Ford Otomotiv Sanayi A. Ş.

1 January – 30 September 2014

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 25th, 2014, the number of members of our Board of Directors was defined as 14, including 2 Independent Members. Our Board of Directors as below:

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

The Committes established withing our Board of Directors' and their Members are as follows:

Audit Committee: Mr. Mehmet Barmanbek (Member) and Mr. Günter Verheugen (Member)

Corporate Governance Committee: Mr. Günter Verheugen (Chairman), Mr. Ali İhsan İlkbahar (Member), Mr. Lyle Alexander Watters (Member) and Mr. Oğuz Toprakoğlu (Member – Chief Financial Officer).

Mr.Oğuz Toprakoğlu was appointed as member of the Corporate Governance Committee in our Board of Directors' meeting numbered 2014/16 as per Corporate Governance Principles of the Capital Markets Board number II-17.1.

Early Determination and Management of Risk Committee: Mr. Mehmet Barmanbek (Chairman), Mr. İsmail Cenk Çimen (Member) and Mr. Lyle Alexander Watters (Member).

Remuneration Committee : Mr. Mehmet Barmanbek (Chairman), Mr. Osman Turgay Durak (Member) and Mr. Stephen Terrence Odell (Member).

Shareholder Structure:

Ford Otosan's shareholder structure as of September 30th, 2014 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

1. Domestic Automotive Industry and Ford Otosan

In the first nine months of the year, sales in Turkish automotive industry decreased by 18.0% to 497,028 compared to the same period of 2013.

Rising interest rates, higher vehicle prices due to weak TL, SCT increase in PC valid from January 1st, BRSA regulations on vehicle loans, a high base year, low economic activity, volatility in the financial markets and weak consumer confidence ahead of the local elections in March were the main headwinds of the vehicle sales slowdown in this period. Between January-September period, total industry sales decreased in all segments except trucks compared to the same period of 2013. PC's decreased by 19%, LCV's decreased by 24%, MCV's decreased by 15% while truck segment increased 7%. However in the third quarter contaction slowed down and sales accelerated in LCV and MCV segments that recorded monthly year-on-year growth in September and August-September, respectively.

The share of PCs in the total industry was 73.8% in the first nine months of the year which was 74.6% in the first half of the year and 75.1% in full year 2013. LCV segment share was 11.1%, down from 12.0% in same period of 2013.

As a result, in the first nine months of 2014, sales in total industry decreased by 18.3% to 497,028** units (608,106)* compared to the same period of 2013. On a segment basis; 366,768 (452,354) passenger cars, 54,942 (72,740) light commercial vehicles, 51,788 (61,251) medium commercial vehicles and 20,650 (19,253) trucks were sold.

Share of import vehicle sales in the industry grew since 2013, reached 74% between January-September in passenger cars, 49% in light commercial vehicles and 69% in total.

Import ratio in sector	PC	LCV	Total
2013 (9M)	78%	48%	71%
2013	78%	48%	71%
2014 (9M)	74%	49%	69%

Source: Automotive Distributiors' Association

Production of Ford Otosan's old Transit and Transit Connect models were stopped in 2013. 2014 is a transition year with new product launches after completion of the investment program that started at the end of 2010. Due to the product transitions and ramp-up period in commercial vehicles a temporary weakness is experienced in production, sales and export numbers. In addition, the rising retail prices for passenger cars in the first quarter of 2014 due to the weak Turkish Lira pressured sales amid intense market competition. Although vehicle sales accelerated in second and third quarter the first half's dynamics continued to impact nine months' performance.

With the completion of the new product launches our domestic sales increased 24% in the third quarter compared to second quarter. Sales reached 54.770 units (76.231) between January-September, although strong second and third quarter sales decreased 28% compared to same period of last year. The product transitions and ramp-up period due to new products were the weakness reasons of the commercial vehicle sales slow down. The rising retail prices for passenger cars in the first quarter of 2014 due to the weak Turkish Lira pressured sales amid intense market competition.

2. Market Shares

As of September-end, Ford Otosan had 11.2% (12.5%) market share in total industry and ranked 3rd . Ford Otosan's retail sales decreased by 27% to 55,464 (75.717) compared to same period of last year. In the passenger car segment where competition is the most intense, our market share decrease to 6.7% (8.2%). Ford Otosan ranked 2nd in the light commercial vehicle segment with 20.9% (20.3%) market share, was the market leader in the medium commercial vehicle segment with 29.1% (32.8%) share and maintained its second position in the heavy commercial vehicle segment with 20.6% (19.8%) share. After completion of the new product launches our market share increased compared to second quarter, light commercial vehicle and truck sales also increased compared to same period of last year.

3. Production and Capacity

In the fist nine months of the year total production volume decreased 22% to 168,986 (215,936) compared to last year due to new product launches and ongoing investments. 57,002 units new Transit and 80,388 units Custom were manufactured in the Kocaeli plant, 26,160 units Courier were manufactured in the Yeniköy plant and 5,436 units Cargo truck were manufactured in the İnönü Plant. As a result total capacity utilization rate was 54% (87%).

The launch of all new product phases completed in the third half of the year. As a result in the second half of the year, Kocaeli plant reached an annual installed production capacity of 160k units Transit and 130k units Custom; Yeniköy plant had 110k units Courier and İnönü plant had 15k units Cargo capacity. Capacity utilisation rate mentioned above, calculated from 415.000 units capacity.

4. Export, Domestic and Wholesales

According to the The European Automobile Manufacturers' Association (ACEA) (www.acea.be) in September the demand for new commercial vehicles up to 3.5t increased for the 13th consecutive month and was up by 16.2%. In this period the commercial vehicle sales increased 18.1% in our largest export market UK, 8.4% in Germany, 18.9% in Italy, 34% in Spain, 1.8% in France.

	July	August	September	September YTD
UK	34.5%	22.3%	14.1%	18.1%
Germany	6.4%	13.4%	12.0%	8.4%
Italy	27.6%	11.5%	36.3%	18.9%
Spain	26.7%	19.3%	23.9%	34.0%
France	-5.2%	-3.5%	14.3%	1.8%
Total	12.8%	10.2%	16.2%	11.7%

Ford Otosan's export volumes were down by 10% compared to second quarter in the third quarter due to summer period and continued product launches in Europe. In the first nine months export declined 21% due to product transitions to 137,920 (174,990) units. Although the unit sales decreased, export revenues increased 4% to TL5,537 million (TL5,318 million) with the new model launches and weak TL. Custom's strong export sales performance continued in this period.

In the first nine months of year Ford Otosan's domestic wholesales decreased by 28% YoY to 54,770 (76,231) units and domestic revenues were TL2,566 million (TL2,759 million). Due to the new product launches and vehicle price increase, contrcation in revenues was limited to 7%.

Total revenues were TL8,103 million (TL8,077 million), although sales unit decrease, total revenues increased TL26 million year-over-year. Export share in total revenues was 68%.

5. Investments

In the first nine months of the year capital expenditures reached 662 million TL (948 million TL) including capitalized R&D spendings.

6. R&D Activities

In the first nine months of year TL253 million (TL259 million) pre-capitalization and TL135 million (TL97 million) post-capitalization R&D expenditure was made for various product development projects. R&D projects are carried out in line with product programs. The number of R&D engineers exceed 1,376.

7. Personnel

As of September 30th, 2014, Ford Otosan has a total of 9,569 employees composed of 2,525 white collar and 7,044 blue collar workers. (December 31, 2013: total of 9,444 employees composed of 2,518 white collar and 6,926 blue collar workers). The Collective Barganing Agreement was signed between Turkish Metal Union and Turkish Employers' Association of Metal Industries (MESS) on May 31st, 2013 for the 01.09.2012-31.08.2014 period. Negotiations for the agrement that will be valid between 2014-2016 started in August 2014.

8. Profitability

In first nine month of 2014, operating margin was 4.5% (6.1%). The average EUR/TL exchange rate increased from 2.45 in in first nine month of 2013 to 2.93 in first nine month of 2014, negatively impacting the cost base. Although Ford Otosan increased the prices of its vehicles significantly in order to reflect its costs and implemented cost reduction actions, it was unable to recover the full impact of the TL depreciation which led to a margin decrease. In addition, lower unit sales, other operating expense, driven by fx losses, as opposed to other operating income in first the nine months and the 57% year-over-year rise in depreciation & amortization negatively effected the profitability. Operating profit declined 27% to TL 362 million (TL495 million). EBITDA was TL578 million (TL632 million), down 9% year-over-year. EBITDA margin was 7.1% (7.8%). However, in third quarter profitability improved with relatively balanced fx rate and better sales mix after completion of the new product launches.

In first nine month profit before tax declined by 33% to TL 250 million (TL372 million). Net income was TL476 million as a result of the establishment of deferred tax asset based on the future tax benefits from the investment incentives. Net income margin was 5.9%, down 0.5 pps year-over-year.

9. Financing

Our company repaid €358 million in January-September period and €373 million new loan was used. Consequently, as of September-end, total debt level was €791 million (€710 million) from € 776 million at the beginning of the year. On the other hand, the cash balance as at the end of the period is TL160 million (TL 415 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.

10. Main Financial Indicators

Summary Balance Sheet (Million TL)	**30.09.2014**	**31.12.2013**	**% Change**
Current Assets	2,718	2,443	11
Property, Plant and Equipment - Net	2,921	2,231	31
Total Assets	6,917	5,991	15
Current Liabilities	2,779	2,397	16
Total Liabilities	4,151	3,755	11
Shareholders' Equity	2,766	2,237	24
Summary Income Statement (Million TL)	**30.09.2014**	**30.09.2013**	**% Change**
Revenues	8,103	8,077	0
Export	5,537	5,318	4
Domestic	2,566	2,759	-7
Gross Profit	787	814	-3
Operating Profit	362	495	-27
Financial Income / (Expense)	-107	-123	-13
Profit Before Tax	250	372	-33
Net Income	476	516	-8
Other Financial Data (Million TL)	**30.09.2014**	**30.09.2013**	**% Change**
Depreciation and Amortization	216	137	57
EBITDA	578	632	-9
Capital Expenditures	662	948	-30
Cash Flow Statement (Million TL)	**30.09.2014**	**30.09.2013**	**% Change**
Beginning Balance of Cash & Equivalents	238	302	-21
Net Cash Generated from Operating Activities	580	897	-35
Net Cash Used in Investing Activities	(654)	(938)	-30
Net Cash Used in Financing Activities	(4)	(155)	-97
End of Period Balance of Cash & Equivalents	160	415	-61

Financial Ratios	30.09.2014	31.12.2013
Current Ratio	0.98	1.02
Liquidity Ratio	0.59	0.71
Net Financial Debt / Tangible Net Worth	0.95	1.13
Current Assets / Total Assets	0.39	0.41
Current Liabilities / Total Liabilities	0.67	0.64
Total Liabilities / Total Liabilities and Equity	0.60	0.63
Return on Equity	22.9%*	28.7%
	30.09.2014	**30.09.2013**
Gross Margin	9.7%	10.1%
EBITDA Margin	7.1%	7.8%
Operating Margin	4.5%	6.1%
Net Income Margin	5.9%	6.4%

*Annualized net income divided by shareholders' equity.

11. Other Significant Developments

- As a result of negotiations with banks in order to finance current investments €100 million loan agreement was signed on July 4th, 2014 with HSBC Bank plc, Societe Generale Corporate & Investment Banking and The Bank of Tokyo-Mitsubishi UFJ, Ltd. The loan has a 4-year term with 2 years grace period and the interest rate is Euribor+%2.30 per annum excluding the bank charges.

- As a result of negotiations with EBRD (European Bank for Reconstruction and Development) in order to finance upcoming investments a loan agreement was signed on July 18th, 2014. The total loan amount is €140 million. €70 million is funded directly by EBRD while the remaining €70 million is funded as a syndicated loan with the participation of commercial banks; HSBC Bank plc, Societe Generale Corporate & Investment Banking, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Credit Agricole Corporate and Investment Bank. The loan has a 5-year term with 2 years grace period and the interest rate is Euribor+%2.25 per annum excluding the interest rate bank charges.

- Ford Otosan, Ford Motor Company and Ford Global Technologies LLC (Licensors) were signed a technology licensing agreement on July 25th, 2014, with Jiangling Motors Corporation Ltd. of China, where Ford Motor Company holds 32% share in, and its affiliate JMC Heavy Duty Vehicle Co.Ltd. With this agreement our company has granted a non-exclusive license to Jiangling Motors Corporation Ltd, and its affiliate JMC Heavy Duty Vehicle Co.,Ltd on product technology, know-how and the technical documentation related to the design, manufacture and service of the chassis, cab and their components of Ford branded heavy trucks. Licenced products and JMC branded vehicles containing these products will be sold in China. JMC Heavy Duty Vehicle Co.Ltd, shall pay Ford Otosan an entry Licensing Fee of €8,000,000. Within the context of the agreement, JMC Heavy Duty Vehicle Co.Ltd. shall pay average €390 licensing fee per unit to the Licensors for the Licensed Chassis and shall pay average €39 per unit to the Licensors for the Licensed Cab that are sold within each calendar year, to be invoiced quarterly. Term of the Agreement shall be 12 years starting from the mass production (predicted as 2016 model year). Unless otherwise declared by one of the Parties the term of this Agreement shall be automatically extended for 3 years periods. The agreement will become effective after upon the approval of Chinese officials.

- Our Board of Directors resolved the following in their meeting dated 30th September 2014.

  - Marketing, Sales and After Sales Assistant General Manager Mr. İbrahim Aykut Özüner left Ford Otosan as he was appointed as General Manager of Zer Merkezi Hizm. ve Tic. A.Ş., a Koç Group company, effective 1st October 2014.

  - Sales Director Mr. Özgür Yücetürk was appointed as Marketing, Sales and After Sales Assistant General Manager, effective 1st October 2014.

- Our Board of Directors resolved the following on October 8, 2014:
  - TL 175,455,000 from extraordinary reserve amounts to be paid to shareholders as dividend in cash, as per the relevant tax legislation, and TL 17,545,500 to be allocated as second rank legal reserve as fully covered from the extraordinary reserves in accordance with Article 519 of the Turkish Commercial Code. In accordance with the financial statements prepared within the framework of Capital Markets Board regulations, total amount of TL 175,455,000 proposed to be paid as dividend in cash and TL 17,545,500 second rank legal reserve to be covered from extraordinary reserves,
  - According to the calculations made in accordance with the tax regulations, TL175,455,000 dividend to be paid by assuming each share with a nominal value of TL 1 pays gross Kr. 50,00 and net Kr. 42,50, and
  - Submitting for the Extraordinary General Assembly's approval on October 31st, 2014 to make the dividend distribution in accordance with the dematerialization regulations of Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency Corporation) starting from November 4, 2014.

12. Guidance

Due to rising interest rates, higher vehicle prices as a result of weak TL, BRSA regulations on vehicle loans, special consumption tax increase in passenger cars, a high base year and low economic activity we forecast a contraction in Turkish automotive industry in 2014 compared to 2013 and expect the total industry volume to reach 740,000 units. We expect our domestic retail sales to reach 93,000 units, domestic wholesale volume to realize at 90,000 and exports to realize at 193,000 units, as a result of the product transitions. Our production volume is expected to reach 243,000 units. Within the context of ongoing investments we forecast total $435 million capital expenditure spending in 2014 including $340 million fixed asset procurement.

FORD OTOMOTİV SANAYİ A.Ş.