

FORD OTOSAN



Ford Otomotiv Sanayi A. Ş.
1 January – 30 June 2015
Interim Report



COMPANY INFORMATION

Board of Directors and Committees

According to Article 10 of our Articles of Incorporation, all affairs and management of Ford Otosan shall be conducted by the Board of Directors composed of at least 8 members, the total number of the members shall be even, and shall be elected for a period not exceeding three years in accordance with the provisions of the Turkish Commercial Code and regulations of the Capital Markets Board. Save for the mandatory provisions of the Corporate Governance Principles of the Capital Markets Board with respect to the independent members of the Board of Directors, the General Assembly may replace the members of the Board of Directors at any time as deemed necessary. Two of the elected board member shall meet the qualification of independence stipulated in the Corporate Governance Principles regulations of Capital Markets Board.

In our Ordinary General Assembly Meeting held on March 23rd, 2015, the number of members of our Board of Directors was defined as 14, including 2 Independent Members. Our Board of Directors that would be serving until Ordinary General Assembly Meeting in order to audit 2015 accounts are as below:

Rahmi M. Koç	Honorary Chairman
Y. Ali Koç	Chairman
James Duncan Farley Jr	Vice Chairman
John Fleming	Member
Lyle A. Watters	Member
Barbara J. Samardzich	Member
Peter D. Fleet	Member
O. Turgay Durak	Member
İ. Cenk Çimen	Member
Ali İhsan İlkbahar	Member
Haydar Yenigün	Member – General Manager
William R. Periam	Member – Deputy General Manager
Mehmet Barmanbek	Independent Member
Günter Verheugen	Independent Member

Our Board of Directors took below decisions on March 27th, 2015 on the Committees:

- Mr. Mehmet Barmanbek and Prof. Günter Verheugen have been elected to the Audit Committee membership pursuant to Communiqué Series:X, No:22 of the Capital Markets Board.
- Prof. Günter Verheugen has been elected as the chairman, and Mr. Ali İhsan İlkbahar, Mr. Lyle Alexander Watters and Mr. İsmail Oğuz Toprakoğlu as the members of the Corporate Governance Committee established pursuant to the Communiqué on Corporate Governance Serial: II, No:17.1 of the Capital Markets Board.
- Mr. Mehmet Barmanbek has been elected as the chairman, and Mr. İsmail Cenk Çimen and Mr. Lyle Alexander Watters as the members of the Early Determination and Management of Risk Committee established pursuant to the Communiqué.
- Mr. Mehmet Barmanbek has been elected as the chairman, and Mr. İsmail Cenk Çimen and Mr. James Duncan Farley Jr. as the members of the Remuneration Committee established pursuant to the Communiqué.

Shareholder Structure:

Ford Otosan's shareholder structure as of June 30th, 2015 is as follows:

Shareholder	Value (TL)	Share (%)
Koç Group Companies	143,997,037	41.04
Ford Motor Company	143,997,037	41.04
Other (Free float)	62,915,926	17.92
Total	350,910,000	100.00

TURKISH AUTOMOTIVE INDUSTRY AND FORD OTOSAN

Due to the scope of the investment program in 2014 product transitions and ramp-up period in commercial vehicles caused a temporary weakness in production, sales and export numbers. As a result there was a low base year in the first half due to first quarter.

1. Domestic Automotive Industry and Ford Otosan

Turkish automotive industry sales reached 452,588 (2014: 302,680)* units in 1H, up 50% YoY, with the low base year. Passenger car sales increased 45%, light commercial vehicle sales increased 83%, medium commercial vehicle sales increased 59% and truck sales increased 30%. 1H15 marked the highest first half on record in PC sales and total industry sales and the second highest half in truck sales after 2011.

The share of PCs in the total industry was 72%. LCV industry share increased to 13% from 10% compared to same period of last year.

The share of PCs in the total industry					
1H15	1H14	2014	2013	2012	2011
72%	75%	73%	75%	68%	65%

Turkish Automotive Industry Sales in 1H:

	2015 1H	2014 1H	Change
Passenger Car	327,846	225,773	45%
Light Commercial Vehicle	57,613	31,561	83%
Medium Commercial Vehicle	47,091	29,527	59%
Truck	17,835	13,726	30%
Total**	452,588	302,680	50%

* Datas in parenthesis indicates previous year's figures.

** Covers all heavy commercial vehicles excluding buses and midibuses.

Share of import vehicle sales in the industry declined in January-June period compared to last year first half, PC share was 74%, LCV share was 42% and total share was 67%.

Share of import vehicle	PC	LCV	Total
1H15	74%	42%	67%
1H14	75%	50%	70%
2014	73%	46%	67%

Source: Automotive Distributors' Association

As of 2015 June-end, Ford Otosan had 12.7% (10.0%) market share in total industry and ranked 2nd. Ford Otosan's retail sales increased by 89% to 57,365 (30,376) compared to same period of last year due to low base year and higher demand for the fully renewed product line. In the passenger car segment where competition is the most intense, our market share was 7.0% (5.9%). Ford Otosan ranked 2nd in the light commercial vehicle segment with 25.8% (19.6%) market share, was the market leader in the medium commercial vehicle segment with 32.2% (27.7%) share and maintained its second position in the heavy commercial vehicle segment with 24.9% (19.5%) share.

2. Production and Capacity

In the first half of the year total production volume was 159,441 (109,588); increased 45% compared to same period of last year due to low base year and increased demand. As a result total capacity utilization rate was 77% (53%).

60,223 (37,767) units new Transit and 63,653 (54,164) units Custom were manufactured in the Kocaeli plant, 30,381 (14,287) units Courier were manufactured in the Yeniköy plant and 5,184 (3,370) units Cargo truck were manufactured in the İnönü Plant.

3. Export, Domestic and Wholesale

According to the European Automobile Manufacturers' Association (ACEA) (www.acea.be) in June the demand for new commercial vehicles up to 3.5t increased for the 22nd consecutive month and was up by 16.3% in Europe, our biggest export market. In the first half commercial vehicle sales increased 12.3% compared to 11.3% in 2014 same period. Our main export market commercial vehicle sales were as below:

	FY14	01'15	02'15	03'15	04'15	05'15	06'15	YTD
UK	18.7%	21.7%	17.9%	23.6%	20.9%	15.1%	16.4%	19.8%
Germany	7.3%	1.4%	9.2%	19%	11.9%	-10.0%	8.5%	6.6%
Italy	16.4%	2.4%	8.8%	6.1%	8.8%	3.0%	9.1%	7.7%
Spain	33.2%	31.2%	27.7%	69.8%	17.6%	24.3%	45.2%	35.6%
France	1.5%	-8.6%	-2.6%	10.6%	-0.3%	-8.5%	10.3%	0.8%
Total Europe	11.3%	7.4%	9.5%	20.5%	11.8%	4.3%	16.3%	12.3%

Source: www.acea.be

In the first half of the year, Ford Otosan's export volumes were 115,827 (93,789) up by 23% compared to same period of last year due to rising demand and low base year. Export revenues increased 24% to TL4,703 million (TL3,782 million). Ford Europe commercial vehicle sales increased 33% in January-June period. Ford's market share increased 2.0 pps to 12.5%. Ford gained the No. 2 best-selling commercial vehicle brand position in Europe.

In the first half of the year Ford Otosan's domestic wholesales increased by 104% YoY to 60,374 (29,625) units with strong sales performance of the new products and low base year effect. Domestic

revenues increased 97% to TL2,822 million (TL1.432 million) due to sales numbers and vehicle price increase.

Total sales units increased 43% to 176,201 (123,414). Total revenues increased 44% to TL7,526 million (TL5,214 million). Export share in total revenues was 62% (73%).

4. Investments

In the first half of the year capital expenditures were TL189 million (TL470 million) including capitalized R&D spending.

5. R&D Activities

In the first half of the year TL172 million (TL168 million) pre-capitalization R&D expenditure was made for various product development projects. R&D projects are carried out in line with product programs and the number of R&D engineers is 1,444.

6. Personnel

As of June 30th, 2015, Ford Otosan has a total of 10,964 employees composed of 2,678 white collar and 8,286 blue collar workers. (December 31, 2014: total of 9,762 employees composed of 2,570 white collar and 7,192 blue collar workers). Ford Otosan continues to have the highest employment in Turkish automotive sector. Our blue collar employees are as part of the Collective Bargaining Agreement which was signed between Turkish Metal Union and Turkish Employers' Association of Metal Industries (MESS) that will be valid until 31st August 2017.

The Collective Bargaining Agreement was signed between Turkish Metal Union and Turkish Employers' Association of Metal Industries (MESS), where our company is also a member, on December 17th, 2014 for the 01.09.2014-31.08.2017 period.

7. Profitability

Profitability, started in first quarter, continued to improve and first half as a result of higher unit sales in both domestic and export markets, favourable sales mix, lower import costs resulting from lower EUR/TL (2.86 in 1H15 vs. 2.97 in 1H14), increasing capacity utilization and cost reduction actions. Gross profit increased by 77% YoY to TL839 (TL475 million). EBITDA grew by 92% YoY to TL658 million (TL342 million). EBITDA excluding other items increased by 79% YoY to TL631 million (TL352 million). Operating profit grew by 122% YoY to TL465 million (TL210 million), despite the 45% YoY rise in depreciation and amortization. Despite the rise in FX losses and net financial expenses, profit before tax grew by 177% YoY to TL394 million (TL142 million). First half net income was booked as TL 407 million (TL353 million), up by 15% YoY and higher than profit before tax due to the deferred tax gain based on future tax benefits coming from investment incentives. Margins: Gross 11.1% (+2 pps YoY); EBITDA 8.7% (+2.2 pps YoY); EBITDA margin excluding other income 8.4% (+1.6 pps YoY) and Operating 6.2% (+2.2 pps YoY).

8. Financing

Our company repaid €240 million in January-June period and €320 million new loan was used. Consequently, as of June-end, total debt level was €908 million (€710 million) from €828 million at the beginning of the year. On the other hand, the cash balance as at the end of the period is TL282 million (TL144 million).

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

9. Main Financial Indicators

Summary Balance Sheet (Million TL)	30.06.2015	31.12.2014	% Change
Current Assets	3,563	2,958	20%
Property, Plant and Equipment - Net	3,158	3,128	1%
Total Assets	7,872	7,235	9%
Current Liabilities	3,165	2,972	7%
Total Liabilities	4,984	4,481	11%
Shareholders' Equity	2,888	2,754	5%
Summary Income Statement (Million TL)	30.06.2015	30.06.2014	% Change
Revenues	7,526	5,214	44%
Export	4,703	3,782	24%
Domestic	2,822	1,432	97%
Gross Profit	839	475	77%
Operating Profit	465	210	122%
Financial Income / (Expense)	-72	-66	8%
Profit Before Tax	394	142	177%
Net Income	407	353	15%
Other Financial Data (Million TL)	30.06.2015	30.06.2014	% Change
Depreciation and Amortization	192	133	45%
EBITDA	658	342	92%
Capital Expenditures	189	470	-60%
Cash Flow Statement (Million TL)	30.06.2015	30.06.2014	% Change
Beginning Balance of Cash & Equivalents	577	238	142%
Net Cash Generated from Operating Activities	-122	598	
Net Cash Used in Investing Activities	-174	-461	-62%
Net Cash Used in Financing Activities	1	-230	
End of Period Balance of Cash & Equivalents	282	144	%95

Financial Ratios	30.06.2015	31.12.2014
Current Ratio	1.13	1.00
Liquidity Ratio	0.70	0.74
Net Financial Debt / Tangible Net Worth	1.03	0.79
Current Assets / Total Assets	0.45	0.41
Current Liabilities / Total Liabilities	0.64	0.66
Total Liabilities / Total Liabilities and Equity	0.63	0.62
Return on Equity*	28.2%	21.6%
	30.06.2015	30.06.2014
Gross Margin	11.1%	9.1%
EBITDA Margin	8.7%	6.6%
Operating Margin	6.2%	4.0%
Net Income Margin	5.4%	6.8%

* Annualized net income divided by shareholders' equity.

10. Guidance

Global economic developments, growth trends, monetary policies of the central banks leading Fed, developments in Greece and its effect to the euro zone, oil prices and commodity prices and geopolitical developments are the main determining factors in 2015 for the markets. Central Bank of the Turkey Republic's decisions, exchange rate movements and political developments after the election are the main agenda items in Turkey.

In this content, we forecast 23% increase in Turkish automotive industry compared the same period last year with the strong performance of the first half and expect the total industry volume to reach 988,000 units. We expect our domestic retail sales to reach 132,000 units and exports to realize at 262,000 units, as a result of sales increase with our successful new products. According to that our production volume is planned to be 394,000 units. Within the context of new projects we forecast total \$ 200 million fixed asset procurement spending.

FORD OTOMOTİV SANAYİ A.Ş.