

**FORD OTOSAN**



**Ford Otomotiv Sanayi A. Ş.**  
**1 January – 31 March 2016**  
**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 29<sup>th</sup>, 2016, 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 2016 accounts are as below:

Rahmi M. Koç	Honorary Chairman
Y. Ali Koç	Chairman
James Duncan Farley Jr	Vice Chairman
Linda A. Cash	Member
O. Turgay Durak	Member
Barbara J. Samardzich	Member
İ. Cenk Çimen	Member
Lyle A. Watters	Member
Roelant C. de Waard	Member
Ali İhsan İlkbahar	Member
Mehmet Barmanbek	Independent Member
L.Martin Meany	Independent Member
Haydar Yenigün	Member – General Manager
William R. Periam	Member – Deputy General Manager

Our Board of Directors took below decisions on March 29<sup>th</sup>, 2016 on the Committees:

- Mr. Mehmet Barmanbek and Mr. Leonard Martin Meany have been elected to the Audit Committee membership pursuant to Communiqué Series:X, No:22 of the Capital Markets Board.
- Mr. Leonard Martin Meany 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 (the “Communiqué” in short).
- 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 March 31<sup>st</sup>, 2016 is as follows:

Company Name	Value of Share (TL)	Number of Share	Share Capital (%)
Koç Holding A.Ş	134,953,357	13,495,335,714	38.46
Vehbi Koç Foundation	3,558,449	355,844,870	1.01
Koç Holding Retirement and Support Fund Foundation	3,259,202	325,920,231	0.93
Temel Ticaret A.Ş	2,355,885	235,588,500	0.67
<b>Koç Group Companies</b>	<b>144,126,893</b>	<b>14,412,689,315</b>	<b>41.07</b>
<b>Ford Motor Company</b>	<b>143,997,037</b>	<b>14,399,703,676</b>	<b>41.04</b>
Free Float	62,786,070	6,278,607,009	17.89
<b>Total Nominal Capital (TL)</b>	<b>350,910,000</b>	<b>35,091,000,000</b>	<b>100</b>

## TURKISH AUTOMOTIVE INDUSTRY AND FORD OTOSAN

### 1. Domestic Automotive Industry and Ford Otosan

Turkish automotive industry sales reached 172,322 (2015:183,066) units in 1Q, down 8% YoY. Passenger car sales increased 1%, light commercial vehicle sales decreased 19%, medium commercial vehicle sales decreased 4% and truck sales decreased 62%. 1Q16 marked the highest quarter in passenger cars and the third highest first quarter in total sales.

The share of PCs in the total industry was 74%. LCV industry share was 11%.

The share of PCs in the total industry						
1Q16	1Q15	2015	2014	2013	2012	2011
74%	69%	72%	73%	75%	68%	65%

Turkish Automotive Industry Sales in 1Q:

	2016 1Q	2015 1Q	Change
Passenger Car	127,921	126,991	1%
Light Commercial Vehicle	19,629	24,350	-19%
Medium Commercial Vehicle	20,936	21,907	-4%
Truck	3,358	8,824	-62%
Total*	172,322	183,066	-6%

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

In the first quarter, share of import vehicle sales in PC was 73%, LCV was 48%, and total industry was 67%.

Share of import vehicle	PC	LCV	Total
<b>1Q16</b>	73%	48%	67%
<b>1Q15</b>	73%	44%	65%
<b>2015</b>	74%	44%	67%

Source: Automotive Distributors' Association

As of 2016 March-end, Ford Otosan had 12.4% (13.0%) market share in total industry and ranked 3<sup>rd</sup>. Ford Otosan's retail sales decreased by 11% to 21,328 (23,854) compared to same period of last year. In the passenger car segment where competition is the most intense, our market share was 6.6% (6.3%). Ford Otosan ranked 2<sup>nd</sup> in the light commercial vehicle segment with 28.5% (27.1%) market share, was the market leader in the medium commercial vehicle segment with 30.6% (32.8%) share. Also was the market leader in the heavy commercial vehicle segment with 25.6% (24.0%) share.

## 2. Production and Capacity

In the first quarter of the year total production volume was 88,889 (81,967).

34,345 (30,576) units new Transit and 36,496 (34,125) units Custom were manufactured in the Kocaeli plant, 16,950 (14,713) units Courier were manufactured in the Yeniköy plant and 1,098 (2,553) units Cargo truck were manufactured in the İnönü Plant. As a result total capacity utilization rate was 86% (79%).

## 3. Export, Domestic and Wholesale

According to the European Automobile Manufacturers' Association (ACEA) ([www.acea.be](http://www.acea.be)) in March the demand for new commercial vehicles up to 3.5t was up by 7.6% in Europe, our biggest export market. In the first three month commercial vehicle sales increased 11.3%. Our main export market commercial vehicle sales were as below:

	2015	Jan.	Feb.	March	Jan. – March
England	15.6%	-4.3%	0.4%	3.3%	1.2%
Germany	4.2%	11.8%	15.9%	3.0%	9.3%
Italy	12.4%	28.8%	28.7%	32.1%	30.0%
Spain	36.1%	17.1%	16.8%	-1.3%	8.9%
France	2.0%	12.3%	13.0%	5.0%	9.6%
Total	11.6%	11.0%	16.9%	7.6%	11.3%

Ford Otosan's export volumes were 71,547 (59,635) up by 20% compared to same period of last year due to strong market conditions and rising demand. Ford maintained its leader position in the commercial vehicle segment in Europe for the January-March period with a 13.7% market share. Ford Transit became the best-selling nameplate in Europe in the 1-ton & 2-ton vehicle segments. Due to this strong performance, export revenues increased by 33%, reaching 3,094 (2,324) million TL.

As a result of the market contractions in the first quarter of the year, Ford Otosan's domestic wholesales decreased by 16% YoY to 22,096 (26,236). Domestic revenues decreased 12% to TL1,091 million (TL1,239 million).

Total sales units increased 9% to 93,643 (85,871). Total revenues increased 17% to TL4,185 million (TL3,563 million). Export share in total revenues was 74% (65%) with a significant increase compared to the first quarter of 2015.

#### **4. Investments**

In the first three months of the year capital expenditures were 102 million TL (94 million TL) including capitalized R&D spending.

#### **5. R&D Activities**

In the first three months of year, TL107.917.794 million (TL80.496.601million) 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 1,665.

#### **6. Personnel**

As of March 31<sup>st</sup>, 2016, Ford Otosan has a total of 10,717 employees composed of 2,769 white collar and 7,948 blue collar workers. (December 31, 2015: total of 10,676 employees composed of 2,732 white collar and 7,944 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 31<sup>st</sup> 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 17<sup>th</sup>, 2014 for the 01.09.2014-31.08.2017 period.

#### **7. Profitability**

Profitability was strong in 1Q despite rising import costs resulting from weaker TL/€ (3.24 in 1Q16 versus 2.77 in 1Q15) and lower domestic volumes. Main drivers were higher export volume, focus on pricing to offset the impact of TL devaluation, increasing CUR (86% in 1Q16 vs 79% in 1Q15), cost reduction actions, and positive impact of commodity prices.

Gross profit was up by 20% YoY to TL 465 million. EBITDA grew by 12% YoY to TL 347 million. Operating profit grew by 10% YoY to TL 237 million, despite the 16% YoY rise in depreciation and amortization. Profit before tax rose by 12% YoY to TL 210 million. Net income was booked as TL 203 million, down 13% YoY, due to the TL7 million tax expenses as opposed to the TL44 million tax income in 1Q15, based on the deferred tax asset/investment incentives.

Margins: Gross 11.1%; EBITDA 8.3%; EBITDA margin excluding other income 8.7% and Operating 5.7%

#### **8. Financing**

Our company repaid €82 million in January-March period and €170 million new loan was used. Consequently, as of March-end, total debt level was €894 million (€900 million) from €806 million at the beginning of the year. On the other hand, the cash balance as at the end of the period is TL1,037 million (TL521 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

<b>Summary Balance Sheet (Million TL)</b>	<b>31.03.2016</b>	<b>31.12.2015</b>	<b>% Change</b>
Current Assets	4.424	4.031	10%
Property, Plant and Equipment - Net	3.238	3.251	-
Total Assets	8.820	8.428	5%
Current Liabilities	4.154	3.824	9%
Total Liabilities	5.907	5.368	10%
Shareholders' Equity	2.913	3.060	-5%
<b>Summary Income Statement (Million TL)</b>	<b>31.03.2016</b>	<b>31.03.2015</b>	<b>% Change</b>
Revenues	4.185	3.563	17%
Export	3.094	2.324	33%
Domestic	1.091	1.239	-12%
Gross Profit	465	387	20%
Operating Profit	237	216	10%
Financial Income / (Expense)	-26	-27	-5%
Profit Before Tax	210	188	12%
Net Income	203	232	-13%
<b>Other Financial Data (Million TL)</b>	<b>31.03.2016</b>	<b>31.03.2015</b>	<b>% Change</b>
Depreciation and Amortization	110	95	16%
EBITDA	347	311	12%
Capital Expenditures	-102	-94	8%
<b>Cash Flow Statement (Million TL)</b>	<b>31.03.2016</b>	<b>31.03.2015</b>	<b>% Change</b>
Beginning Balance of Cash & Equivalents	980	577	70%
Net Cash Generated from Operating Activities	210	47	345%
Net Cash Used in Investing Activities	-95	-87	9%
Net Cash Used in Financing Activities	-58	-16	254%
End of Period Balance of Cash & Equivalents	1.038	521	99%

<b>Financial Ratios</b>	<b>31.03.2016</b>	<b>31.12.2015</b>
Current Ratio	1,07	1,05
Liquidity Ratio	0,70	0,73
Net Financial Debt / Tangible Net Worth	0,78	0,63
Current Assets / Total Assets	0,50	0,48
Current Liabilities / Total Liabilities	0,70	0,71
Total Liabilities / Total Liabilities and Equity	0,67	0,64
Return on Equity*	27.9%	27.5%
	<b>31.03.2016</b>	<b>31.03.2015</b>
Gross Margin	11.1%	10.8%
EBITDA Margin	8.3%	8.7%
EBITDA Margin excluding other income/expense	8.7%	8.6%
Operating Margin	5.7%	6.0%
Net Margin	4.9%	6.5%

\* Annualized net income divided by shareholders' equity.

## 10. Other Significant Developments

### January

**Appointment to Ford Otosan Bord of Directors:** Our Board of Directors have resolved the following in their meeting dated 08th January 2016. Mr. John Fleming, nominated by Class C shares, was elected to the Board of Directors as a board member during the Ordinary General Assembly held on March 23, 2015. As a result of retirement from Ford Motor Company he resigned from membership of the Board of Directors effective from the date of January 08, 2016. Mrs. Linda Ann Cash nominated by Class C Shares is assigned to the membership of Board of Directors to serve until the next General Assembly of Shareholders. This assignment will be submitted to the approval of the General Assembly at the next meeting.

### March

**Loan Agreement with EIB (European Investment Bank):** The information for signing six year term EURO 100 Million Loan Agreement with EIB (European Investment Bank) for financing R&D expenditure and the condition that definite interest rate would be determined on the disbursement date has been stated in the Material Disclosure on December 21, 2015. EURO 100 Million Loan is disbursed with value date March 17, 2016 and the annual interest rate is determined as 0.819%.

**Obtaining Investment Incentive:** Turkish Republic General Directorate of Incentive Implementation and Foreign Investments has approved our application for an incentive for upcoming period facility modernization investments and revision of Ford Transit, Ford Transit Custom and Ford Transit Courier models that produced at Kocaeli Plants. The new certificate was issued for TL Mills 849 and classified as priority investment.

**Dividend Distribution Proposal:** On March 29, 2016 Ford Otomotiv Sanayi A.Ş. Board of Directors has concluded the following decision: First Dividend to Shareholders as cash 350,910,000-TL will be distributed from 2015 profit according to our company tax book. Total Dividend to Shareholders as 350,910,000-TL will be distributed from 4th of April 2016 as %100.0000 ( 1 TL nominal value share gross = net 100.00 Kr ) to Turkish Resident corporations and corporations which earns dividend through a permanent establishment or representative, to other shareholders as % 85.0000 ( 1 TL nominal value share gross 100.00 Kr , net 85.00 Kr )

## 11. Guidance

We forecast the Turkish automotive industry to reach 980,000 units which achieved a record breaking level of 1 million sales in 2015. We expect our domestic retail sales to reach 123,000 units and exports to realize at 263,000 units, as a result of sales increase with our successful new products. Our production volume is planned to be 339,000 units. Within the context of new projects we forecast total €215 million fixed asset procurement spending.

**FORD OTOMOTİV SANAYİ A.Ş.**