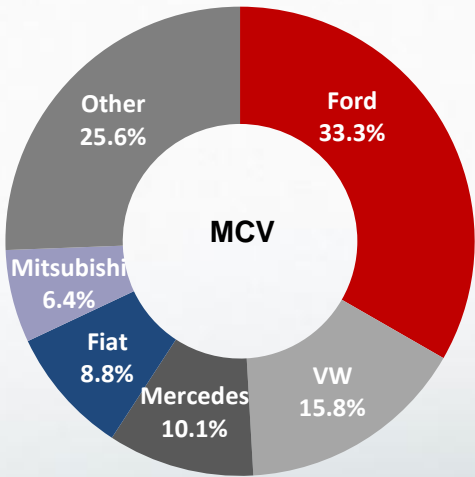
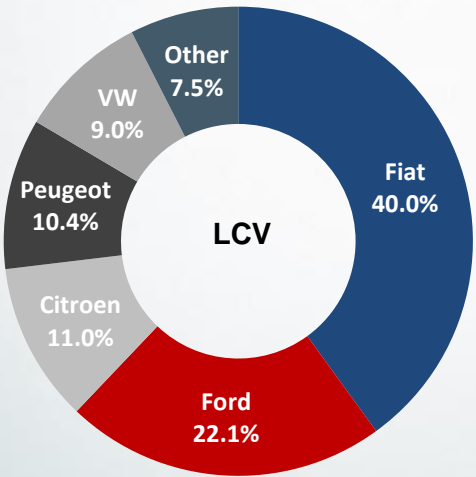
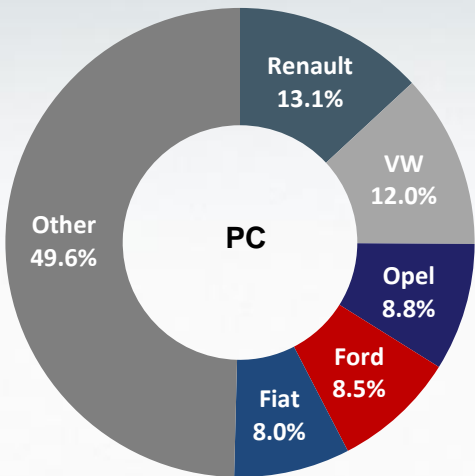
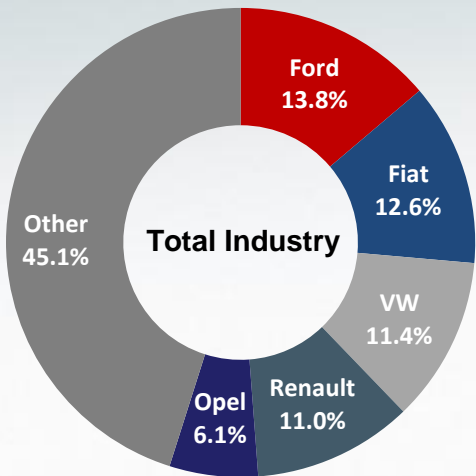
Total Industry, 2013F



Ford Otosan Retail Sales, 2013F

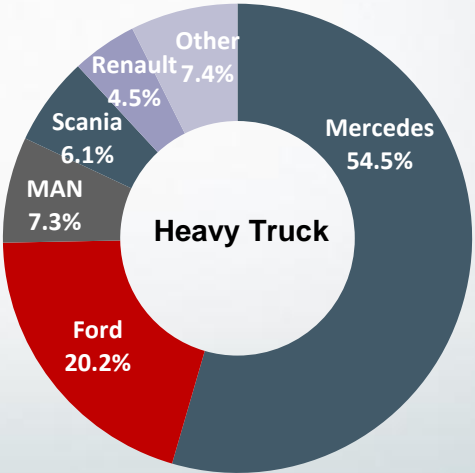
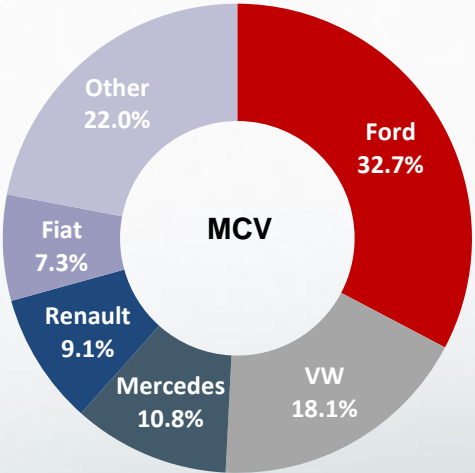
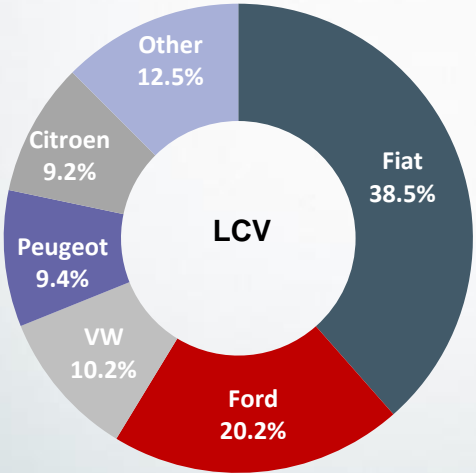
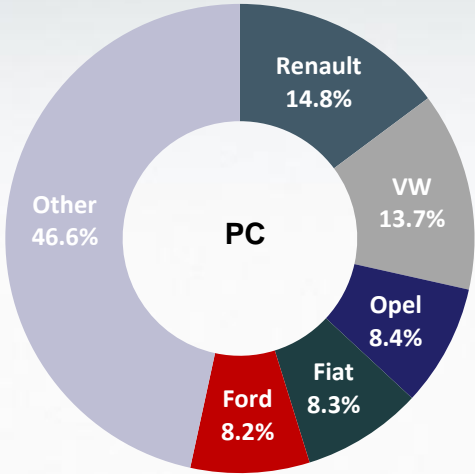
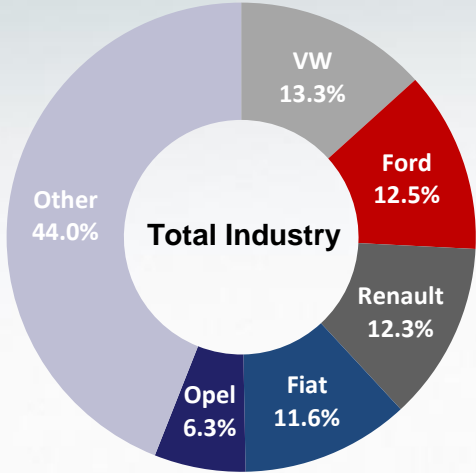


# Turkish Market Shares (2012)



Source: ODD and TAID

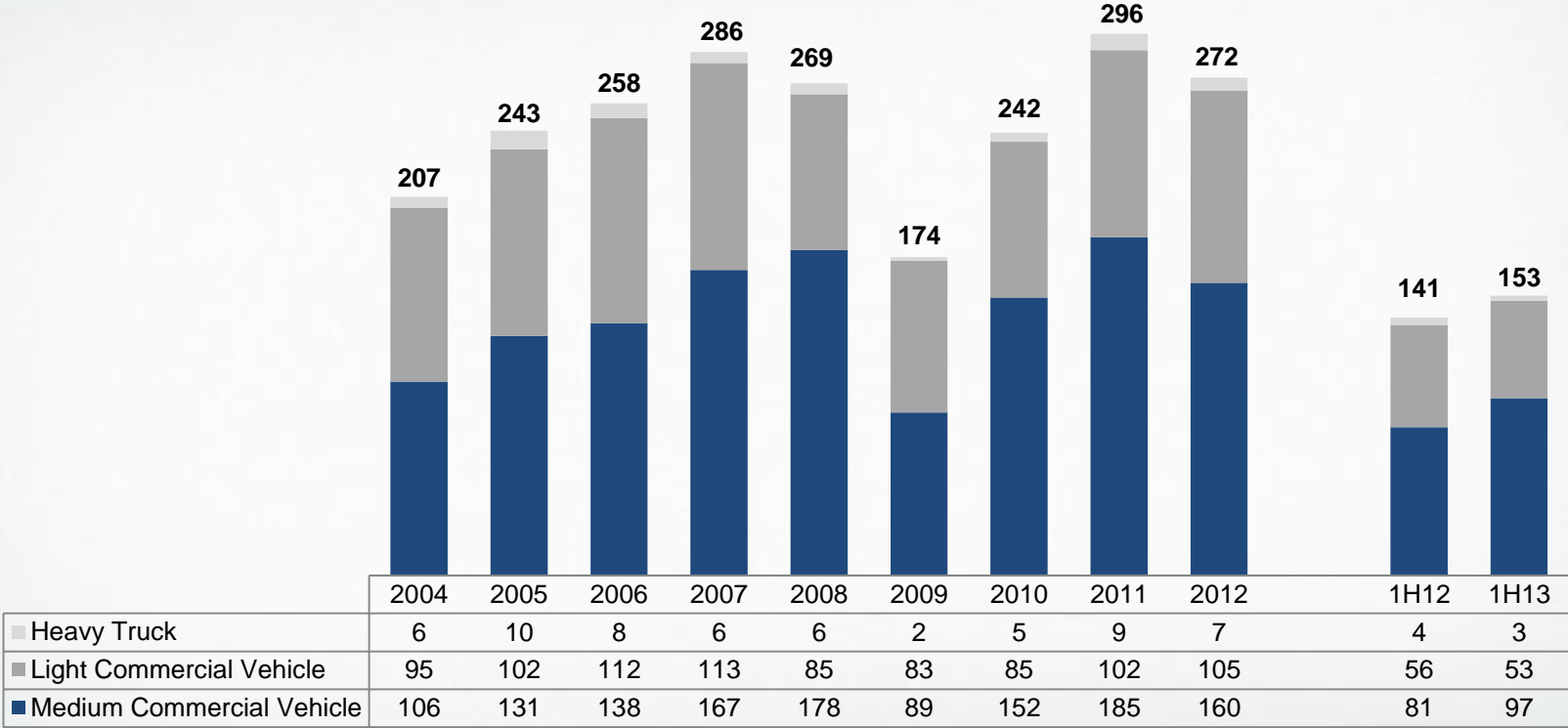
# Turkish Market Shares (August'13 YTD)



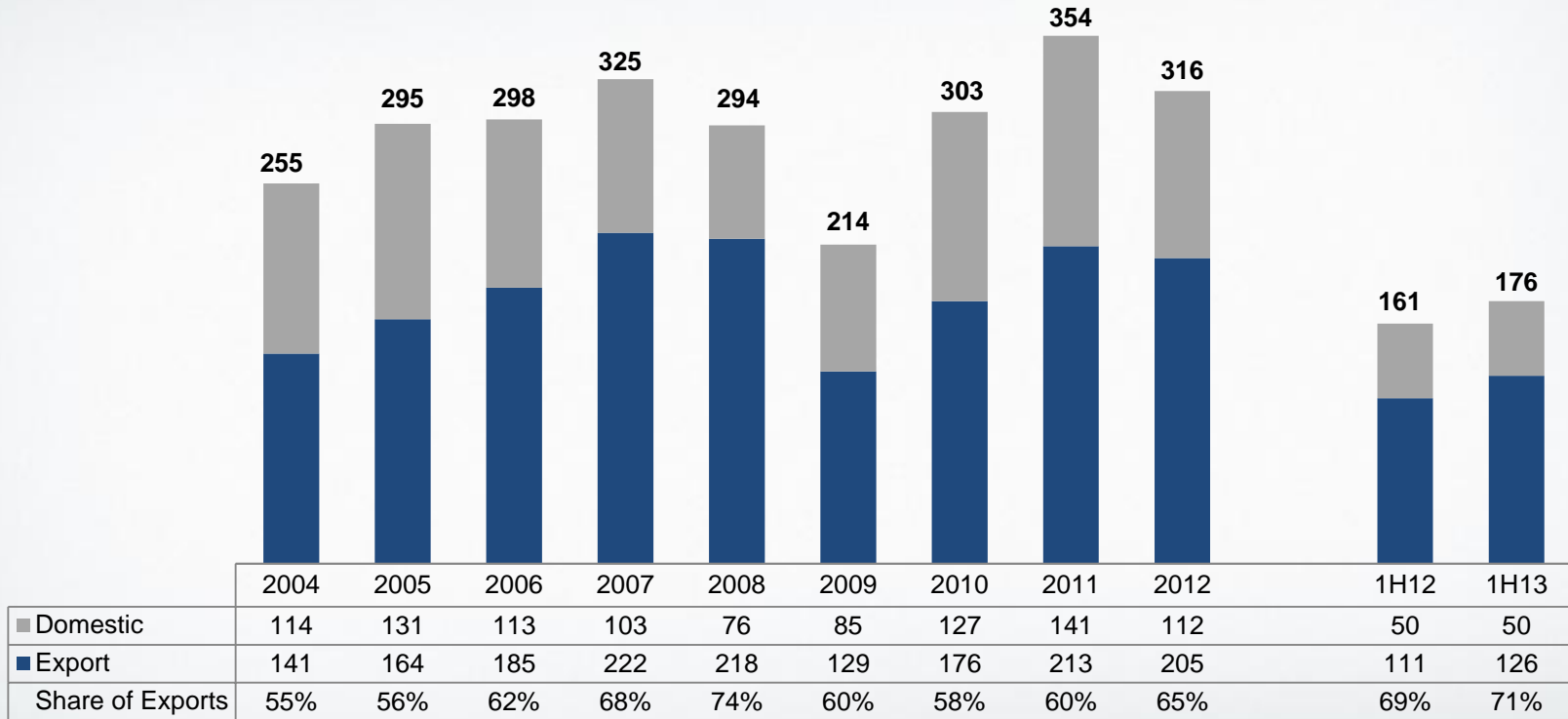
Source: ODD and TAID



# Production Volume by Segment (000 units)



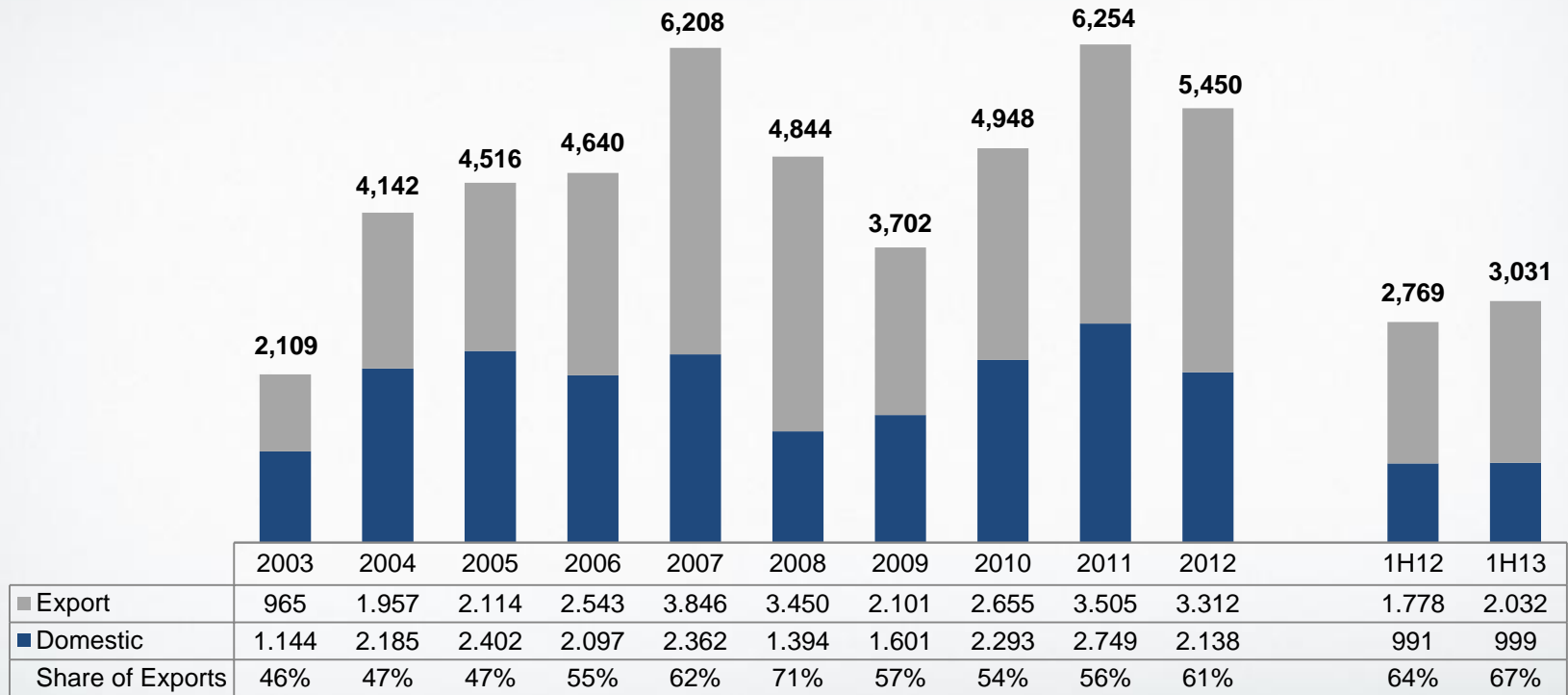
# Wholesale Volume – Domestic & Export (000 units)



# Sales Volume by Model

	1H13	1H12	YoY Change	2Q13	2Q12	YoY Change
<b>Domestic</b>	<b>50.202</b>	<b>49.869</b>	<b>1%</b>	<b>29.853</b>	<b>31.912</b>	<b>-6%</b>
PC	23.956	21.869	10%	15.717	14.720	7%
Transit Connect	10.566	12.182	-13%	5.752	7.505	-23%
Total LCV	10.566	12.182	-13%	5.752	7.505	-23%
Transit	10.809	12.655	-15%	5.913	7.846	-25%
Transit Custom	1.575	-	-	776	-	-
Ranger	464	-	-	182	-	-
Total MCV	12.848	12.655	2%	6.871	7.846	-12%
Cargo	2.832	3.163	-10%	1.513	1.841	-18%
<b>Exports</b>	<b>125.938</b>	<b>110.694</b>	<b>14%</b>	<b>64.005</b>	<b>52.116</b>	<b>23%</b>
Transit Connect	42.731	43.458	-2%	23.768	23.367	2%
Transit	63.421	66.483	-5%	31.797	28.183	13%
Transit Custom	19.386	-	-	8.179	-	-
Cargo	206	423	-51%	124	340	-64%
Other	194	330	-41%	137	226	-39%
<b>Total Wholesale Volume</b>	<b>176.140</b>	<b>160.563</b>	<b>10%</b>	<b>93.858</b>	<b>84.028</b>	<b>12%</b>

# Revenue - Domestic & Export (US\$ million)

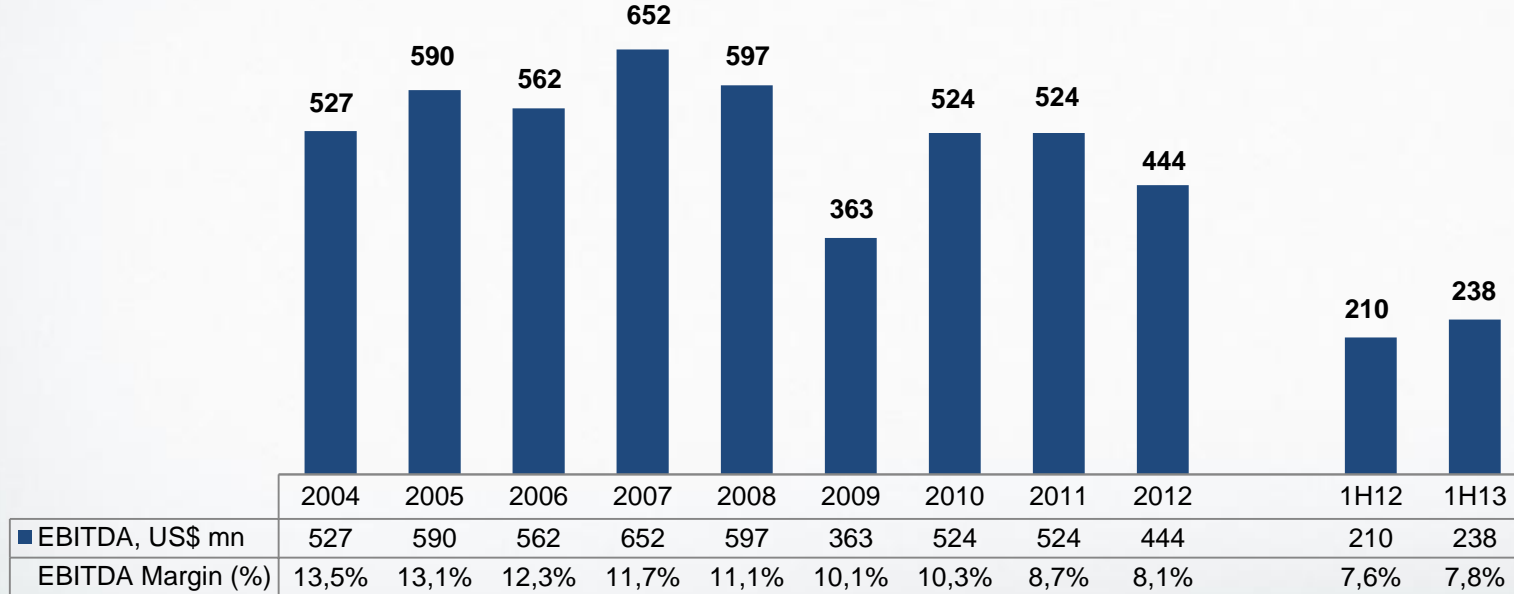




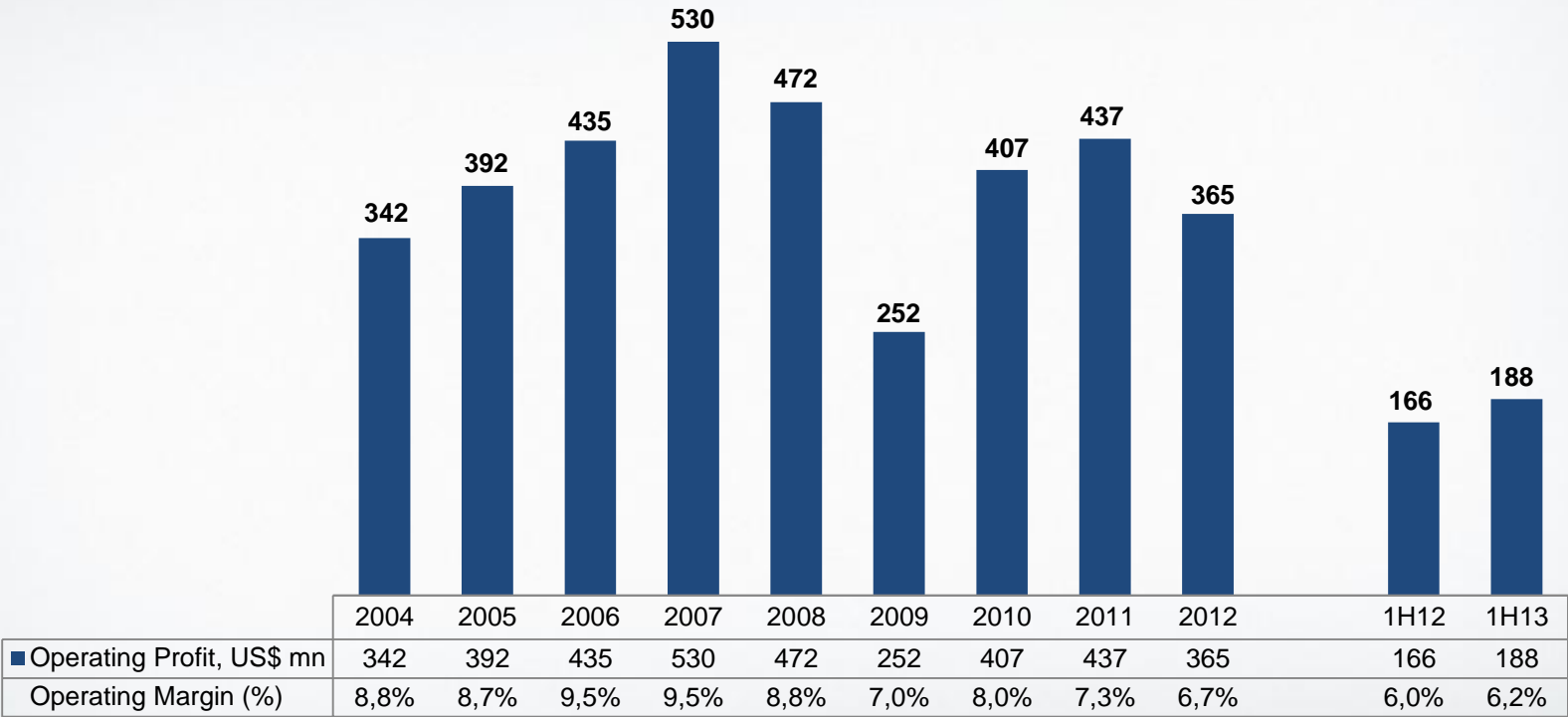
# EBITDA and EBITDA Margin

## Changing trends leading to declining margins:

Declining share of the domestic business, more price-competitive landscape in the domestic market and shift in the industry towards PCs leading to a less favorable sales mix. Ford Otosan's aging product portfolio is also driving lower profitability.



# Operating Profit and Operating Margin



# Financial Risk Management

## Credit Risk

- Receivables from domestic vehicle sales to dealers are collected using a Direct Debit System
- Domestic spare part sales are guaranteed with collateral from dealers (bank guarantee letters)
- Receivables from Ford Motor Company and its subsidiaries for exports are collected within 14 days
- Other exports are guaranteed using L/C, letter of guarantee or cash collection

## Liquidity Risk

- Cash, credit commitment and factoring capacity is maintained to meet 21 days of cash outflow
- €80 million credit commitment and €70 million factoring agreements are in place for potential needs
- Net debt as of 30 June 2013 is TL954 million.

## FX Risk

- Excess cash is invested in hard currencies to minimize fx exposure
- Natural hedge against volatility due to fx-denominated export revenues: 67% of total revenues
- Ford Otosan is a net exporter: US\$ 2.1 billion in the last 5 years (2008-2012)

## Capital Risk

- Net financial debt / tangible net worth ratio is monitored as a management criteria and the aim is to keep it below 1.25

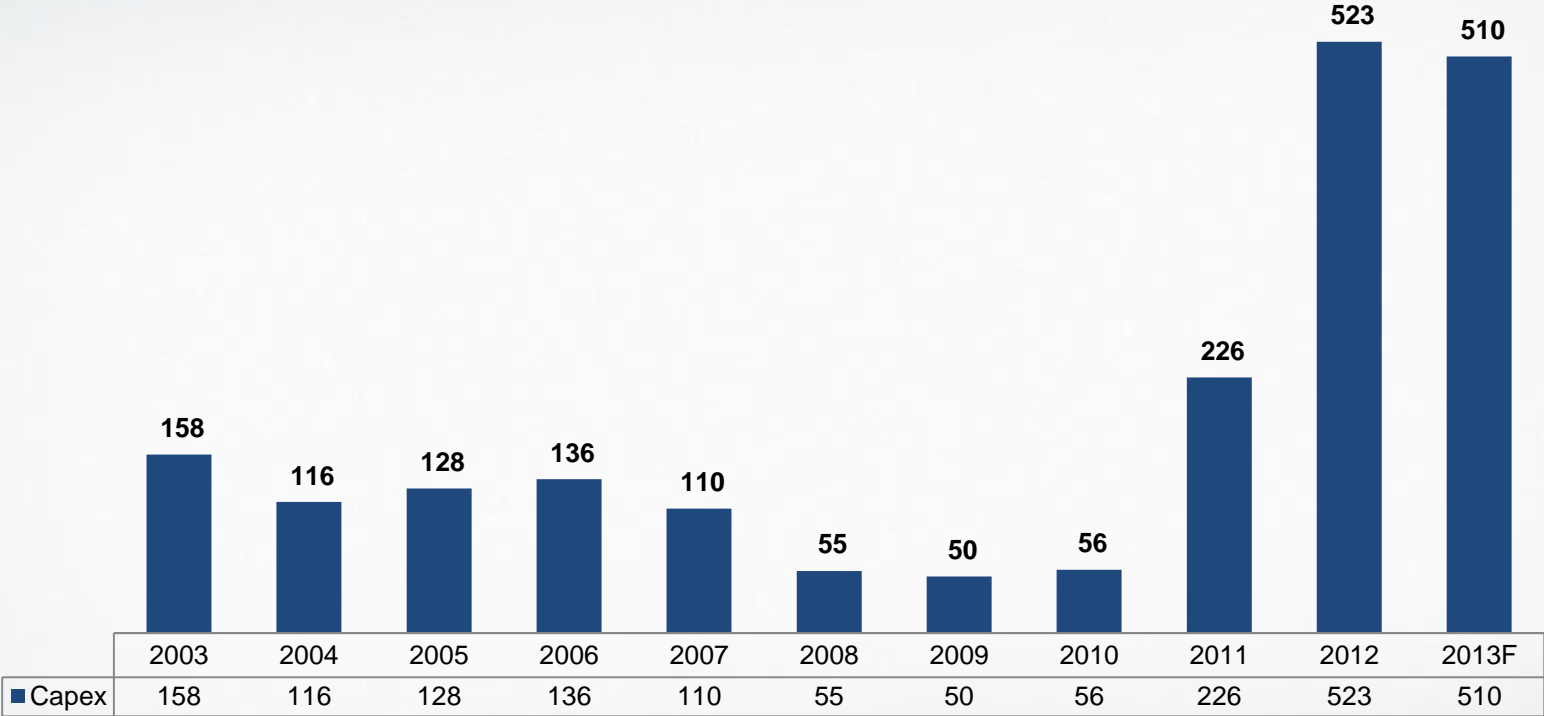
# Debt Profile & Financial Ratios

TL mn	30.06.2013	30.06.2012
Cash	277	381
Total Financial Debt	1,231	992
Net cash/ (debt)	(954)	(612)

Ratios	30.06.2013	31.12.2012
Current ratio	1.11	1.49
Liquidity ratio	0.70	0.97
Net Financial Debt / Tangible Net Worth	0.70	0.55
Current Assets / Total Assets	0.47	0.52
Current Liabilities / Total Liabilities	0.68	0.62
Total Liabilities / Total Liabilities and Equity	0.62	0.57
Return on Equity	41.7%	33.4%



# CAPEX (US\$ million)



# 2013 Guidance

Turkish Industry Volume	850K+
Retail Sales Volume	115K
Exports	219K
Wholesale Volume	332K
Production Volume	278K
Capex	US\$ 510 mn

Last updated: September 2013

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