

FORD OTOSAN



Ford Otomotiv Sanayi A. Ş.
1 January – 31 March 2019
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 15th, 2019, 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 2019 accounts are as below:

Rahmi M. Koç	Honorary Chairman
Y. Ali Koç	Chairman
Steven Armstrong	Vice Chairman
William R. Periam	Member
Roelant De Waard	Member
İ. Cenk Çimen	Member
O. Turgay Durak	Member
Birgit Annelies Behrendt	Member
Joerg Beyer	Member
Ali İhsan İlkbahar	Member
Fatma Füsün Akkal Bozok	Independent Member
Leonard Meany	Independent Member
Haydar Yenigün	Member – General Manager
Lisa K. King	Member – Deputy General Manager

Our Board of Directors took below decisions on March 15th and 27th, 2019:

- The Board of Directors is composed of Chairman Mr. Yıldırım Ali Koç, Board Member & Honorary Chairman Mustafa Rahmi Koç, Vice Chairman Mr. Steven Robert Armstrong, Board Member & General Manager Mr. Haydar Yenigün, Board Member & Deputy General Manager Mrs. Lisa Katharina King, Board Member Mr. İsmail Cenk Çimen, Board Member Mr. Osman Turgay Durak, Board Member Mr. Ali İhsan İlkbahar, Board Member Mrs. Birgit Annelies Behrendt, Board Member Mr. Joerg Beyer, Board Member Mr. William Richard Periam, Board Member Mr. Roelant Christiaan de Waard, Independent Board Member Mrs. Fatma Füsün Akkal Bozok and Independent Board Member Mr. Leonard Meany.
- Mrs. Fatma Füsün Akkal Bozok and Mr. Leonard Meany have been elected to the Audit Committee membership pursuant to Communiqué on Corporate Governance Serial: II, N17.1 of the Capital Markets Board (the "Communiqué" in short).
- Mr. Leonard Martin Meany has been elected as the chairman, and Mr. Ali İhsan İlkbahar, Mr. William Richard Periam and Mr. İsmail Oğuz Toprakoğlu as the members of the Corporate Governance Committee which also fulfils the duties assigned to the Nominating Committee established pursuant to the Communiqué.

- Mrs. Fatma Füsün Akkal Bozok has been elected as the chairman, and Mr. İsmail Cenk Çimen and Mr. William Richard Periam as the members of the Early Determination and Management of Risk Committee established pursuant to the Communiqué.
- Mrs. Fatma Füsün Akkal Bozok has been elected as the chairman, and Mr. İsmail Cenk Çimen and Mr. Steven Robert Armstrong as the members of the Remuneration Committee established pursuant to the Communiqué.

Shareholder Structure:

Ford Otosan's shareholder structure as of March 15th, 2019 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
Koç Group Companies	144,126,893	14,412,689,315	41.07
Ford Motor Company	143,997,037	14,399,703,676	41.04
Publicly Held	62,786,070	6,278,607,009	17.89
Total Nominal Capital (TL)	350,910,000	35,091,000,000	100

TURKISH AUTOMOTIVE INDUSTRY AND FORD OTOSAN

1. Domestic Automotive Industry and Ford Otosan

Turkish automotive industry sales reached 90,048 units in 1Q, down 45% YoY. All segments contracted in 1Q19. Passenger cars: -44%, light commercial vehicles: -49%, medium commercial vehicles: -42%, trucks: -63%

The share of PCs in the total industry was 76%. LCV industry share was 11%.

The share of PCs in the total industry						
1Q19	1Q18	2018	2017	2016	2015	2014
76%	75%	77%	74%	75%	72%	73%

Source: Automotive Distributors' Association

Turkish Automotive Industry Unit Sales in 1Q:

	2019 1Q	2018 1Q	Change
Passenger Car	68,812	122,310	-44%
Light Commercial Vehicle	9,502	18,498	-49%
Medium Commercial Vehicle	10,155	17,622	-42%
Truck	1,433	3,873	-63%
Total*	90,048	162,852	-45%

* Covers all heavy commercial vehicles excluding buses and midibuses.

In the first three months, share of import vehicles in industry sales declines YoY and reached 59% in PC, 46% in LCV and 56% in total industry.

Share of import vehicles	PC	LCV	Total
1Q19	59%	46%	56%
1Q18	66%	48%	62%
2018	66%	50%	63%

Source: Automotive Distributors' Association

As of March year-to-date , Ford Otosan had 11.6% (11.1%) market share in total industry and ranked 3rd. Ford Otosan's retail sales decreased by 42% to 10,466 (18,018) compared to the same period of last year. In the passenger car segment where competition is the most intense, our market share was 3.6% due to our focus on profitability (4.9%). We maintained our leadership in the commercial vehicle segment with 37.9% market share. Our market share was 30.7% (26.2%) in light commercial vehicles, 46.7% (33.8%) in medium commercial vehicles and 24.1% (32.4%) in heavy commercial vehicles.

2. Production and Capacity

In the first three months of the year, total production volume was 98,511(101,200) down by 3%. As a result total capacity utilization rate was 87% (92%).

Plant	Model	1Q19 Production	1Q18 Production	Change
Gölcük	Transit	35,865	36,194	-1%
Gölcük	Custom	48,381	42,543	14%
Yeniköy	Courier	13,370	20,327	-34%
İnönü	Ford Trucks	895	2,136	-58%
Total		98,511	101,200	-3%

3. Export, Domestic and Wholesale Review

Export Markets

According to the European Automobile Manufacturers' Association (ACEA) (www.acea.be) in the first three months of 2019, van sales (commercial vehicles up to 3.5 tons) increased 5.0%. Industry sales in our main export markets were as follows:

	2014	2015	2016	2017	2018	Jan '19	Feb '19	Mar '19	YTD
UK	18.7%	15.6%	1.0%	-3.6%	-1.3%	8.6%	1.8%	10.6%	8.9%
Germany	7.3%	4.2%	8.5%	4.9%	5.4%	13.2%	12.0%	11.3%	12.1%
Italy	16.4%	12.4%	50.0%	-3.4%	-6.0%	0.4%	6.1%	-2.1%	1.3%
Spain	33.2%	36.1%	11.2%	15.5%	7.8%	7.9%	-3.0%	7.0%	4.0%
France	1.5%	2.0%	8.2%	7.1%	4.6%	9.1%	6.4%	-0.7%	4.2%
Europe	11.3%	11.6%	11.9%	3.9%	3.1%	6.1%	4.4%	4.6%	5.0%

Exports

Ford Otosan's export units were 89,193 (83,068) up by 7% YoY, highest 1Q on record, due to market growth and ongoing demand for our vehicles. Ford remained Europe's No. 1 commercial vehicle brand with 102,400 vehicles sold March year-to-date, marking the highest 1Q commercial vehicle sales since 1993. 83% of the Transits sold in Europe were manufactured by Ford Otosan.

Our export revenues increased by 42%, reaching TL 8,141 (5,728) million.

** Data inside the paranthesis represent 1Q18 numbers for all report.

Domestic Sales

Domestic revenues were TL 1,143 (1,554) million, down 26% despite 46% volume decline thanks to sales mix and pricing strategy. Domestic wholesale volumes were 10,441 (19,162) units.

Total Sales

Total revenues were up 27% YoY to TL 9,284 (7,282) million on the back of 99,634 (102,230) units (-3% YoY) driven by strong export performance.

4. Investments

Capital expenditures were TL 261 (209) million including capitalized R&D spending.

5. R&D Activities

TL 140 (144) 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 1,376.

6. Personnel

As of March 31st, 2019, Ford Otosan had a total of 10,522 employees: 2,470 salaried and 8,052 hourly workers. (December 31, 2018: total 10,598 employees: 2,512 salaried and 8,086 hourly workers). Our hourly employees are part of the Collective Bargaining Agreement signed between Turkish Metal Union and Turkish Employers' Association of Metal Industries (MESS) and valid until 31st August 2019.

7. Profitability

Profitability was strong in 1Q19 despite considerable cost pressure resulting from weaker €/TL (+30% YoY), high inflation and contracting domestic volumes. Drivers were:

- + Rising export demand
- + Cost reduction actions and strong OpEx control
- + Sales mix and pricing discipline

Revenues (TL 9.3 billion), cost of sales (TL 8.3 billion) and gross profit (TL 944 million) were up 27%, 28% and 25% respectively. 276% YoY increase in net financial expenses from operating activities led to 18% YoY growth in operating profit TL 603 million. OpEx/Sales improved to 3.7% in 1Q19 from 4.0% in 1Q18. EBITDA grew 22% YoY to TL 781 million. Net financial expenses were 78% more YoY driven by 83% rise in net fx losses, mainly explained by prior period fx losses from cash flow hedge reserve. As a result, profit before tax rose 8% YoY to TL 477 million. Net income was up 11% to TL 478 million.

Margins: Gross 10.2% (-20 bps YoY); EBITDA 8.4% (-40 bps YoY); EBITDA excluding other income 8.4% (+20 bps YoY); Operating 6.5% (-50 bps YoY); and Net 5.1% (-80 bps YoY).

8. Financing

€135 million loan repayment was made in January-March period where €220 million was borrowed in new loans. Total debt level was €830 million (€837 million) as of March-end, from €745 million at the beginning of the year. Cash balance as at the end of the period is TL 2,101 million (TL 2,038 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	31.03.2019	31.12.2018	% Change
Current Assets	8.946	7.395	21%
Property, Plant and Equipment - Net	4.011	3.923	2%
Total Assets	14.955	13.184	13%
Current Liabilities	9.268	7.220	28%
Total Liabilities	11.463	9.291	23%
Shareholders' Equity	3.491	3.893	-10%
Summary Income Statement, Million TL	31.03.2019	31.03.2018	% Change
Revenues	9.284	7.282	27%
Export	8.141	5.728	42%
Domestic	1.143	1.554	-26%
Gross Profit	944	757	25%
Operating Profit	603	513	18%
Financial Income/(Expense)	-126	-71	78%
Profit Before Tax	477	441	8%
Net Income	478	432	11%
Other Financial Data, Million TL	31.03.2019	31.03.2018	% Change
Depreciation and Amortization***	178	128	39%
EBITDA	781	642	22%
Capex	-261	-209	25%
Summary Cash Flow Statement, Million TL	31.03.2019	31.03.2018	% Change
Beginning Balance of Cash & Equivalents	1.391	1.803	-23%
Net Cash Generated from Operating Activities	437	242	80%
Net Cash Used in Investing Activities	-260	-207	25%
Net Cash Used in Financing Activities	533	201	166%
End of Period Balance of Cash & Equivalents	2.101	2.038	3%

***1Q19 numbers include TL 11 million impact from IFRS16 due to classification from manufacturing overhead and operating expenses to depreciation and amortization. Please refer to footnotes 2,10,11,33 of the financial statements for further details.

Financial Ratios	31.03.2019	31.12.2018
Current Ratio	0,97	1,02
Liquidity Ratio	0,62	0,64
Net Financial Debt / Tangible Equity	1,21	1,01
Net Debt / EBITDA****	1,08	1,08
Current Assets / Total Assets	0,60	0,56
Current Liabilities / Total Liabilities	0,81	0,78
Total Liabilities / Total Liabilities and Equity	0,77	0,70
Return on Equity *****	54,8%	43,2%
	31.03.2019	31.03.2018
Gross Margin	10,2%	10,4%
EBITDA Margin	8,4%	8,8%
Operating Margin	6,5%	7,0%
Net Margin	5,1%	5,9%

**** EBITDA is calculated on a rolling 4-quarter basis.

***** Annualized net profit/ equity.

10. Other Material Developments

- Taking into consideration the opinion of the Audit Committee, the Board of Directors resolved in their meeting on February 7, 2019 to nominate PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi with offices at Süleyman Seba Cad. BJK Plaza No:48 B Blok Kat 9, Akaretler/Beşiktaş, İstanbul to audit our Company's financial reports for 2019 accounting period and to fulfill all other obligations required for the auditors by Turkish Commercial Code numbered 6102 and Capital Markets Law numbered 6362 and related regulations, is approved by the General Assembly.
- Ms. Saibe Gül Ertuğ, who has been acting as Business Strategies Finance Senior Manager, is assigned as Innovation & New Ventures Director effective from February 1, 2019.
- At the Ordinary General Assembly held on March 15, 2019, it was resolved to distribute a gross cash dividend of TL 852.711.300 from the net profit for the year 2018 and to distribute the dividend from 1 April 2019.
- Ms. Lisa Katharine King, who has been acting as Deputy General Manager, will take a new role within Ford Europe organization and therefore has left the Company in April. Ms. Lisa Katharine King's Board membership will continue. Appointment to Deputy General Manager position will be announced in the following period.

11. Guidance

Total Industry Volume	380K – 430K
Ford Otosan:	
Retail Sales Volume	40K-50K
Export Volume	340K-350K
Wholesale Volume	380K-400K
Production Volume	375K-385K
Capex (fixed assets)	€160-180 million

FORD OTOMOTİV SANAYİ A.Ş.