

FORD OTOSAN

Ford Otomotiv Sanayi A. Ő.

01.01.2012 - 30.06.2012

Interim Report

COMPANY INFORMATION

Board of Directors:

Rahmi M. Koç	Chairman
Stephen T. Odell	Vice Chairman
Bülent Bulgurlu	Member
Y. Ali Koç	Member
O. Turgay Durak	Member
John Fleming	Member
Lyle A. Watters	Member
Jeffery Carter Wood *	Member
Haydar Yenigün	Member - General Manager
Grant E. Belanger	Member – Deputy General Manager
Mehmet Barmanbek	Independent Member
Günter Verheugen	Independent Member

Auditors:

Mehmet Apak	Auditor
Bilgütay Yaşar	Auditor

(*) In our Board of Directors' Meeting held on June 4, 2012, Mr. Michael Robert Flewitt resigned from his membership due to his resignation from Ford Motor Company. Mr. Jeffery Carter Wood has been appointed as member upon proposal of Ford Motor Company to represent Class C shares until the next Ordinary General Shareholder's meeting.

Our Board of Directors resolved in their meeting dated July 10, 2012, with no 2012/18, to establish the following committees and determine their working principles within the scope of Capital Market Board's Communiqué on Determination and Application of Corporate Governance Principles (the "**Communiqué**" in short) Serial: IV, No: 56 and Turkish Commercial Code:

- Corporate Governance Committee to be established to advise the Board of Directors with the purpose of developing our Company's corporate governance practices; the duties of Nomination Committee defined in the Communiqué to be carried out by the Corporate Governance Committee; the Corporate Governance Committee to consist of three members with Mr. Günter Verheugen elected as Committee Chairman with Mr. Yıldırım Ali Koç and Mr. Lyle Alexander Watters as Committee Members; and
- An Early Determination and Management of Risk Committee to be established to advise the Board of Directors with the purpose of early determination of risks as the Company may face from time to time and establishment of an efficient risk management system; the Early Determination and Management of Risk Committee to consist of three members with Mr. Mehmet Barmanbek elected as Committee Chairman with Mr. Bülent Bulgurlu and Mr. Lyle Alexander Watters as Committee Members; and
- A Remuneration Committee to be established to advise the Board of Directors with the purpose of determining the remuneration to be paid to Board of Directors members and senior executives; the Remuneration Committee to consist of three members with Mr. Mehmet Barmanbek elected as Committee Chairman with Mr. Osman Turgay Durak and Mr. Stephen Terrence Odell as Committee Members;

The scope of duties, working principles and members of the committees have been published on our Company's internet website.

Shareholder Structure:

The details of our Company's shareholder structure as of June 30, 2012 is as follows:

Shareholder	Value of the share (TL)	Share (%)
Koç Group Companies	143,997,036	41.04
Ford Motor Company	143,997,036	41.04
Other (Free float)	62,915,928	17.92
Total	350,910,000	100.00

TURKISH AUTOMOTIVE MARKET AND OPERATIONS OF THE COMPANY

1. Market

In the first six months of 2012, total domestic sales decreased by 20% compared to the same period of 2011 to 356,983 units (444,235)* due to the Special Consumption Tax (SCT) hike in the last quarter of 2011, slowdown in economic activity and high base year effect of 2011.

On a segment basis; 244,490 (289,753) passenger cars, 55,314 (83,202) light commercial vehicles, 40,828 (48,924) medium commercial vehicles and 14,887 (19,781) heavy commercial vehicles were sold in the first half and each segment contracted by 16%, 34%, 17% and 25% respectively.

Due to the increase in the SCT, the highest contraction was recorded in the light commercial vehicle segment.

2. Market Shares

Ford Otosan maintained its market leadership with 13.9% (15.2%) share as of June 2012. Our passenger car market share decreased to 8.9% (10.6%) while light commercial vehicle market share increased by 1.3% to 20.8% (19.5%). Ford Otosan continued to lead the medium commercial vehicle segment with 31.9% (33.4%) share while ranking second in the heavy commercial vehicle segment with 20.6% (21.9%) share.

3. Production and Capacity

In the first half of 2012, total production volume decreased by 5% to 141,570 (149,433) due to the contraction in light commercial vehicle sales in the domestic market. As a result, Kocaeli Plant capacity utilization rate was 86% (90%). 80,820 units Transit and 56,486 units Connect were manufactured in the Kocaeli Plant and 4,264 units Cargo trucks were manufactured in the İnönü Plant.

4. Exports and Domestic Sales

The contraction in the European market was balanced with our diversified export markets and increasing demand in North America and Russia. In the first half our export volumes increased slightly to 110,694 (110,341) units. Export revenues increased by 5% to €1,343 million (€1,245 million). Total sales volume decrease by 10% to 160,563 (179,054) units, including 49,869 (68,713) units sold to domestic dealers. Due to the positive export performance, decrease in net revenues was limited to 1% and reached TL 4.965 billion (TL4.995 billion).

5. Investments

Within the context of our \$1 billion ongoing investment plan (2011-2014), capital expenditures reached TL 339 million (TL 104 million) in the first half of the year. Capital expenditure is expected to continue in the second half of the year and to reach its highest level this year.

* The numbers in parentheses show the values corresponding to the same period of 2011.

6. R&D Activities

TL 49 million (TL 58 million) R&D expenditure was made in the first half for various product development projects. R&D Projects are carried out in line with the product programs. The number of R&D engineers exceeded 1,000.

7. Number of Personnel

As of June 30, 2012, Ford Otosan has a total of 9,794 employees composed of 2,388 white-collar and 7,406 blue-collar workers. (31 December 2011: total of 9,581 employees composed of 2,167 white-collar and 7,414 blue-collar workers).

The blue-collar workers in our company are under the coverage of the Collective Labor Agreement signed between Turkish Metals Union and MESS. This agreement is effective from September 1st 2010 and valid for two years.

8. Profitability

Operating Profit was TL 333 million (TL 369 million) and Profit Before Tax was TL 333 million (TL 405 million) as of June-end. Net income was recorded as TL 331 million (TL 332 million). Operating profit margin which was 7.4% in the first half of 2011, decreased to 6.7% as a result of the market contraction and campaigns introduced as of February due to the ongoing price competition trends. In the upcoming period, a gradual improvement is expected in margins due to increasing domestic sales volume with the introduction of new models, appreciation of TL vs. € compared to 2011 and positive trend in raw material prices.

9. Financing

The company repaid € 61 million in January-June period and € 13 million new loan was used. Consequently, as of June-end, total debt level decreased to € 309 million (€ 302 million) from € 357 million at the beginning of the year. The cash balance is TL 381 million (TL 816 million) as of June 30, 2012.

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 financial statements.

10. Other Significant Developments

As a result of the negotiations with European Investment Bank (EIB) on the financing of the ongoing projects a loan agreement of €100 million was signed on 27 June 2012. The loan has a tenor of eight years with two years grace period and 2.06% interest rate.

Transit Custom and Tourneo Custom, the first products of our \$1 billion investment plan, were rolled off the line on 23 July 2012.

11. Guidance

Total industry demand is expected to decline in 2012 as a result of negative outlook in Europe, slowdown in domestic economic activity, high base year effect of 2011 and decrease in loan growth expectation of banks. However, the diversity and different dynamics of our export markets result in a relatively positive outlook for export sales. Our total production and sales are expected to increase due to the moderate trend in export volumes throughout the year, low base year in the second half, slowdown in the domestic market contraction with favorable macroeconomic environment and new products to be launched. Our objective is to maintain our profitability and market leadership for the 11th consecutive year.

FORD OTOMOTİV SANAYİ A.Ş.