

INTERIM REPORT

Company Name : FORD OTOMOTİV SANAYİ A.Ş.

Report Period : 01.01.2008 – 30.09.2008

Board of Directors: Rahmi M. Koç (Chairman),
Lewis W.K. Booth (Vice Chairman),
Bülent Bulgurlu,
Y.Ali Koç (Audit Committee Member),
A.İhsan İlkbahar,
O. Turgay Durak,
John Fleming,
C.B.Frank Lazzaro
Philip A. Collareno,
Michael R. Flewitt (General Manager)

Auditors : Dr. Füsün Akkal, Adnan Nas

1. Market

In the Turkish Automotive Market, total sales in the first nine months of 2008 has increased by 3% compared to the same period of 2007 and reached to 417,215 units (403,883)*. More than 10% drop observed in the third quarter of 2008, after a 12% growth experienced in the first half as a result of weak base effect, confirms the slowdown in the sector.

We forecast that the contraction in the market will continue in the last quarter due to financial fluctuation globally as well as the decreasing consumer confidence and the total volume will remain below 2007 level.

2. Market Shares

Although company market leadership continues, total market share has decreased to 14.6% (16.6%). In the light commercial vehicle segment, 5% market share loss compared to the same period of the previous year was effective in this drop due to increasing competition. Total market share loss compared to the last year-end is 2.2%. Our 2008 market share forecast for the full year is 15.0%.

3. Production and Capacity

Notwithstanding the drop in domestic market, the production and sales figures are increasing. 152,289 Transit, 76,485 Transit Connect, 5,190 Cargo Truck and a total of 233,964 (206,658) vehicles were manufactured in the first nine months. Kocaeli Plant capacity was increased to 320K from 300K vehicles/year at the beginning of 2008 and the plant operated with full capacity in the first nine months.

* The numbers shown in the parentheses show the values corresponding to the same period previous year.

4. Sales

192,332 vehicles (164,141) were exported while selling 60,895 vehicles (65,153) to domestic dealers. As a result, total sales figure increased by 10% to 253,227 units (229,294) compared to same period last year. The export revenue in the first nine months exceeded Euro 2,164 million (Euro 1,822 million) and net sales exceeded 5.8 billion YTL (5.1 billion YTL). Export sales are expected to decline in the last three months due to significant demand fall in the European markets.

5. Investments

46 million YTL (107 million YTL) of capitalized expenditure was made in the first nine months related to capacity increase and new product investments.

6. R&D Activities

78 million YTL (40 million YTL) of R&D expenditure was spent in the first nine months for various product development projects. R&D Projects are carried out as planned.

7. Profitability

542 million YTL (478 million YTL) Operating Profit and 541 million YTL (454 million YTL) Profit Before Tax was obtained as of September end. The increase in profit before tax stems from the growth in sales revenue as well as the decrease in net financial expenses. The operating margin which was 9.4 % in the first nine months of 2007 dropped to 9.2% in this period.

8. Financing

After distributing 245.6 million YTL to its shareholders as dividend payment on April 9, 2008, a second dividend payment of 193 million YTL was made on October 14th. The company's cash balance at the end of the first nine months was realized as 548 million YTL (330 million YTL). Company repaid a total of Euro 47 million financial debt in this period and made no new borrowing. Consequently, as of September end, total debt level went down to Euro 193 million (Euro 225 million) from Euro 240 million figure at the beginning of the year. As of Sept. 30th, 2008, FX denominated assets exceed the FX denominated liabilities by Euro 95 million.

Ranked second among the biggest industrial companies of Turkey, Ford Otosan continued its successful performance in the first nine months of 2008; however, we predict a decline both in capacity utilization and financial performance in the rest of the year due to the slowdown in foreign and domestic sales (as mentioned in the “**Market**” section of this report).

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