

FORD OTOSAN



Ford Otomotiv Sanayi A. Ş.
1 January – 31 March 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 March 31st, 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 quarter.

1. Domestic Automotive Industry and Ford Otosan

Turkish automotive industry sales reached 183,066 (2014: 121,156) units in 1Q, up 51% YoY, with the low base year. Passenger car sales increased 42%, light commercial vehicle sales increased 89%, medium commercial vehicle sales increased 68% and truck sales increased 51%. 1Q15 marked the highest first quarter on record in PC sales and the second highest quarter in commercial vehicle and total industry sales after 2011. March sales marked a historical record in PC, MCV, Truck and total industry figures, while it was the second highest March in LCV sales after 2011.

The share of PCs in the total industry was 69% with the ongoing growth in commercial vehicles started at August 2014. LCV industry share increased to 13%.

The share of PCs in the total industry					
1Q15	1Q14	2014	2013	2012	2011
69%	74%	73%	75%	68%	65%

Turkish Automotive Industry Sales in 1Q:

	2015 1Q	2014 1Q	Change
Passenger Car	126,991	89,347	42%
Light Commercial Vehicle	24,350	12,891	89%
Medium Commercial Vehicle	21,907	13,034	68%
Truck	8,824	4,887	81%
Total*	183,066	121,156	51%

* Covers all heavy commercial vehicles excluding buses and midibuses.

Share of import vehicle sales in the industry declined compared to last year first quarter, PC share was 73%, LCV share was 44% and total share was 65%.

Share of import vehicle	PC	LCV	Total
1Q15	73%	44%	65%
1Q14	76%	51%	70%
2014	73%	46%	67%

Source: Automotive Distributors' Association

As of 2015 March-end, Ford Otosan had 13.0% (8.9%) market share in total industry and ranked 2nd. Ford Otosan's retail sales increased by 122% to 23,854 (10,756) compared to same period of last year. In the passenger car segment where competition is the most intense, our market share was 6.3% (4.8%). Ford Otosan ranked 2nd in the light commercial vehicle segment with 27.1% (16.1%) market share, was the market leader in the medium commercial vehicle segment with 32.8% (26.8%) share and maintained its second position in the heavy commercial vehicle segment with 24.0% (19.1%) share.

2. Production and Capacity

In the first quarter of the year total production volume was 81,967 (41,013); increased 100% compared to same period of last year due to low base year and increased demand.

30,576 (14,597) units new Transit and 34,125 (24,891) units Custom were manufactured in the Kocaeli plant, 14,713 (176) units Courier were manufactured in the Yeniköy plant and 2,553 (1,349) units Cargo truck were manufactured in the İnönü Plant. As a result total capacity utilization rate was 79% (40%).

3. Export, Domestic and Wholesale

According to the European Automobile Manufacturers' Association (ACEA) (www.acea.be) in March the demand for new commercial vehicles up to 3.5t increased for the 19th consecutive month and was up by 20.5% in Europe, our biggest export market. In the first three month commercial vehicle sales increased 13.6%. Our main export market commercial vehicle sales were as below:

	2014	Jan.	Feb.	March	Jan. – March
England	18.7%	21.7%	17.9%	23.6%	22.3%
Germany	7.3%	1.4%	9.2%	19.0%	10.5%
Italy	16.4%	2.4%	8.8%	6.1%	6.1%
Spain	33.2%	31.2%	27.7%	69.8%	44.5%
France	1.5%	-8.6%	-2.6%	10.6%	0.4%
Total	11.3%	7.4%	9.5%	20.5%	13.6%

Ford Otosan's export volumes were 59,635 (36,431) up by 64% compared to same period of last year due to rising demand and low base year. Export revenues increased 49% to TL2,324 million (TL1,555 million). Ford Europe sale accelerated after completion of the new Transit product range and Ford became the market leader in commercial vehicle segment between January-March period for the first time since 1997. Transit and Custom were the best-selling nameplates in Europe in the first quarter.

In the first quarter of year Ford Otosan's domestic wholesales increased by 181% YoY to 26,236 (9,337) units with strong sales performance of the new products and low base year effect. Domestic revenues increased 152% to TL1,239 million (TL491 million) due to sales numbers and vehicle price increase.

Total sales units increased 88% to 85,871 (45,768). Total revenues increased 74% to TL3,563 million (TL2,046 million). Export share in total revenues was 65% (76%).

4. Investments

In the first three months of the year capital expenditures were 94 million TL (226 million TL) including capitalized R&D spending.

5. R&D Activities

In the first three months of year TL80.496.601 million (TL74.633.803 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 1,450.

6. Personnel

As of March 1st, 2015, Ford Otosan has a total of 10,285 employees composed of 2,619 white collar and 7,666 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 rose significantly and the highest quarterly gross profit, operating profit and EBITDA, both including and excluding other income, were recorded in 1Q15 as a result of higher unit sales in both domestic and export markets, favourable sales mix, lower import costs resulting from lower EUR/TL (2.77 in 1Q15 vs. 3.03 in 1Q14) and increasing capacity utilization. Gross profit increased by 88% YoY to TL 387 million (TL206 million). Operating profit grew by 83% YoY to TL 216 million (TL 188 million), despite the 76% YoY rise in depreciation and amortization. EBITDA grew by 81% YoY to TL 311 million (TL172 million). EBITDA excluding other items increased by 103% YoY to TL 307 million (TL151 million). FX losses, interest expense and net financial expense declined due to the FX impact. Profit before tax grew by 213% YoY to TL 188 million (TL 60 million), the best quarterly figure since 4Q12. Net income was booked as TL 232 million (TL 203 million), up by 14% YoY and higher than profit before tax due to the deferred tax gain based on future tax benefits coming from investment incentives. Margins: Gross 10.8% (+0.7 pps YoY, best quarter since 3Q12); Operating 6.0% (+0.2 pps YoY; best quarter since 2Q13), EBITDA 8.7% (+0.3 pps YoY; best quarter since 2Q13) and EBITDA margin excluding other income 8.6% (+1.2 pps YoY; best quarter since 3Q11).

8. Financing

Our company repaid €93 million in January-March period and €165 million new loan was used. Consequently, as of March-end, total debt level was €900 million (€773 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 TL521 million (TL234 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)	31.03.2015	31.12.2014	% Change
Current Assets	3.314	2.958	12%
Property, Plant and Equipment - Net	3.136	3.128	0%
Total Assets	7.636	7.235	6%
Current Liabilities	3.099	2.972	4%
Total Liabilities	4.855	4.481	8%
Shareholders' Equity	2.781	2.754	1%
Summary Income Statement (Million TL)	31.03.2015	31.03.2014	% Change
Revenues	3.563	2.046	74%
Export	2.324	1.555	49%
Domestic	1.239	491	152%
Gross Profit	387	206	88%
Operating Profit	216	118	83%
Financial Income / (Expense)	-27	-57	-52%
Profit Before Tax	188	60	213%
Net Income	232	203	14%
Other Financial Data (Million TL)	31.03.2015	31.03.2014	% Change
Depreciation and Amortization	95	54	76%
EBITDA	311	172	81%
Capital Expenditures	94	226	-58%
Cash Flow Statement (Million TL)	31.03.2015	31.03.2014	% Change
Beginning Balance of Cash & Equivalents	577	238	142%
Net Cash Generated from Operating Activities	47	242	-81%
Net Cash Used in Investing Activities	-87	-224	-61%
Net Cash Used in Financing Activities	-16	-23	-30%
End of Period Balance of Cash & Equivalents	521	234	123%

Financial Ratios	31.03.2015	31.12.2014
Current Ratio	1.07	1.00
Liquidity Ratio	0.70	0.74
Net Financial Debt / Tangible Net Worth	0.90	0.79
Current Assets / Total Assets	0.43	0.41
Current Liabilities / Total Liabilities	0.64	0.66
Total Liabilities / Total Liabilities and Equity	0.64	0.62
Return on Equity*	33.4%	21.6%
	31.03.2015	31.03.2014
Gross Margin	10.8%	10.1%
EBITDA Margin	8.7%	8.4%
Operating Margin	6.0%	5.8%
Net Income Margin	6.5%	9.9%

* Annualized net income divided by shareholders' equity.

10. Other Significant Developments

January

- The signing of the Technology Licensing Agreement with Jiangling Motors Corporation Ltd., where Ford Motor Company has 32% share, and its affiliate JMC Heavy Duty Vehicle Co.Ltd. for the design, manufacture and service of the chassis, cab and the components of Ford branded heavy trucks to be used in JMC branded vehicles, was announced in our material Disclosure. The approval required for the subject Technology Licensing Agreement to become effective was received from the Chinese government.
- Our Company's application for the qualification of our new engineering center located at "Akpınar Mah. Hasan Basri Cad. No:2 34885 Sancaktepe/İstanbul", as a Research and Development Center within the context of Law no. 5746 was approved by the Ministry of Science, Industry and Technology. As a result our new engineering center received the title and certification as a Research and Development Center. Our R&D activities which were previously carried out at TÜBİTAK MAM Technology Free Zone branch located at "Tübitak Marmara Arastırma Merkezi, Gebze Yerleskesi Teknoloji Serbest Bölgesi (Tekseb) 41470 Gebze/Kocaeli" were stopped and moved to our new Research and Development center at Sancaktepe. The official closing process of our TÜBİTAK MAM Technology Free Zone branch was approved by Gebze Trade Registrar's Office in April.

February

- Our application for an investment incentive regarding the capacity expansion investments for Euro 6 Cargo production that would start in 2018 at our İnönü plant was approved by the Turkish Ministry of Economy General Directorate of Incentive Implementation and Foreign Investments. The certificate was issued for TL 331 million and had a "priority investment" status.
- Ford Otosan, Ford Motor Company, Ford Global Technologies, LLC, JMC Heavy Duty Vehicle Corporation Ltd and Jiangling Motors Corporation Ltd. (together as "JMC") decided to cooperate on Global Cargo Modular Cab ("GCMC") Program which aims to develop the cabin of the Cargo Truck and signed a Memorandum of Understanding for Global Cargo Modular Cab Program ("Memorandum"). In line with this Memorandum, Ford Otosan, Ford Motor Company and JMC signed a Global Cargo Modular Cab Program Engineering Services Agreement ("ESA") regarding the engineering services to be provided by Ford Otosan. As per the above mentioned ESA, JMC was projected to pay 41.2 Million US Dollars to Ford Otosan in 2015. Agreements were to be in effect until 01.12.2015. In the meanwhile, the Parties shall be working on the Definitive Agreements.

March

- Our Board of Directors resolved the following on March 23, 2015: Total dividend planned to be distributed in the amount of TL 200,018,700, be distributed at the rate of 57.0000% (for each share with a nominal value of TL 1, gross=net 57,00 Kurus) to our corporate shareholders which are full taxpayers and limited taxpayers obtaining profit share in Turkey through an enterprise or a representative, and at the rate of 48.4500% (for each share with a nominal value of TL 1, gross 57,00 Kurus, net 48.45 Kurus) to our other shareholders and distribution of dividends be commenced beginning from the date of 1st April 2015.

11. Guidance

Global economic developments, growth trends, monetary policies of the central banks leading Fed, developments in Greece and its effect to the euro zone and oil prices are the main determining factors in 2015 for the markets. Central Bank of the Turkey Republic's decisions, exchange rate movements and election in June are the main agenda items in Turkey. A relative strong performance is expecting in consumer sectors due to low base year.

In this content, we forecast 15% increase in Turkish automotive industry compared the same period last year with the strong performance of the first quarter and expect the total industry volume to reach 922,000 units. We expect our domestic retail sales to reach 126,000 units and exports to realize at 245,000 units, as a result of sales increase with our successful new products. According to that our production volume is planned to be 325,000 units. Within the context of new projects we forecast total \$ 230 million fixed asset procurement spending.

FORD OTOMOTİV SANAYİ A.Ş.