

FORD OTOSAN



Ford Otomotiv Sanayi A. Ş.
1 January – 30 September 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 September 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 during the year 2015 especially in the first quarter.

1. Domestic Automotive Industry and Ford Otosan

In the first nine months of the year Turkish automotive industry sales reached 689,529 (2014: 497,069)* units in 9M, up 39% YoY, with the low base year. Passenger car sales increased 37%, light commercial vehicle sales increased 58%, medium commercial vehicle sales increased 46% and truck sales increased 14%. Total industry grew 22% YoY. Although growth recorded quarterly and nine month period, total sales declined 5% for the first time monthly in September compared to 2014 same period. Total market and passenger car sales came above the expectations and rose to record levels in their history although the slowdown in September.

In the first nine months of the year the share of PCs in total industry was 73% (74%). LCV industry share increased to 13% from 11% compared to same period of last year.

The share of PCs in the total industry					
9M15	9M14	2014	2013	2012	2011
73%	74%	73%	75%	68%	65%

Turkish Automotive Industry Sales in 9M15:

	2015 9M	2014 9M	Change
Passenger Car	500,905	366,768	37%
Light Commercial Vehicle	86,708	54,942	58%
Medium Commercial Vehicle	75,375	51,788	46%
Truck	23,556	20,643	14%
Total**	689,529	497,069	39%

* 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, PC share was 75%, LCV share was 45% and total share was 67%.

Share of import vehicle	PC	LCV	Total
9M15	75%	45%	67%
9M14	74%	49%	69%
2014	73%	46%	67%

Source: Automotive Distributors' Association

As of 2015 September-end, Ford Otosan had 12.7% (11.2%) market share in total industry and ranked 2nd. Ford Otosan's retail sales increased by 58%, the highest sales increase among the competitors, to 87,401 (55,464) compared to same period of last year. In the passenger car segment where competition is the most intense, our market share was 6.9% (6.7%). Ford Otosan ranked 2nd in the light commercial vehicle segment with 26.1% (20.9%) market share, was the market leader in the medium commercial vehicle segment with 32.5% (29.1%) share and maintained its second position in the heavy commercial vehicle segment with 25.0% (20.6%) share.

2. Production and Capacity

In the first nine months of the year total production volume was 239,125 (168,986); increased 42% compared to same period of last year although shut down period in August and one week Eid holiday. As a result total capacity utilization rate was 77% (54%).

89,788 (57,002) units new Transit and 95,206 (80,388) units Custom were manufactured in the Kocaeli plant, 46,568 (26,160) units Courier were manufactured in the Yeniköy plant and 7,563 (5,436) 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 September the demand for new commercial vehicles up to 3.5t increased for the 25th consecutive month and was up by 14.0% in Europe, our biggest export market. In the first nine months commercial vehicle sales increased 11.0% compared to 11.3% in 2014 same period. Our main export market commercial vehicle sales were as below:

	FY14	1Q15	2Q15	3Q15	YTD
UK	18.7%	22.3%	17.2%	13.0%	17.4%
Germany	7.3%	10.5%	3.3%	-5.4%	2.4%
Italy	16.4%	6.1%	9.2%	10.4%	8.5%
Spain	33.2%	44.5%	28.7%	39.9%	37.0%
France	1.5%	0.4%	1.2%	0.9%	0.9%
Europe	11.3%	13.6%	11.1%	9.0%	11.2%

Source: www.acea.be

In the first nine months, Ford Otosan's export volumes were 180,135 (137,920) up by 31% compared to same period of last year due to rising demand to our new products and low base year. Export revenues increased 35% to TL7,499 million (TL5,537 million). Ford Europe commercial vehicle sales increased 26% in January-September period with new Transit product lines strong performance. With 12.8% market share increase, Ford gained the market leadership position in commercial vehicles in Europe.

In the first months of the year Ford Otosan's domestic wholesales increased by 67% YoY to 91,249 (54,770) units with strong sales performance of the new products and low base year effect. Domestic revenues increased 65% to TL4,231 million (TL2.566 million) due to sales numbers and vehicle price increase.

Total sales units increased 41% to 271,384 (192,690). Total revenues increased 45% to TL11,731 million (TL8,103 million). Export share in total revenues was 64% (68%).

4. Investments

In the first nine months of the year capital expenditures were TL326 million (TL662 million) including capitalized R&D spending.

5. R&D Activities

In the first nine months of the year TL257 million (TL253 million) pre-capitalization R&D expenditure was made for various product development projects. As of September 2015 the number of R&D engineers were 1,512 (1,426) in order to carry out R&D projects also subject to service export.

6. Personnel

As of September 30th, 2015, Ford Otosan has a total of 11,336 employees composed of 2,734 white collar and 8,602 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 continued to improve YoY especially in the third quarter as a result of higher unit sales in both domestic and export markets, favourable sales mix, increasing capacity utilization, pricing strategy, and cost reduction actions. Gross profit increased by 66% YoY to TL1.306 million (TL787 million). EBITDA grew by 81% YoY to TL 1.046 million (TL578 million). EBITDA excluding other items increased by 69% YoY to TL 985 million (TL 581 million). Operating profit grew by 107% YoY to TL 749 million (TL 362 million), despite the 37% YoY rise in depreciation and amortization. Despite the 162% rise in FX losses that cause 55% rise in net financial expenses, profit before tax grew by 133% YoY to TL 583 million (TL 250 million). 9M15 tax income recorded as TL 26 million despite TL 226 million in 2014 same period, however nine months net income was booked as TL 557 million (TL 476 million), up by 17% YoY. Margins: Gross 11.1% (+1.4 pps YoY); EBITDA 8.9% (+1,8 pps YoY. Best nine month result since 2011); EBITDA margin excluding other income 8.4% (+1.2 pps YoY) and Operating 6.4% (+1.9 pps YoY).

8. Financing

Our company repaid €402 million in January-September period and €429 million new loan was used. Consequently, as of September-end, total debt level was €855 million (€791 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 TL726 million (TL160 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)	30.09.2015	31.12.2014	% Change
Current Assets	4,009	2,958	36%
Property, Plant and Equipment - Net	3,202	3,128	2%
Total Assets	8,355	7,235	15%
Current Liabilities	3,507	2,972	18%
Total Liabilities	5,514	4,481	23%
Shareholders' Equity	2,841	2,754	3%
Summary Income Statement (Million TL)	30.09.2015	30.09.2014	% Change
Revenues	11,731	8,103	45%
Export	7,499	5,537	35%
Domestic	4,231	2,566	65%
Gross Profit	1,306	787	66%
Operating Profit	749	362	107%
Financial Income / (Expense)	-166	-107	55%
Profit Before Tax	583	250	133%
Net Income	557	476	17%
Other Financial Data (Million TL)	30.09.2015	30.09.2014	% Change
Depreciation and Amortization	297	216	37%
EBITDA	1.046	578	81%
Capital Expenditures	-326	-662	-51%
Cash Flow Statement (Million TL)	30.09.2015	30.09.2014	% Change
Beginning Balance of Cash & Equivalents	577	238	142%
Net Cash Generated from Operating Activities	632	580	9%
Net Cash Used in Investing Activities	-306	-654	-53%
Net Cash Used in Financing Activities	-178	-4	
End of Period Balance of Cash & Equivalents	726	160	353%

Financial Ratios	30.09.2015	31.12.2014
Current Ratio	1.14	1.00
Liquidity Ratio	0.75	0.74
Net Financial Debt / Tangible Net Worth	0.95	0.79
Current Assets / Total Assets	0.48	0.41
Current Liabilities / Total Liabilities	0.64	0.66
Total Liabilities / Total Liabilities and Equity	0.66	0.62
Return on Equity*	26.1%	21.6%
	30.09.2015	30.09.2014
Gross Margin	11.1%	9.7%
EBITDA Margin	8.9%	7.1%
Operating Margin	6.4%	4.5%
Net Income Margin	4.7%	5.9%

* Annualized net income divided by shareholders' equity.

10. Guidance

Global economic developments, growth trends, monetary policies of the central banks leading Fed, oil prices and commodity prices and geo-politic developments are the main determining factors in 2015 for the markets. Central Bank of the Turkey Republic's decisions, exchange rate movements and the elections are the main agenda items in Turkey.

In this content, we forecast 19% increase in Turkish automotive industry compared the same period last year with the strong performance of the first nine months and expect the total industry volume to reach 954,000 units. We expect our domestic retail sales to reach 120,000 units and exports to realize at 259,000 units, as a result of sales increase with our successful new products. According to that our production volume is planned to be 379,000 units. Within the context of new projects we forecast total \$165 million fixed asset procurement spending.

FORD OTOMOTİV SANAYİ A.Ş.