

Highlights

<u>Financial Results</u>	<u>Million TL</u>	<u>YoY Change</u>
Revenues	5.214	-5%
Export Revenues	3.782	3%
Domestic Revenues	1.432	-21%
Operating Profit	210	-38%
EBITDA	343	-20%
Profit Before Tax	142	-54%
Net Income	353	-19%
<u>Volume</u>	<u>Units</u>	<u>YoY Change</u>
Production	109.588	-28%
Total Wholesale Volume	123.414	-30%
Export Volume	93.789	-26%
Domestic Volume	29.625	-41%
Retail Volume	30.376	-40%
Market Share	10,0%	-2,7 pps

* 1H14 financial results published in this earnings announcement are prepared according to the International Financial Reporting Standards (IFRS) and subject to independent limited review of Ernst & Young Global Limited.

Summary Income Statement, Million TL	30.06.2014	30.06.2013	% Change
Revenues	5.214	5.482	-5%
Export	3.782	3.676	3%
Domestic	1.432	1.807	-21%
Gross Profit	475	546	-13%
Operating Profit	210	340	-38%
Financial Income/(Expense)	-66	-33	
Profit Before Tax	142	308	-54%
Net Income	353	436	-19%
Other Financial Data			
Depreciation and Amortization	133	89	48%
EBITDA	343	430	-20%
Capital Expenditures	470	630	-25%

Revenues

The Turkish automotive industry contracted by 23.7% in the first half. Rising interest rates, higher vehicle prices due to weak TL, SCT increase in PCs, BRSA regulations on vehicle loans, a high base year, low economic activity, volatility in the financial markets and weak consumer confidence ahead of the local elections in March were the main headwinds. Consumer confidence started recovering in March compared to January-February. Although vehicle sales rose post- elections and recovered in 2Q14 compared to 1Q14, all segments except Trucks declined in 1H14: PC -23%, LCV -36%, MCV -26% and Truck +4%. Total sales reached 302,680 units. The share of PCs in the total industry was 74.6%, up from 73.6% in 1H13 and down from 75% in FY13. LCV segment share was 10.4%, down from 12.5% in 1H13 and 12% in FY13. Ford Otosan's sales more than doubled QoQ in 2Q14 with the launch of new models and PC fleet sales, however 1H14 figures were still lower YoY due to the 1Q14 performance reflecting 1) The temporary impact of the product transitions and ramp-up period in commercial vehicles 2) The rising retail prices for PCs in 1Q14 which pressured sales amid intense market competition. Domestic retail sales were 30,376 units, down 40% YoY. Despite the increase in unit sales in 2Q14, domestic wholesales in 1H14 were down 41% YoY to 29,625 units. Domestic revenues were TL 1,432 million, down 21%, supported by new models and higher vehicle prices. Exports strongly recovered QoQ, up 57%, but down 26% YoY in 1H14, due to the product transitions and ramp-up of the new Transit in 1Q14 and Courier in 2Q14. Custom's strong sales performance continued. Export revenues were TL 3,782 million, up 3%. Total revenues were TL 5,214 million, down 5% YoY, where the share of exports in total revenues increased from 67% to 73% YoY.

Profitability

In 1H14, operating margin was 4.0%, down from 6.2% in 1H13. The average EUR/TL exchange rate increased from 2.37 in 1H13 to 2.96 in 1H14, negatively impacting the cost base. Although Ford Otosan increased the prices of its vehicles significantly and implemented cost reduction actions, it was unable to recover the full impact of the TL depreciation which led to a margin decrease. In addition, lower unit sales, other operating expense, driven by fx losses, as opposed to other operating income in 1H13 and the 48% YoY rise in depreciation & amortization led to a 38% decline in operating profit to TL 210 million. EBITDA was TL 343 million, down 20% YoY. EBITDA margin was 6.6%, down from 7.9% in 1H13. Revaluation of financial loans with the weak TL doubled net financial expenses in 1H14 versus 1H13. As a result, profit before tax declined by 54% YoY to TL 142 million. Net income was TL 353 million as a result of the establishment of deferred tax asset based on the future tax benefits from the investment incentives. Net income margin was 6.8%, down 1.2 pps YoY.

Sales Volume by Model, units	30.06.2014	30.06.2013	% Change
Domestic			
Passenger Car	12.204	23.956	-49%
Transit Connect	2.689	10.566	-75%
Transit Courier	3.610	-	
Light Commercial Vehicle	6.299	10.566	-40%
Transit	6.809	10.809	-37%
Transit Custom	1.479	1.575	-6%
Ranger	130	464	-72%
Medium Commercial Vehicle	8.418	12.848	-34%
Cargo	2.704	2.832	-5%
Total Domestic	29.625	50.202	-41%
Export			
Transit Connect	-	42.731	
Transit Courier	9.329	-	
Transit	31.131	63.421	-51%
Transit Custom	52.754	19.386	172%
Cargo	436	206	112%
All Other	139	194	-28%
Total Export	93.789	125.938	-26%
Total Wholesale Volume	123.414	176.140	-30%

Total Domestic Automotive Industry	302.680	396.694	-24%
Ford Otosan Retail Sales	30.376	50.541	-40%
Ford Otosan Market Share	10,0%	12,7%	-2,7 pps

Summary Balance Sheet, Million TL	30.06.2014	31.12.2013	% Change
Current Assets	2.593	2.443	6%
Current Liabilities	2.833	2.397	18%
Property, Plant and Equipment - Net	2.606	2.231	17%
Total Assets	6.678	5.991	11%
Total Liabilities	4.042	3.755	8%
Shareholders' Equity	2.636	2.237	18%

Financial Ratios		
	30.06.2014	31.12.2013
Current Ratio	0,92	1,02
Liquidity Ratio	0,57	0,71
Net Financial Debt / Tangible Net Worth	0,90	1,13
Current Assets / Total Assets	0,39	0,41
Current Liabilities / Total Liabilities	0,70	0,64
Total Liabilities / Total Liabilities and Equity	0,61	0,63
Return on Equity	26,8%	28,7%
	30.06.2014	30.06.2013
Gross Margin	9,1%	10,0%
EBITDA Margin	6,6%	7,9%
Operating Margin	4,0%	6,2%
Net Income Margin	6,8%	8,0%

Summary Cash Flow Statement, Million TL	30.06.2014	30.06.2013	% Change
Beginning Balance of Cash & Equivalents	238	302	-21%
Net Cash Generated from Operating Activities	598	740	-19%
Net Cash Used in Investing Activities	(461)	(624)	-26%
Net Cash Used in Financing Activities	(230)	(140)	64%
End of Period Balance of Cash & Equivalents	144	277	-48%

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