

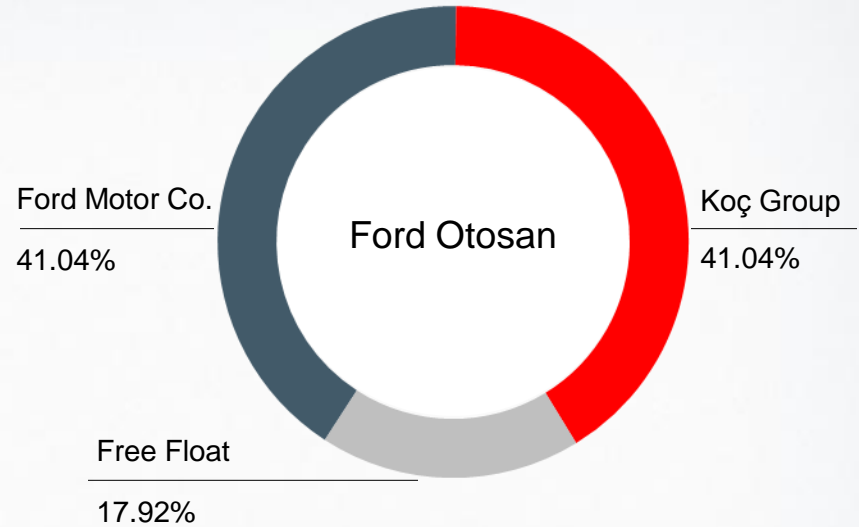
# FORD OTOSAN

## Investor Presentation



# Company Profile

Key Performance Indicators, 2013		
Net Sales		\$6.0 billion
Export Revenues		\$3.8 billion
EBITDA		\$450 million
Profit Before Tax		\$237 million
Net Profit		\$337 million
ROE		28.7%
EBITDA margin		7.5%
Annual Production Capacity		330,000
	Kocaeli	320,000
	İnönü	10,000
Total Employees		9,444
	Blue Collar	6,926
	White Collar	2,518



Traded on Borsa Istanbul since 13 January 1986

Ticker: FROTO.IS

# Ford Otosan at a Glance

## Pioneer of Turkish automotive

- **First** Turkish passenger car Anadol (1966)
- Turkey's **first** domestic diesel engine Erk (1986)
- Turkey's **first** private R&D center in automotive (1961)
- **First** export of Turkish automotive to the US (2009) and Mexico (2013)

## Strong value contribution

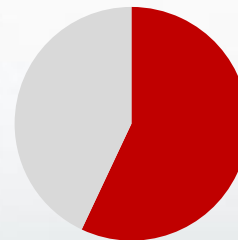
- **Export leader** in Turkish automotive; 2<sup>nd</sup> largest exporter overall
- Turkey's **2<sup>nd</sup> largest** industrial enterprise
- **Highest** employment in Turkish automotive

## Leadership and scale

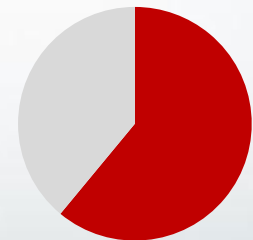
- 12 consecutive years of **industry leadership**
- **Widest** product range in Turkish automotive



**25%** of Turkey's total automotive production



**57%** of Turkey's total commercial vehicle production



**61%** of Turkey's total commercial vehicle exports

# Key Player in Ford Motor Company Universe

## Robust sales performance

- **Highest** commercial vehicle market share of Ford in Europe (26.4%)
- **Second highest** Ford market share in Europe

## Leading manufacturing hub

- **Lead** manufacturing plant of Ford Transit globally and single source in Europe
- **Single** source of Ford Transit Custom & Tourneo Custom
- **Single** source of Ford Transit Courier & Tourneo Courier
- **One of the two** production centers globally for Ford Cargo heavy trucks

## Strong R&D and engineering edge

- **3<sup>rd</sup> largest** R&D center of Ford globally
- **Global** engineering center for Ford's diesel engines and heavy trucks
- Listed among the **world's top 1000 companies** by R&D investment (EU R&D Investment Scoreboard)
- **First** Ford facility to win Engine Test Facility of the Year Award (Automotive Testing Technology International Magazine, 2013)

# Vision, Mission and Strategy

## Vision

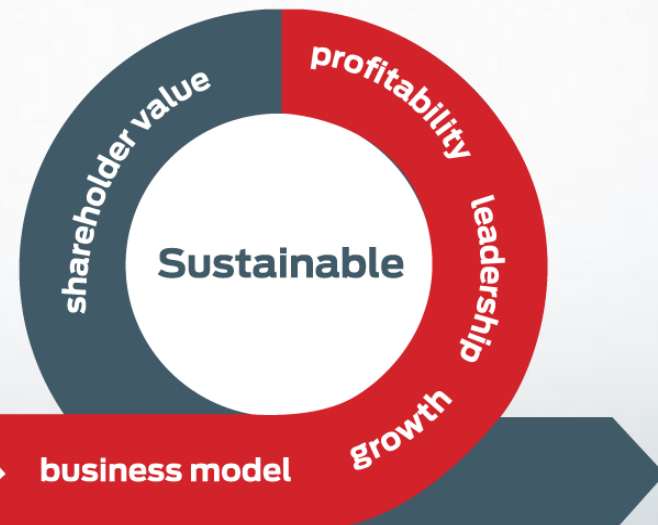
To become Turkey's customer-focused, leader company in automotive products and services.

## Mission

To be Turkey's leading automotive company with optimal automotive products and services to fit customer needs and expectations and to be the commercial vehicle center of Ford of Europe.

## Strategy

- Achieving sustainable growth
- Creating brand and customer value
- Achieving quality, cost and process improvements
- Creating a leading team
- Demonstrating strong corporate citizenship
- Generating superior shareholder returns



# Brief History

First automotive production starts in Turkey under license agreements in a heavily protected domestic economy.



Turkey takes first steps to liberalize its economy and integrate with the rest of the world.



Customs Union is signed with the EU in 1996. Exports start to increase. Incentives are introduced for production in Turkey.



Turkey becomes a major hub in automotive production and moves up the value chain, from an assembly center to full product development and manufacturing with focus on R&D.



Turkey is the 16<sup>th</sup> largest auto manufacturing hub in the world and 5<sup>th</sup> largest among EU 27 countries.



## First Years

## 1980s

## 1990s

## 2000-2010

## 2010+

**1928 – Vehbi Koç is assigned as Ankara Ford dealer**

**1959 – Otosan is founded as Ford assembler in Turkey**

1960 – Otosan's first production: Ford Consul

**1966 – Otosan produces the first Turkish car Anadol**

1967 – Otosan produces its first Transit

1982 – İnönü Plant opens

1983 – Cargo production starts

**1983- Ford Motor Co. increases its share in Otosan to 30%**

1985 – Production of Ford Taunus

**1986 – Otosan produces Turkey's first diesel engine ERK**

1992 – Production of the new generation Transit

1993 - Production of Ford Escort

**1997 – Ford assumes 41% equity in 'Ford Otosan'**

1998 – Ford Otosan spare parts distribution center opens

**2001 – Kocaeli Plant opens**

2002 – Transit Connect launches

2003 – New Cargo launches

2003 – Transit Connect 'International Van of the Year'

**2007 – Gebze Engineering Center opens**

2007 – Transit 'International Van of the Year'

**2009 – First vehicle export to NA**

**2010 – Ford Otosan's 50<sup>th</sup> Anniversary**

2010 – Transit Connect 'N.A. Truck of the Year'

2011 – Transit Connect NYC Taxi launches

**2011 – Ford Otosan's 10<sup>th</sup> year of market leadership**

**2012- Launch of Transit Custom**

**2013 – First export of Turkish automotive to Mexico**

2013 – Ford Otosan celebrated 12 years of market leadership



# Awards & Achievements

## Vehicle Awards:

2013: International Van of the Year, Ford Transit Custom

2012: 1<sup>st</sup> commercial vehicle with 5-star rating in Euro NCAP, Ford Transit Custom

2012: Truck of the Year, 3<sup>rd</sup> place, Ford Cargo

2010: North American Truck of the Year, Ford Transit Connect

2007: International Van of the Year, Ford Transit

2003: International Van of the Year, Ford Transit Connect

2001: International Van of the Year, Ford Transit



## Plant Awards:

2013: President Health & Safety Award – Five categories

2013: Engine Test Facility of the Year Award - Automotive Testing Technology International Magazine

2012: Rio +20 United Nations Conference on Sustainable Development, one of Turkey's best sustainability examples

2012: President Health & Safety Award - Six categories including Global Winner - Excellence in Safety Culture and Standards

2011: Chairman's Leadership Award for Diversity - First woman dent repair technician

2011: Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry - İnönü Plant

2010: Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry - Kocaeli Plant

2010: Chairman's Leadership Award for Diversity - "Let's Remove Barriers" project

2008: Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry – İnönü Plant

2007 :Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry - Kocaeli Plant

2004: Şehabettin Bilgisu Environment Award, Kocaeli Chamber of Industry - Kocaeli Plant

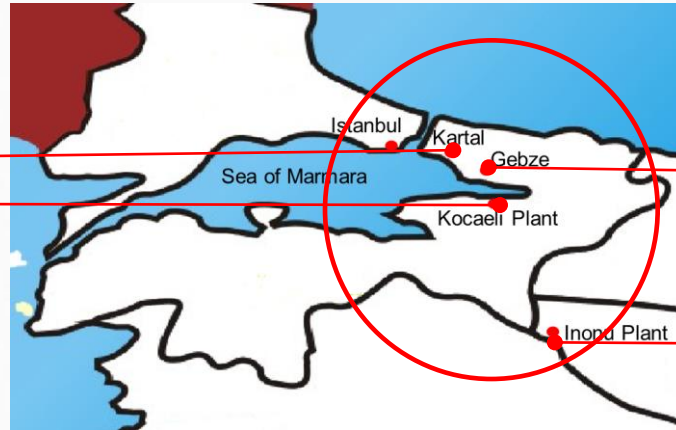


# Locations of Plants & Facilities

Kartal Parts Distribution Center (1998)



Gebze Engineering Center (2007)



Kocaeli Plant –Transit (2001), Custom (2012), Courier (2014)



İnönü Plant (1982)





# Kocaeli Plant - Lead manufacturing plant of the new generation Transit



- Opened in 2001
- Transit, Transit Custom & Tourneo Custom production
- 1,600,000m<sup>2</sup> total area, 340,000m<sup>2</sup> covered area
- 290,000 units annual production capacity





# Kocaeli Plant - The single production center of Ford Courier in the world



- New production facility at Kocaeli plant site
- Groundbreaking ceremony took place on March 19<sup>th</sup>, 2012
- 110,000 units annual production capacity; 70,000m<sup>2</sup> covered area
- Production of brand new light commercial vehicle, Transit Courier and Tourneo Courier will start in 1Q14



# İnönü Plant - One of Ford's two global production centers for Cargo



- Opened in 1982
- 79,000m<sup>2</sup> covered area
- Cargo truck, engine and powertrain production
- Annual capacity: 15,000 units truck (2014-end), 66,000 units engine, 140,000 units powertrain



# Kartal Parts Distribution Center - 96% Fill rate



- Opened in 1998
- 25,000 m<sup>2</sup> warehouse: Largest of its kind in Turkey
- 4<sup>th</sup> largest warehouse capacity among Ford's parts distribution centers in Europe
- Home to the Company's spare parts, marketing, sales and after sales operations



# Gebze Engineering Center - Ford's global diesel engine development center



- Opened in 2007
- Developing the newest products and most advanced technologies
- The Center pioneers the engineering of Ford's global diesel engines and heavy trucks
- 3<sup>rd</sup> largest R&D center of Ford globally with 1,277 R&D engineers



# Products: Transit

- Over 7 million units produced globally since its launch in 1965
- Manufactured by Ford Otosan since 1967
- Longest-running model in Ford of Europe's product range
- "International Van of the Year" 2001 & 2007
- Ford Otosan is the single source of Transit in Europe and the lead manufacturing plant globally
- 160,000 units annual production capacity



# Products: Transit Custom & Tourneo Custom

- Ford Otosan is the single global source of Ford Transit Custom & Tourneo Custom
- Production started in 2012 with 130,000 annual capacity
- "International Van of the Year" 2013
- First commercial vehicle to receive 5-star rating in Euro NCAP





# Products: Transit Courier & Tourneo Courier

- Ford Otosan is the single global source of Ford Transit Courier & Tourneo Courier
- Production will start in 1Q14
- 110,000 units annual production capacity
- 1.0 lt Ecoboost engine, 1.5 lt and 1.6 lt diesel engines



# Products: Cargo Truck

- Manufactured at Ford Otosan's İnönü Plant since 1983
- Trailer, construction and truck series
- Exported to 30 countries in Europe, Asia and Africa
- Cargo 1846T – 2013 International Truck of the Year 3<sup>rd</sup> place



# A Full Line of Cars



FORD FOCUS



FORD B-MAX



FORD RANGER



FORD FIESTA



FORD C-MAX



FORD KUGA



FORD S-MAX



FORD MONDEO



FORD GALAXY



# Major Product Acceleration

2014



Focus



Courier



Connect



Transit

2015



EcoSport



Mondeo



Galaxy



C-Max



Mustang

2016



Edge



KA

# Investment Case

# Why Ford Otosan?

## Scale and visibility

- Domestic industry leader for 12 consecutive years
- Largest manufacturer and exporter of commercial vehicles in Turkey
- New projects to fully renew the product range, increase capacity & profitability

## Resilience and efficiency

- Diversified export markets
- Large-scale export program: 67% of total unit sales
- High capacity utilization rate: Above European and Turkish industry average
- Efficient, flexible and low-cost manufacturing and engineering

## Strong balance sheet and prudent risk management

- Strong cash generation capacity
- Solid financials
- Natural hedge due to fx-denominated export revenues

## Shareholder value creation

- Sustainable dividend policy
- Strong relative share performance
- Commitment to good corporate governance

# Turkish Industry Leader for 12 Consecutive Years - 2013



**01**

26.4% market share in CV



**02**

21.3% market share in trucks



**03**

8.8% market share in PC

**01**

Leader with 12.9% share

# Relatively Favorable Taxes on Commercial Vehicles

Passenger Cars					Commercial Vehicles					
Engine Size	Model	VAT	SCT	Total	Engine Size	Model	VAT	SCT	Total	
<1600 cc	Fiesta				<3000cc	Transit Van	18%	4%	23%	
	B-Max					Transit Custom Van				
	Focus					Connect Van				
	C-Max	18%	45%*	71%		Ranger				
	Mondeo (1.6)									
1601-2000	S-Max (1.6)					Minibus	18%	9%	29%	
	Mondeo (2.0)									
	S-Max (2.0)	18%	90%**	124%						
	Kuga					Transit Combi	18%	15%****	36%	
	Galaxy					Transit Custom Combi				
>2000						Transit Custom Combi Van				
		18%	145%***	189%		Tourneo Custom				
						Connect Combi				
						Cargo	18%	4%	23%	

Tax rate increases:

- \* 37% to 40% (Sept 22, 2012), 40% to 45% (Jan 1, 2014)
- \*\* 60% to 80% (Oct 12, 2011), 80% to 90% (Jan 1, 2014)
- \*\*\* 84% to 130% (Oct 12, 2011), 130% to 145% (Jan 1, 2014)
- \*\*\*\* 10% to 15% (Oct 12, 2011)

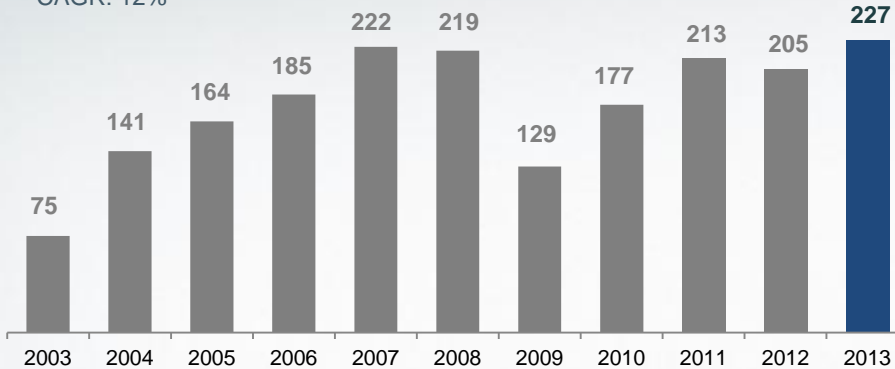
VAT: Value added tax  
SCT: Special consumption tax



# Large-Scale Export Program

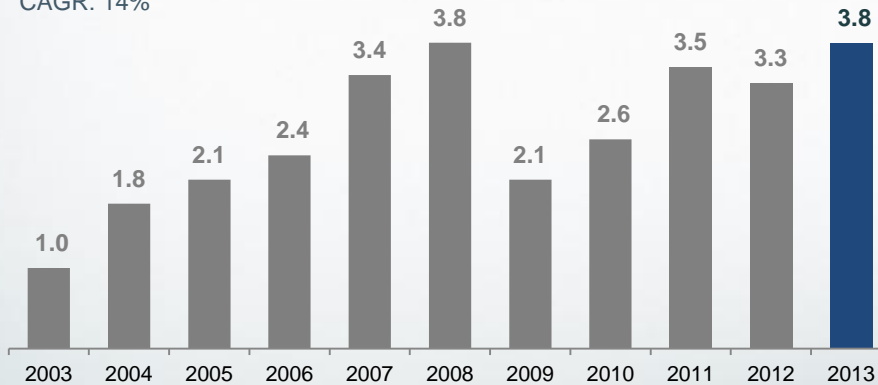
## Exports (000 units)

CAGR: 12%



## Export Revenues (US\$ Bn)

CAGR: 14%



**US\$ 3.8 billion** export revenues in 2013

Turkey's **export leader** in automotive

**Net exporter** in the last five years with  
US\$ 1.9 billion (2009-2013)

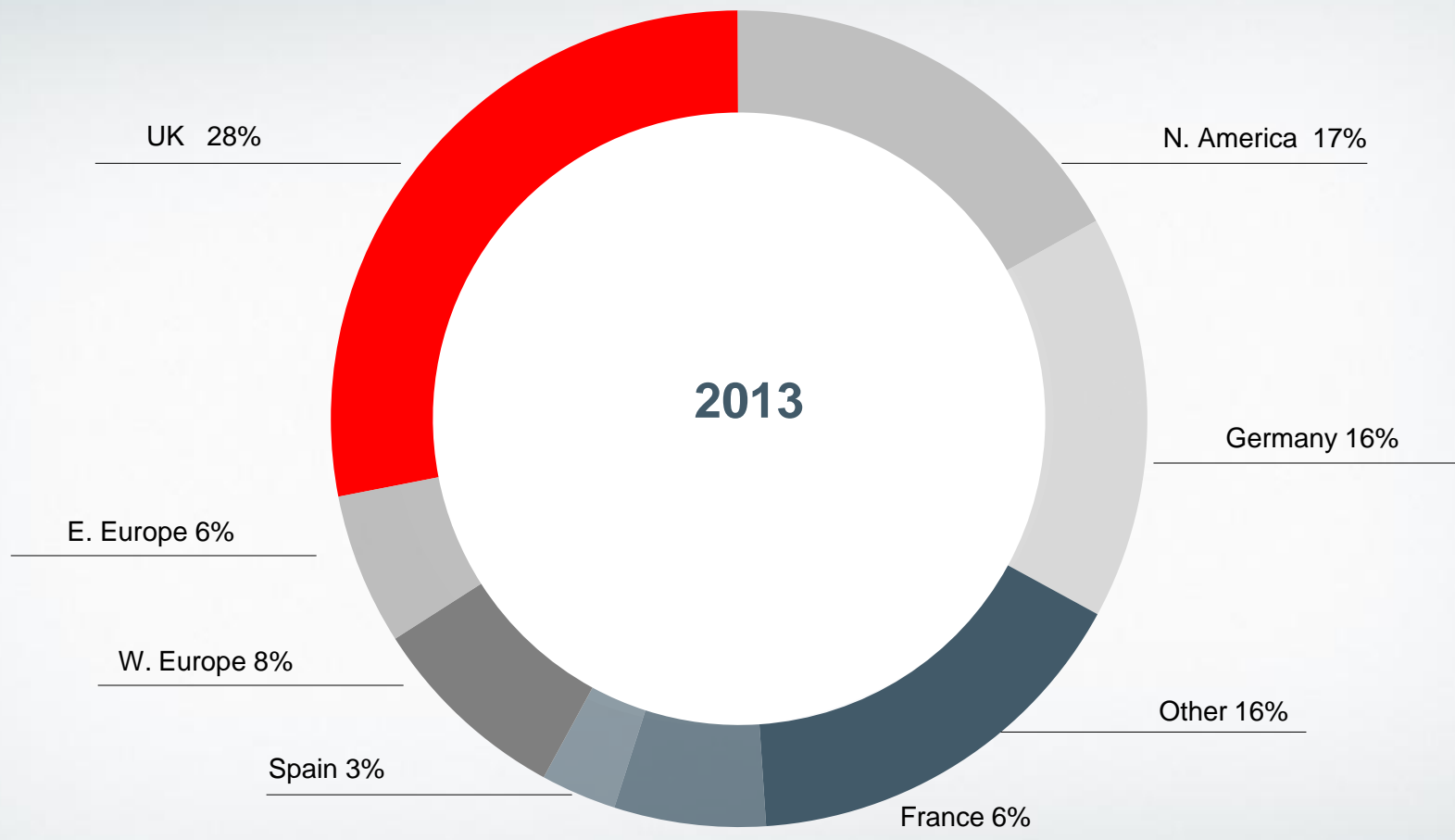
Vehicles and spare parts exported to  
**79 countries in 5 continents**

**61% of Turkey's total commercial vehicle  
exports** is done by Ford Otosan

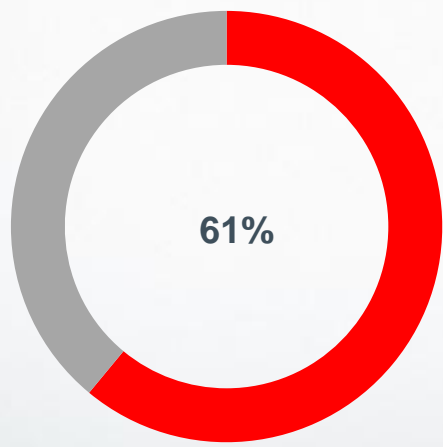
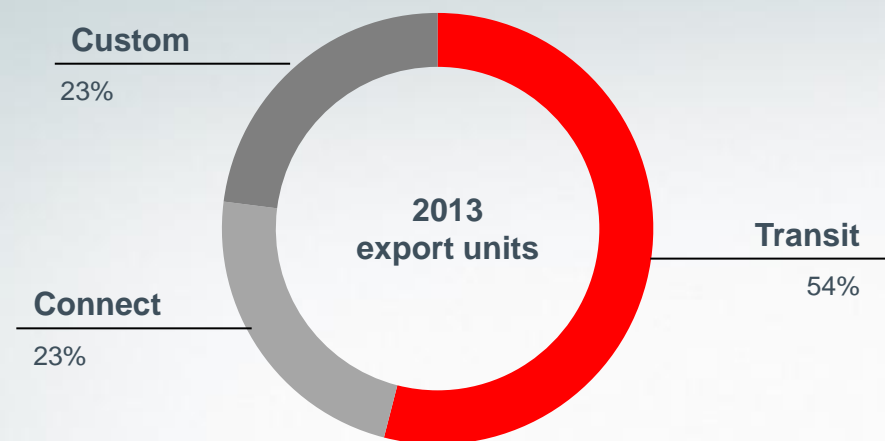
Export receivables are easy to manage as  
Ford of Europe is the **single counterparty**

**Export receivables** from Ford Motor Company  
and its subsidiaries are collected within **14 days**

# Diversified Export Markets (units)



# Solid Export Performance



Ford Otosan's share in Turkey's CV exports, 2013

- **Ford Otosan's 2013 export units increased by 11%.**
- In 2013 our largest export market, **UK registered 14.5% growth** in commercial vehicles. Total CV sales in Europe increased by 1%. (Source: ACEA)
- **Transit Custom and Tourneo Custom performed well even in contracting markets, driving market share gains.**
- **Ford is very focused on increasing commercial vehicle market share in Europe.**
- Ford **commercial vehicle sales grew 14%** and market share rose to 10.4% in January, **the highest level since 1998.**
- 43% of Ford vehicles sold in Europe in 2013 were all-new or significantly freshened models.

# New Projects: Total Investment >US\$1 Billion (2011-2014)

## 1. New generation Transit family

- Largest investment in a specific product in Turkish automotive: US\$ 630 million
- i. **Tourneo Custom & Transit Custom**  
Mass production started on 23 July 2012.  
Introduced to the market in October 2012.
  - ii. **Next generation Transit**



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### Financing:

- €150 million loan agreement with EBRD in 2010  
5-year loan with 2-years grace period at EURIBOR+275bps
- €190 million loan agreement with EIB in 2012  
8-year loan with 2-years grace period  
€100 million in Q3 at 2.06%; €90 million in Q4 at 1.47%



# New Projects: Total Investment >US\$1 Billion (2011-2014)

## 2. New LCV – Transit Courier & Tourneo Courier

- €205 million fixed asset procurement
- Ford Otosan is the single production center globally
- 110,000 units annual production capacity
- Lower fuel costs and more safety features than peers





# New Projects: Total Investment >US\$1 Billion (2011-2014)

## 3. New Ford Cargo

- \$75 million investment to develop a more globally competitive product
- Ford Otosan is responsible for product development, design, engineering and R&D
- Manufactured in Ford Otosan's İnönü plant and Ford's Brazilian division
- 1846T model was launched in January 2013



# Increasing Capacity

Current  
330.000

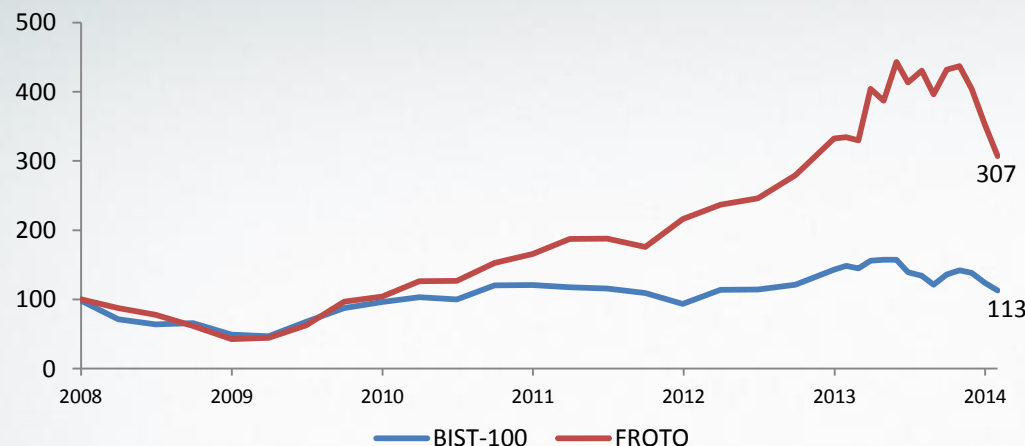


2014-end  
415.000

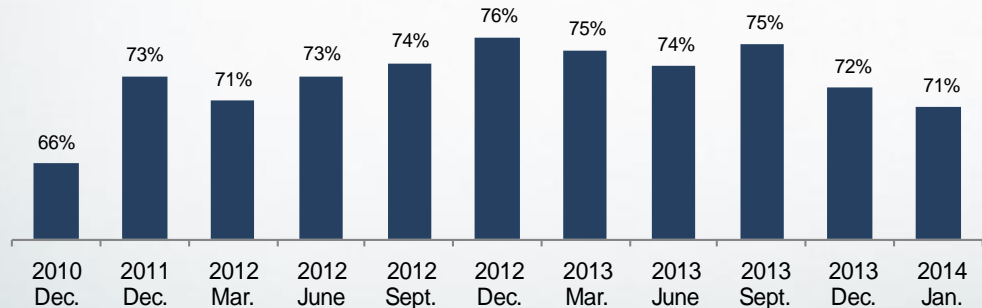


# Focus on Shareholder Value

## Strong relative share performance



## Foreign ownership in free float



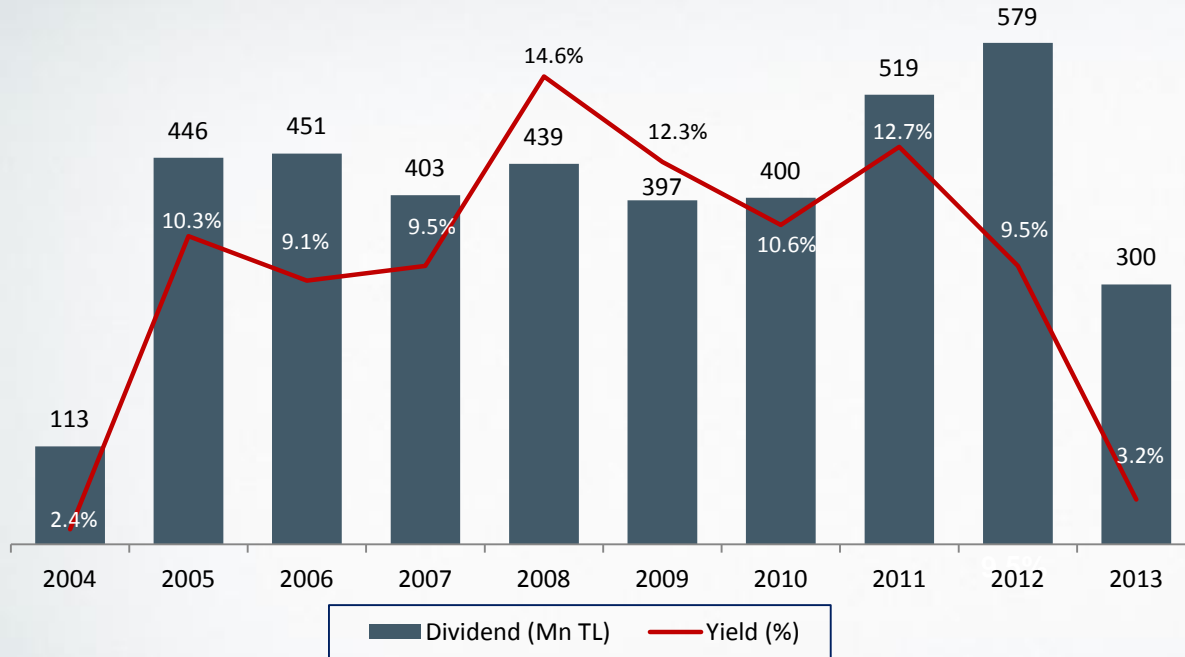
## Dividend Policy

- Providing high returns for our shareholders
- Predictable and stable dividend distribution, including during moderate economic stagnation periods, except periods of large investment and serious economic crisis.
- No privileges in Ford Otosan shares pertaining to dividend distribution.

## Commitment to corporate governance

- Separate CEO and Chairman roles
- Independent BoD members
- Executive Committee
- Audit Committee
- Corporate Governance Committee
- Risk Committee
- Remuneration Committee

# Dividends



- 2.6 billion US\$ dividend payment between 2004-2013.
- 1<sup>st</sup> among BIST companies with 12% average dividend yield between 2008-2012.
- 2<sup>nd</sup> highest dividend payer among Turkish industrials since its public offering.
- There are no privileges in dividend distribution based on shareholder type.
- Ford Otosan usually pays dividends twice a year.
- Current dividend policy is expected to continue throughout the investment period, depending on the market conditions.

# Strong & Committed JV Partner Support



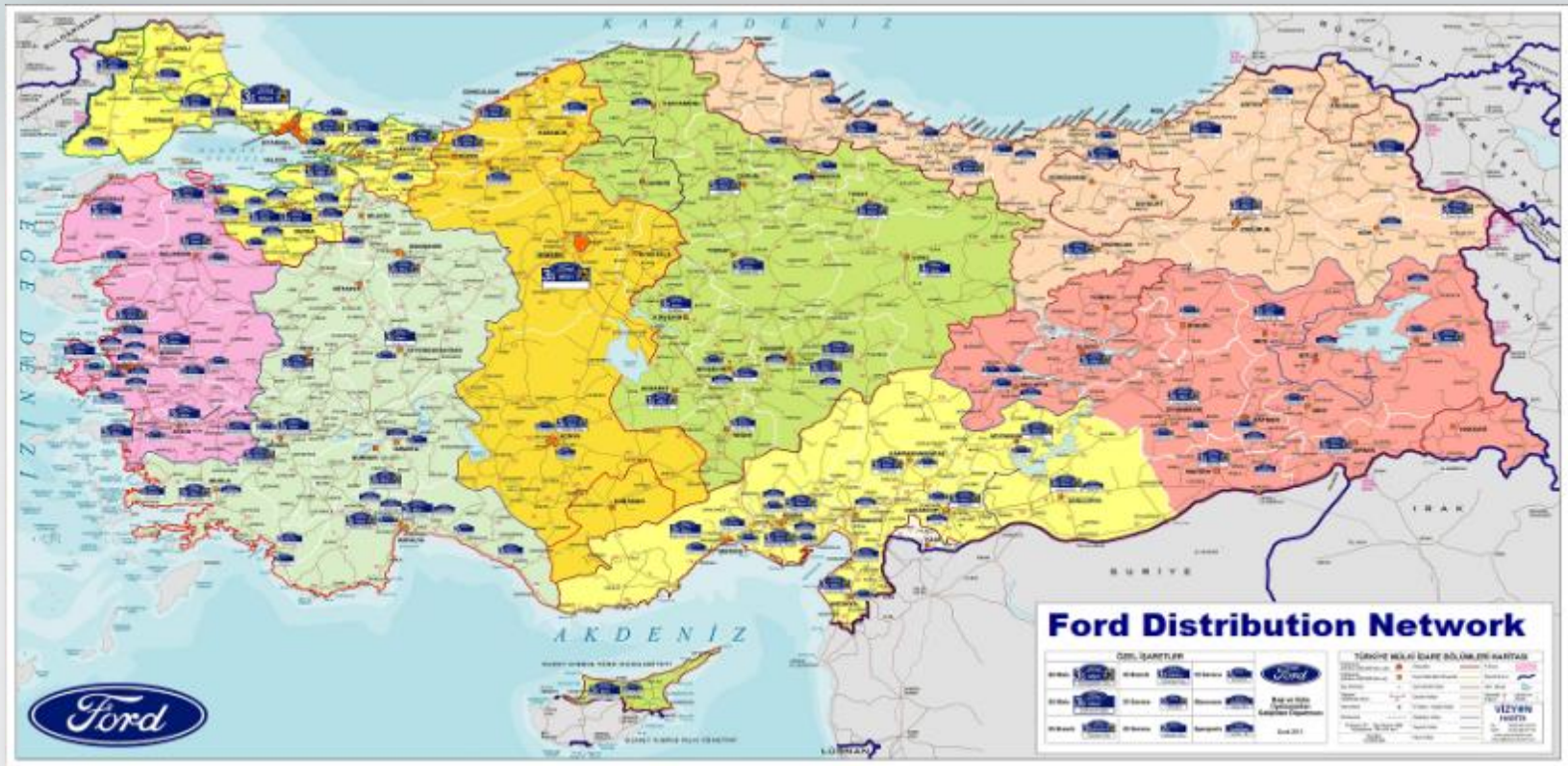
- Turkey's largest industrial and services group in terms of revenues, exports, employees and market capitalization on the Borsa İstanbul.
- Following an average annual growth rate of 20% in revenues and 27% in operating profit in US\$ terms between 2002-2012, Koç Holding ranks among the world's top 250 companies in Fortune 500.
- Has leading positions with strong competitive advantages in various sectors, such as energy, automotive, consumer durables, finance, food and DIY, which offer strong long-term growth potential.



- Global automotive industry leader based in Dearborn, Michigan, that manufactures and distributes automobiles across six continents.
- Automotive brands include Ford and Lincoln.
- 180,000 employees and 65 plants worldwide.
- Provides financial services through Ford Motor Credit Company.



# Large Distribution Network



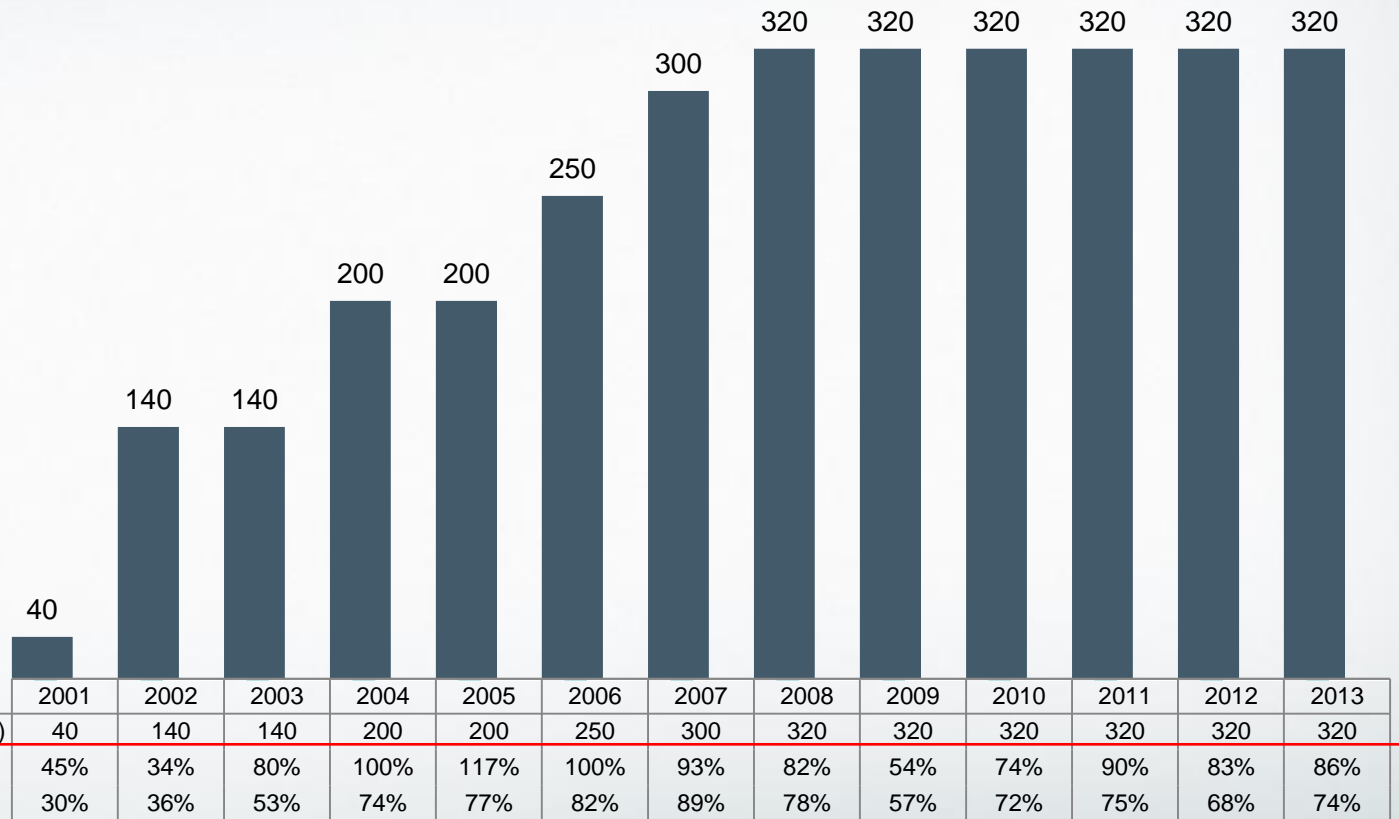
Ford Otosan provides maintenance, servicing and repairs through its customer-focused and innovative sales and after-sales network that spans the whole country.

Sales:	116
After-Sales:	158
Total Dealers:	205



# Efficient Production Hub – CUR above Industry Average

## Kocaeli Plant



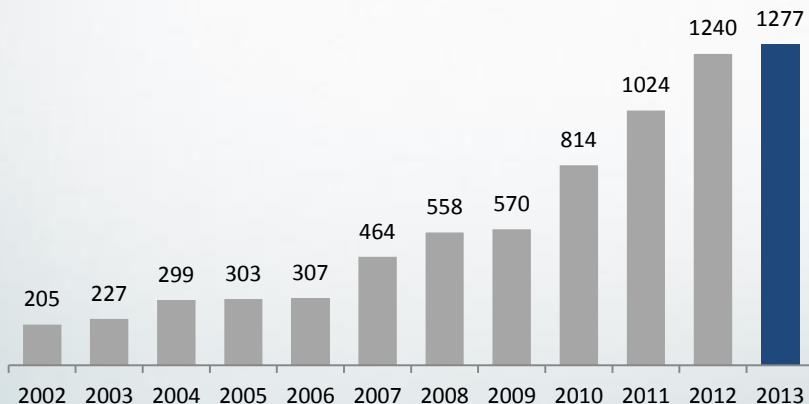
# R&D Focused on Excellence - Ford's 3<sup>rd</sup> largest global R&D centre

- The largest R&D center of the Turkish automotive industry
- R&D activities for Ford Otosan products and engineering services for Ford Motor Co.
- Ford's global engineering center in heavy trucks and diesel engines
- Capability and infrastructure to design, develop and test a complete vehicle end-to-end, including its engine

## Kocaeli

- Located in Gölcük plant
- 300+ R&D engineers
- Engine testing, design studio and development workshops are located at this site

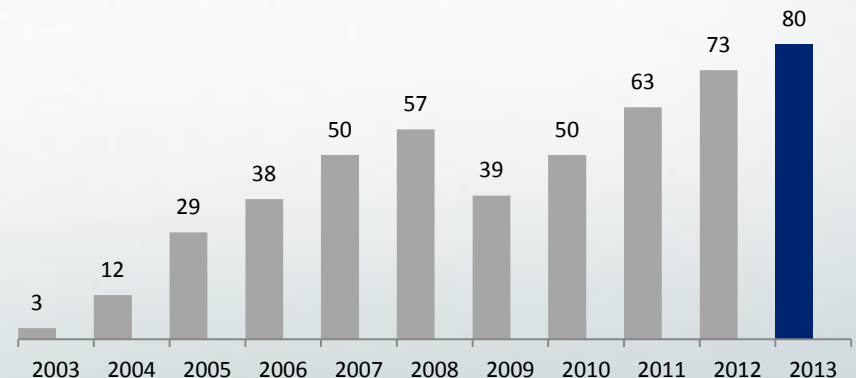
## R&D Engineers



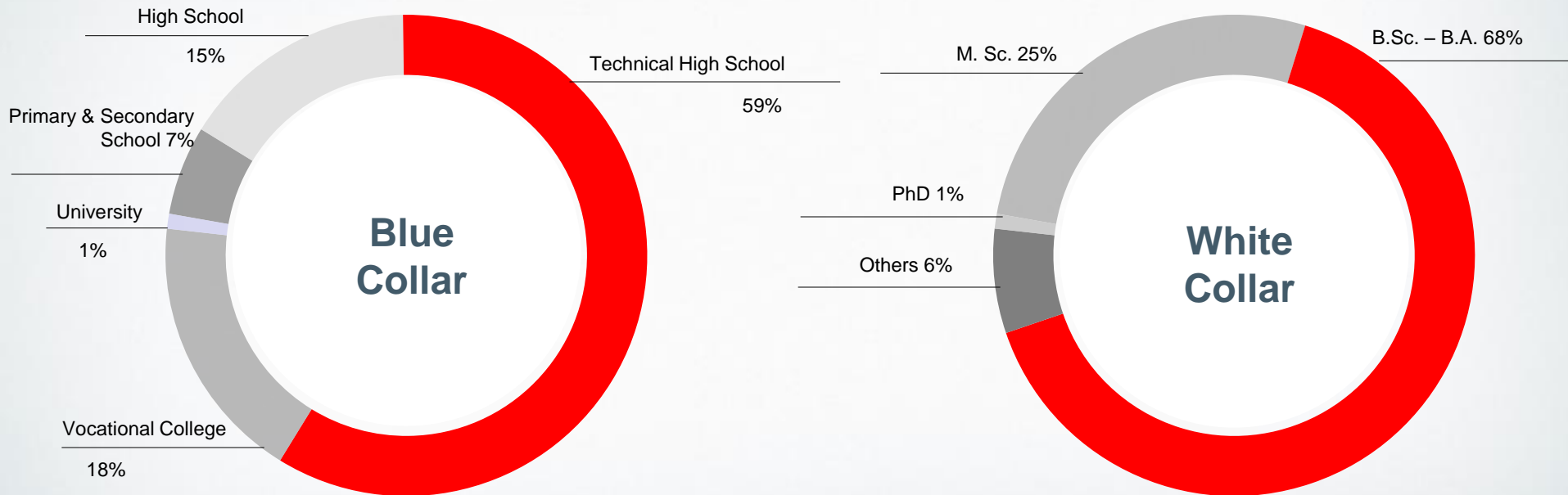
## Gebze

- Located in Tübitak MAM Technology Free Zone
- 700+ R&D engineers
- Global Center of Excellence for small diesel engines
- R&D center for Global Cargo

## Patent Applications



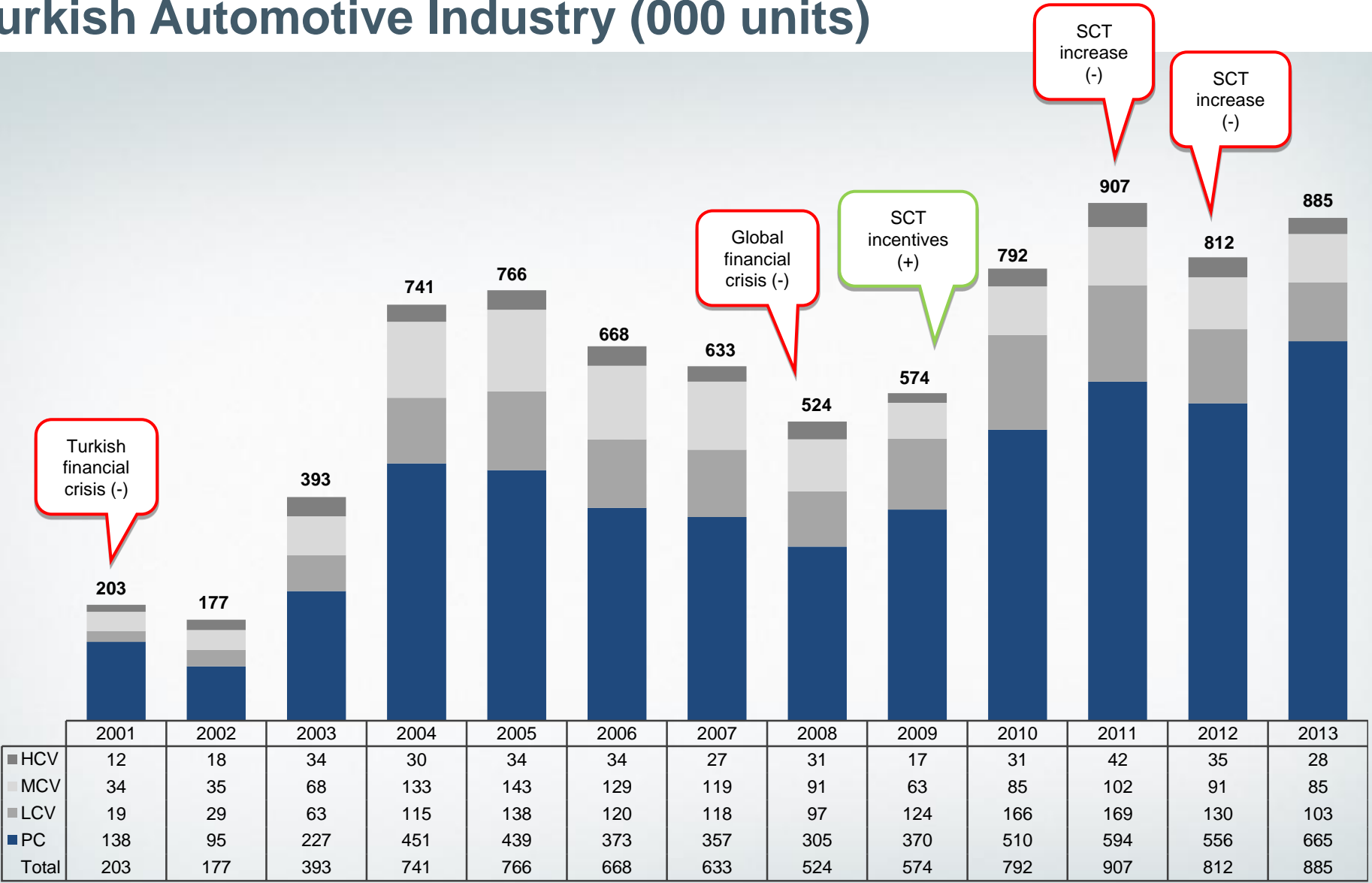
# Experienced and Skilled Workforce



# Operating & Financial Performance

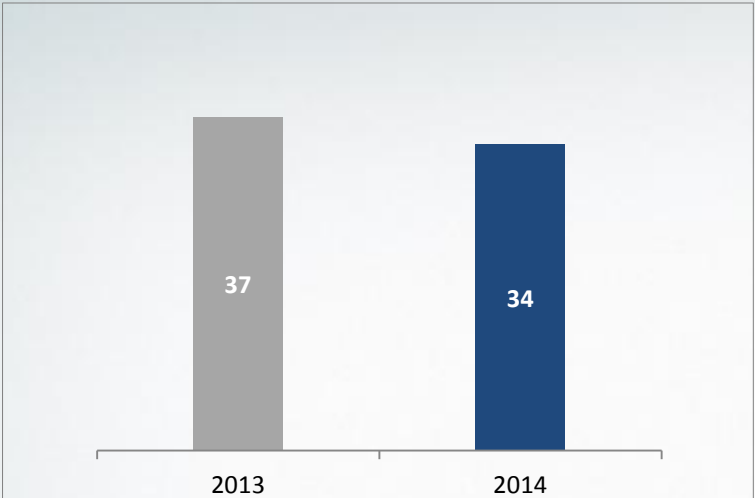


# Turkish Automotive Industry (000 units)

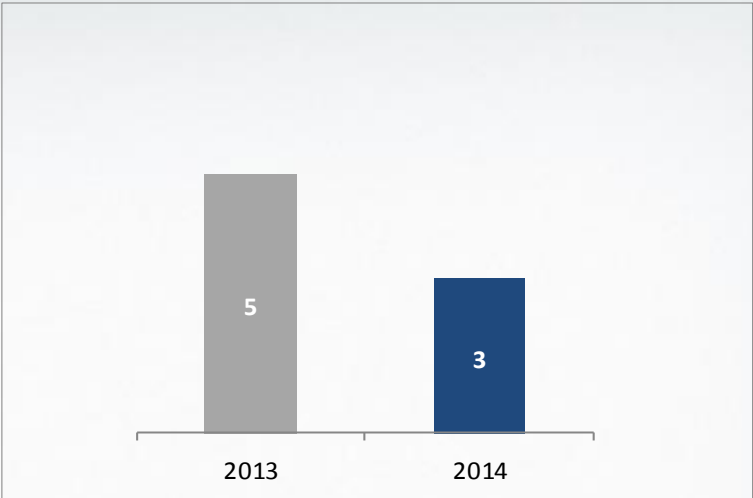


# Domestic Market (000 units)

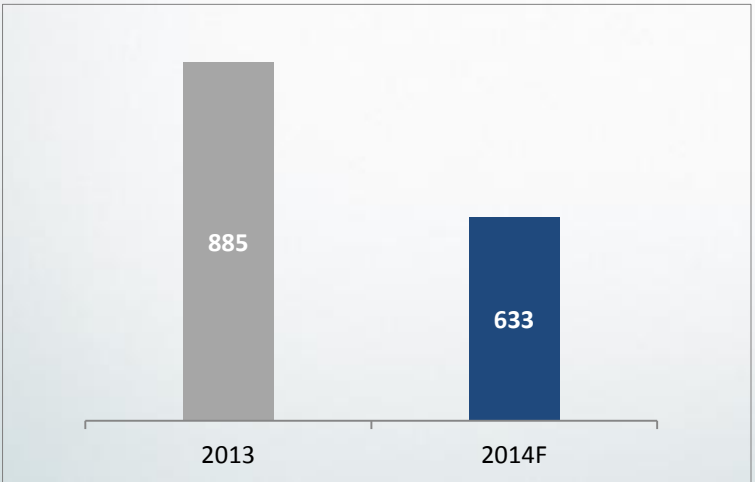
Total Industry, January 2014



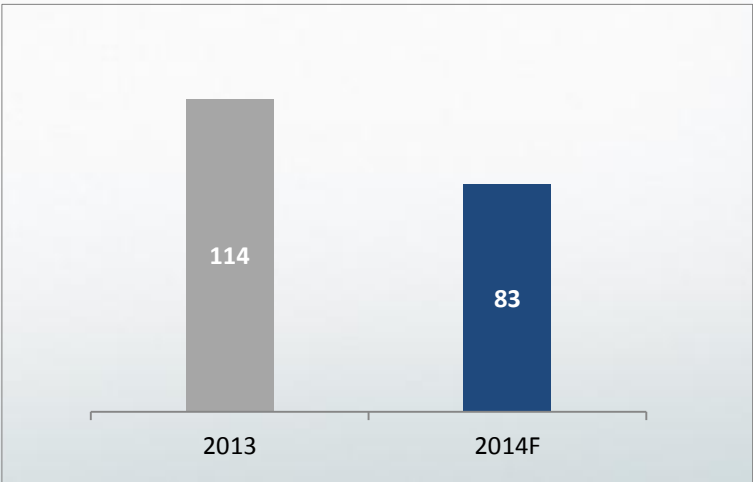
Ford Otosan, January 2014



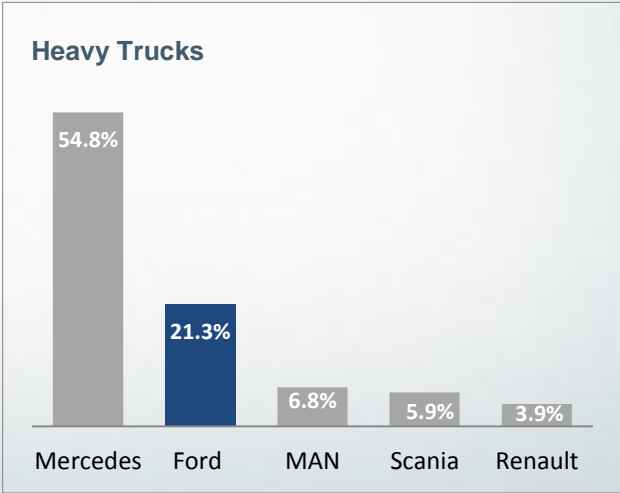
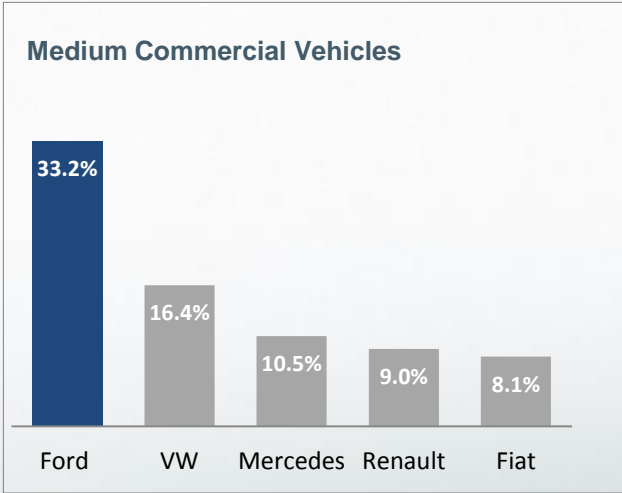
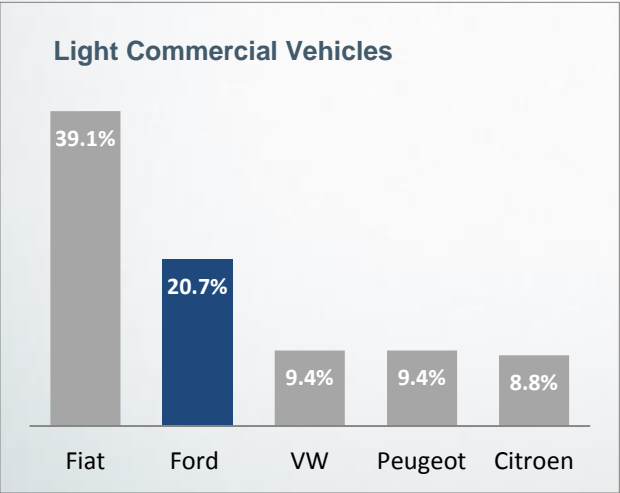
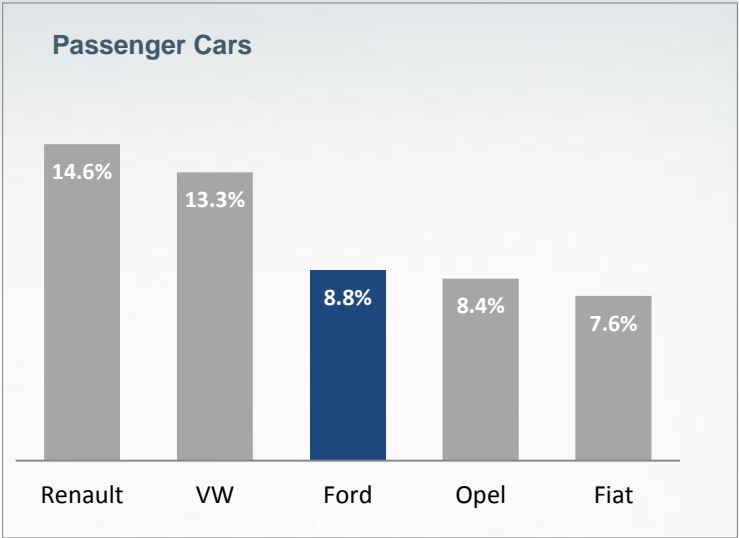
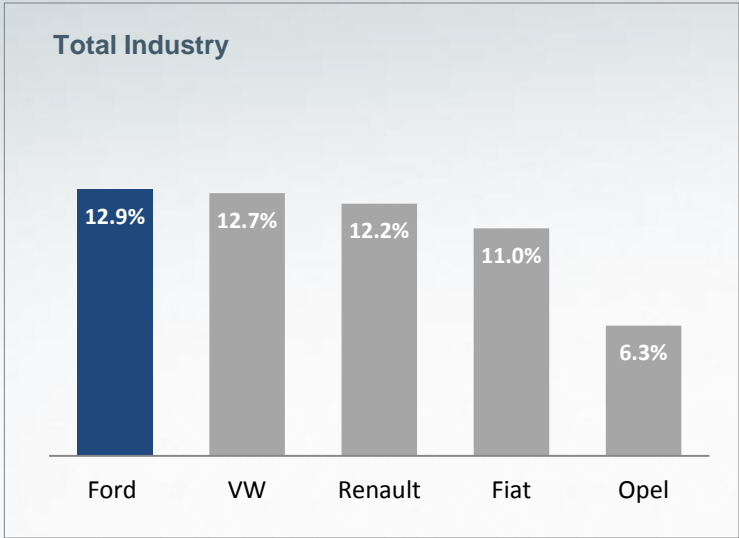
Total Industry Sales



Ford Otosan Retail Sales

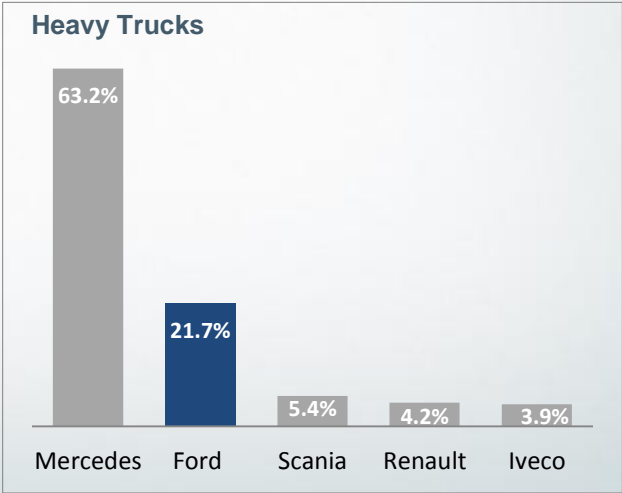
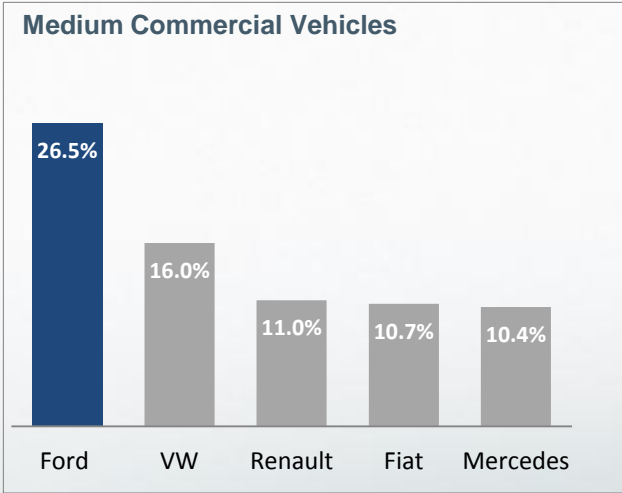
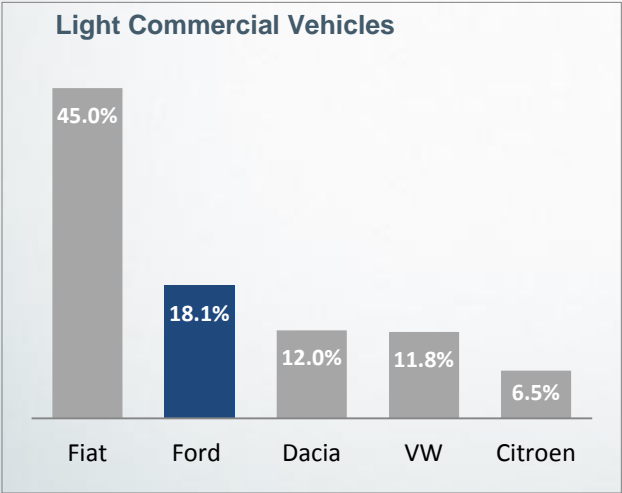
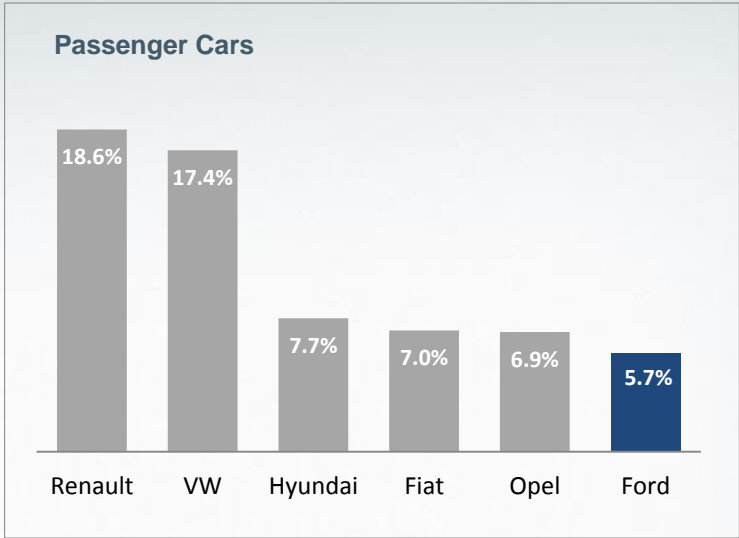
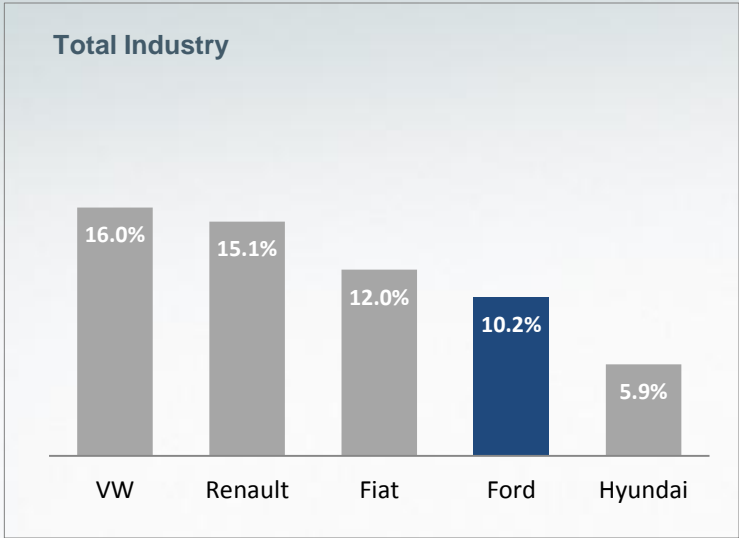


# Turkish Market Shares (2013)



Source: ODD and TAID

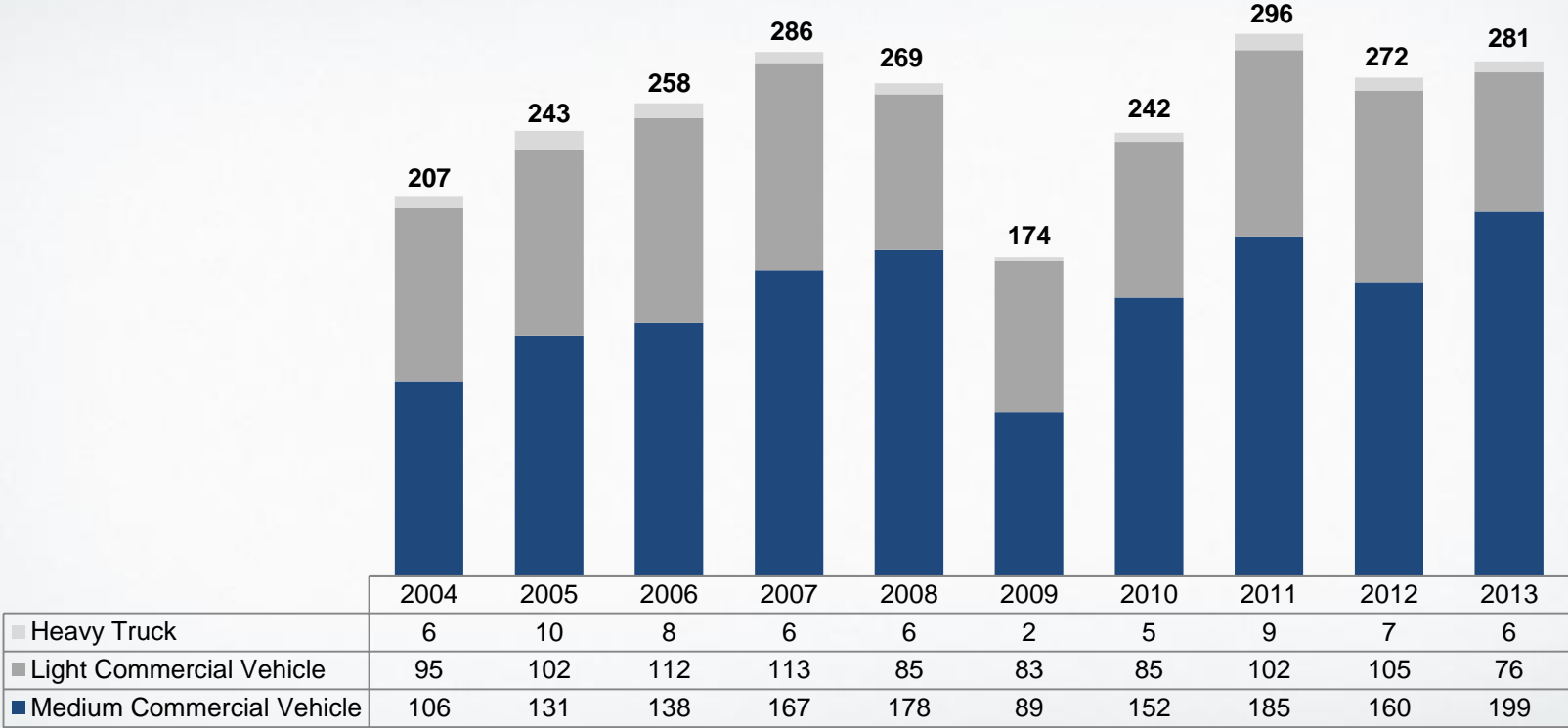
# Turkish Market Shares (January'14)



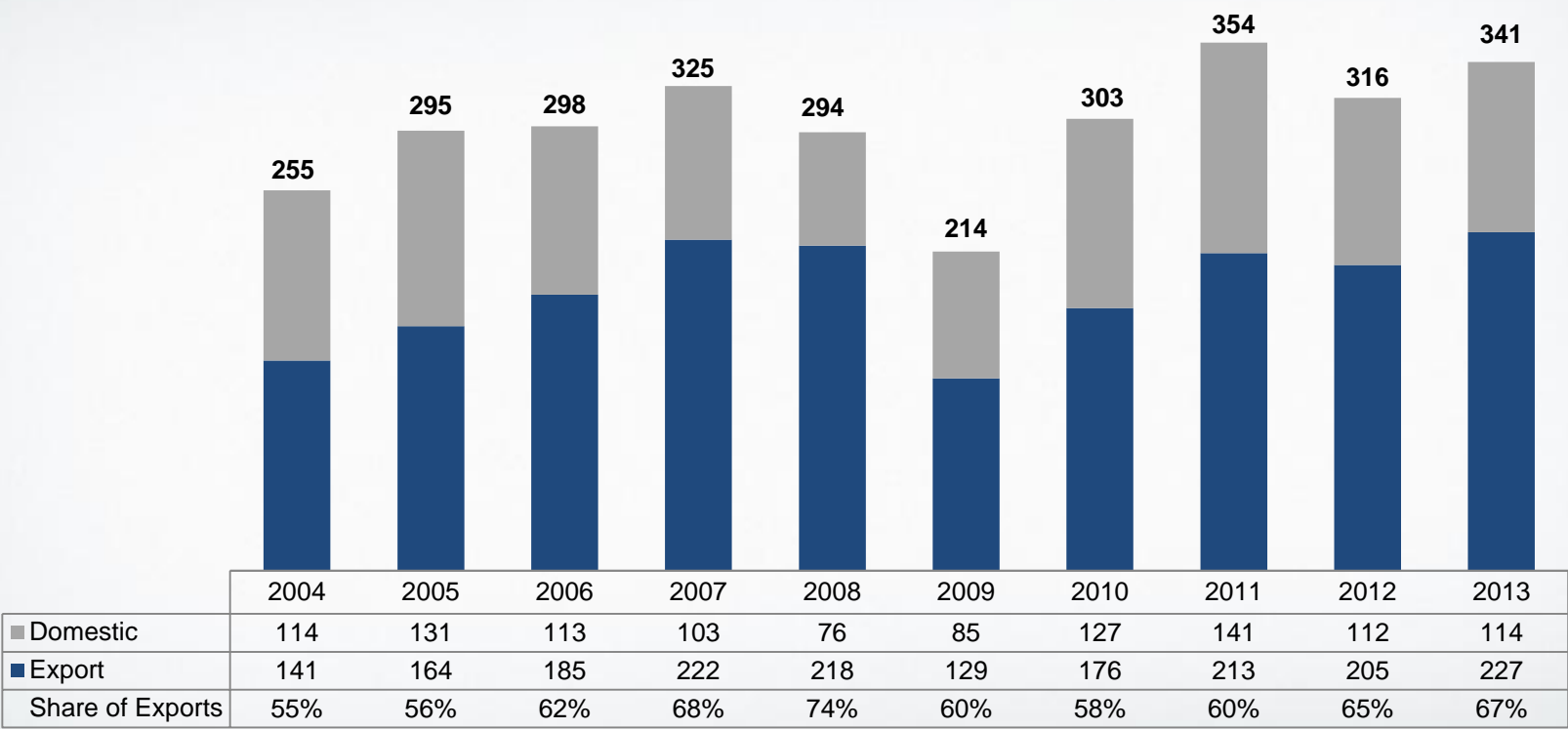
Source: ODD and TAID



# Production Volume by Segment (000 units)



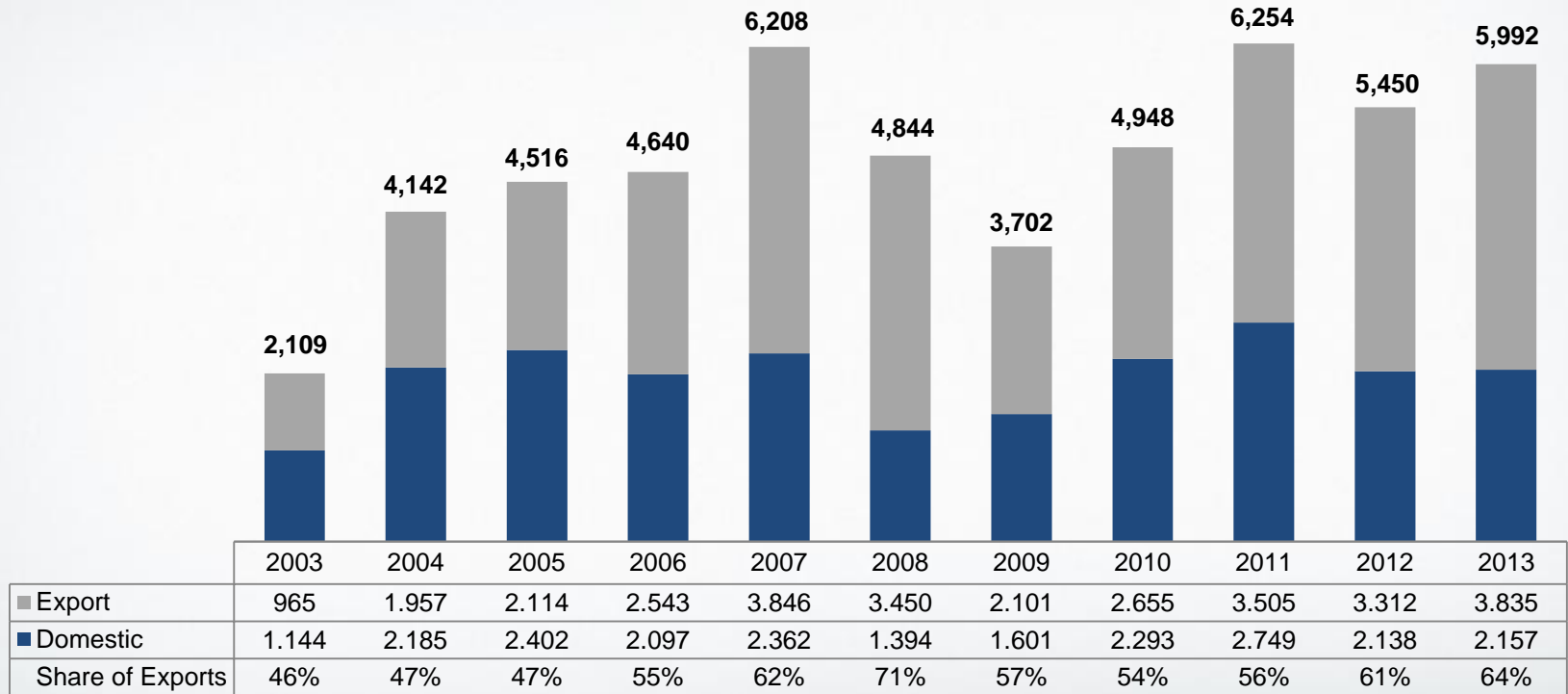
# Wholesale Volume – Domestic & Export (000 units)



# Sales Volume by Model

	2013	2012	Change	4Q13	4Q12	Change
<b>Domestic</b>	<b>113,971</b>	<b>111,011</b>	<b>3%</b>	<b>37,740</b>	<b>34,893</b>	<b>8%</b>
Passenger Car	58,618	45,919	28%	20,940	12,718	65%
Transit Connect	21,711	29,162	-26%	6,638	10,008	-34%
<b>Total LCV</b>	<b>21,711</b>	<b>29,162</b>	<b>-26%</b>	<b>6,638</b>	<b>10,008</b>	<b>-34%</b>
Transit	23,788	28,179	-16%	7,196	9,221	-22%
Transit Custom	3,399	1,113	205%	896	1,113	-19%
Ranger	519	827	-37%	10	381	-97%
<b>Total MCV</b>	<b>27,706</b>	<b>30,119</b>	<b>-8%</b>	<b>8,102</b>	<b>10,715</b>	<b>-24%</b>
Cargo	5,936	5,811	2%	2,060	1,452	42%
<b>Exports</b>	<b>226,671</b>	<b>204,489</b>	<b>11%</b>	<b>51,681</b>	<b>55,932</b>	<b>-8%</b>
Transit Connect	51,796	75,081	-31%	16	15,618	
Transit	121,252	113,502	7%	29,672	25,808	15%
Transit Custom	52,304	14,328	265%	21,329	14,184	50%
Cargo	1,002	955	5%	604	253	139%
Other	317	623	-49%	60	69	-13%
<b>Total Wholesales</b>	<b>340,642</b>	<b>315,500</b>	<b>8%</b>	<b>89,421</b>	<b>90,825</b>	<b>-2%</b>

# Revenue - Domestic & Export (US\$ million)

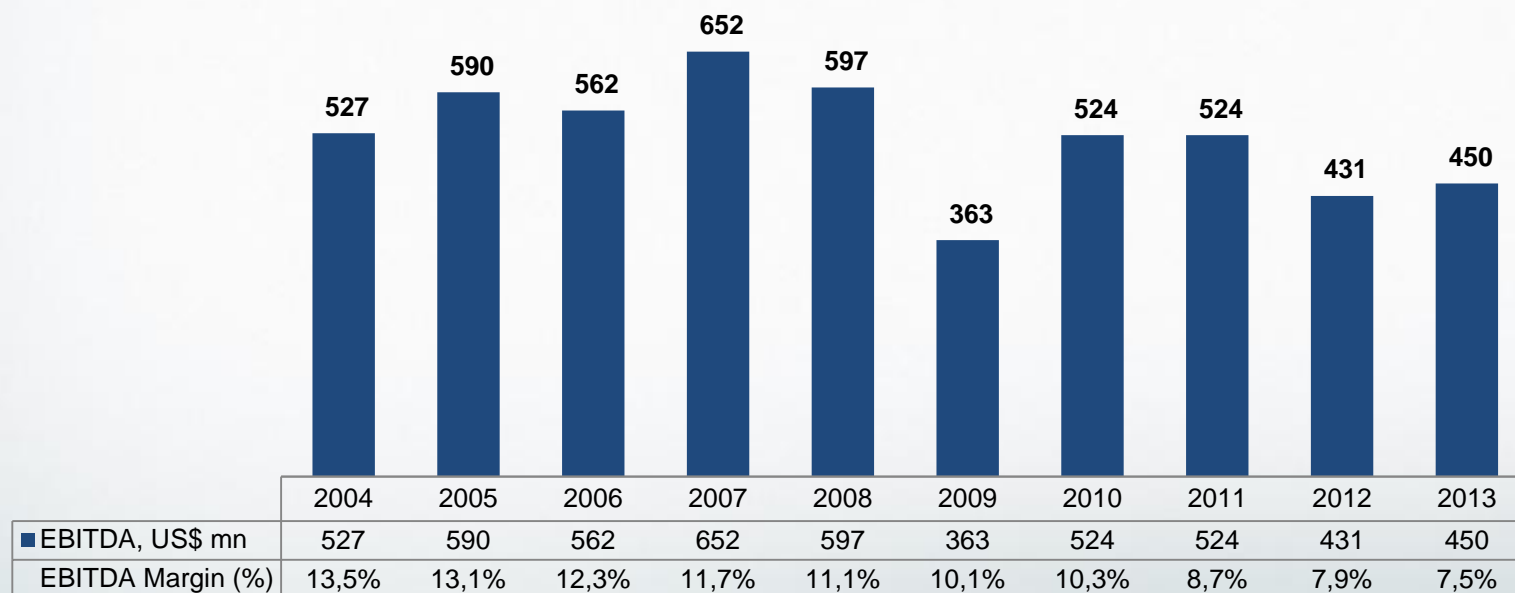




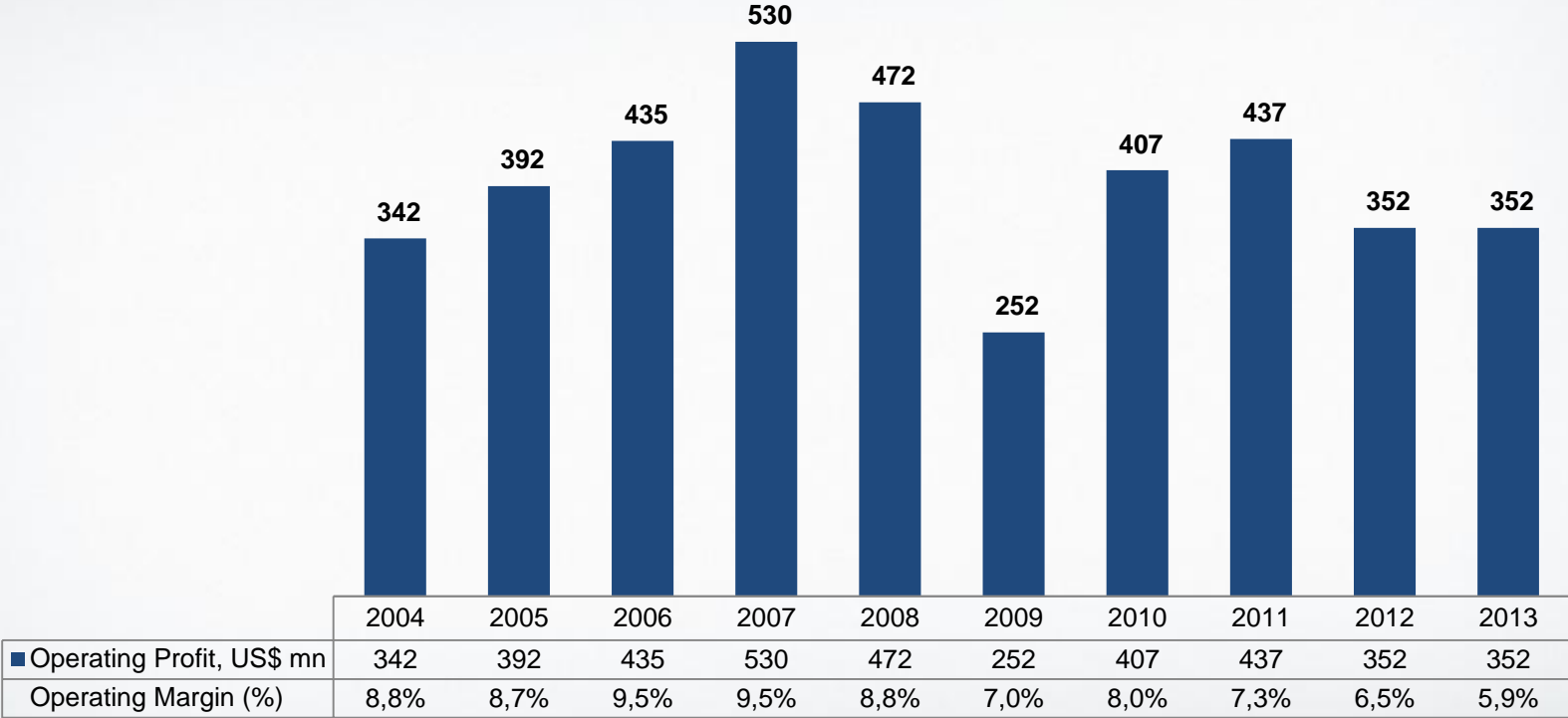
# EBITDA and EBITDA Margin

Changing business mix, industry trends and macro drivers leading to declining margins:

- Lower share of the domestic business
- Highly competitive pricing landscape in the domestic market
- Industry shift towards passenger cars leading to a less favorable sales mix for Ford Otosan
- Aged product portfolio
- Increase in import costs with the sharp decline in Turkish Lira
- Revaluation of financial loans with significant weakening of the Turkish Lira leading to higher net financial expenses



# Operating Profit and Operating Margin



# Financial Risk Management

## Credit Risk

- Receivables from domestic vehicle sales to dealers are collected using a Direct Debit System
- Domestic spare part sales are guaranteed with collateral from dealers (bank guarantee letters)
- Receivables from Ford Motor Company and its subsidiaries for exports are collected within 14 days
- Other exports are guaranteed using L/C, letter of guarantee or cash collection

## Liquidity Risk

- Cash, credit commitment and factoring capacity is maintained to meet 21 days of cash outflow
- €80 million credit commitment and €70 million factoring agreements are in place for potential needs
- Net debt as of year-end 2013 is TL2.1 billion.

## FX Risk

- Excess cash is invested in hard currencies to minimize fx exposure
- Natural hedge against volatility due to fx-denominated export revenues: 64% of revenues
- Ford Otosan is a net exporter: US\$ 1.9 billion in the last 5 years (2009-2013)

## Capital Risk

- Net financial debt / tangible net worth ratio is monitored as a management criteria and the aim is to keep it below 1.25

# Debt Profile & Financial Ratios

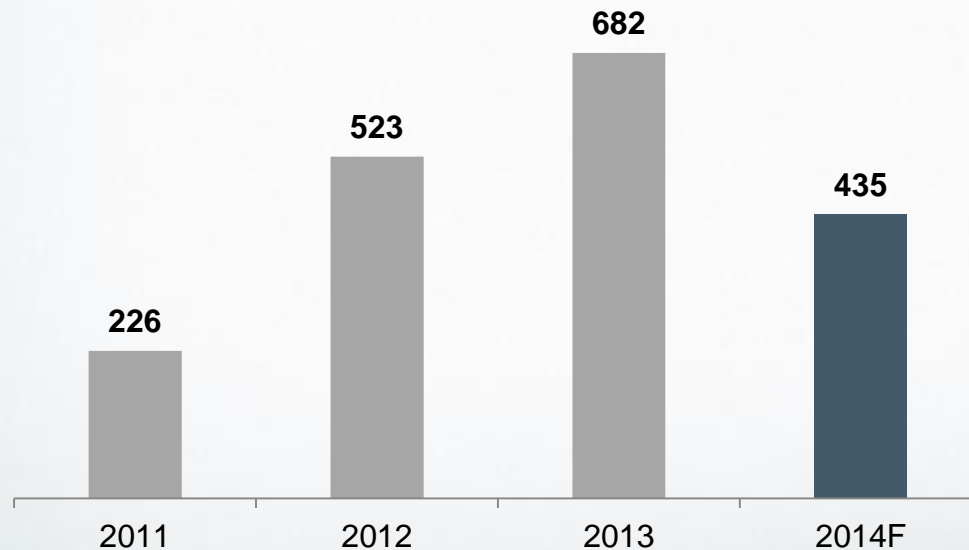
Cash Position (TL mn)	31.12.2013	31.12.2012
Cash & Cash Equivalents	238	302
Total Financial Debt	2,291	1,260
Net financial debt	(2,053)	(958)
Financial Ratios	31.12.2013	31.12.2012
Current ratio	1.02	1.49
Liquidity ratio	0.71	0.97
Net Financial Debt / Tangible Net Worth	1.13	0.55
Current Assets / Total Assets	0.41	0.52
Current Liabilities / Total Liabilities	0.64	0.62
Total Liabilities / Total Liabilities and Equity	0.63	0.57
Return on Equity	28.7%	34.3%
Margins	31.12.2013	31.12.2012
Gross Margin	9.9%	11.1%
EBITDA Margin	7.5%	7.9%
Operating Margin	5.9%	6.5%
Net Income Margin	5.6%	7.0%



# CAPEX (US\$ million)

Total capital expenditures include:

1. New projects – tangible fixed asset procurement
2. Intangible fixed asset procurement
3. Maintenance/modernization/renovation
4. FX gain/(loss)



# 2014 Guidance

Turkish Industry Volume	633K
Retail Sales Volume	83K
Exports	195K
Wholesale Volume	275K
Production Volume	237K
Capex (fixed assets)	US\$ 340mn

Last updated: February 2014

# Ford Otosan Investor Relations

Aslı Selçuk

Investor Relations Manager

+90 216 564 7499

[aselcuk@ford.com.tr](mailto:aselcuk@ford.com.tr)

Gülçin Öztitiz

Investor Relations Officer

+90 216 564 7495

[goztitiz@ford.com.tr](mailto:goztitiz@ford.com.tr)



[www.fordotosan.com.tr](http://www.fordotosan.com.tr)

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