

## INTERIM REPORT

**Company Name** : FORD OTOMOTİV SANAYİ A.Ş.

**Report Period** : 01.01.2009 – 30.06.2009

**Board of Directors:** Rahmi M. Koç (Chairman),  
John Fleming (Vice Chairman),  
Bülent Bulgurlu,  
Y. Ali Koç (Audit Committee Member),  
A. İhsan İlkbahar,  
O. Turgay Durak  
C.B. Frank Lazzaro (Audit Committee Member),  
Ingvar M. Sviggum,  
Steven Adams,  
Michael R. Flewitt (General Manager)

**Auditors** : Mehmet Apak, Adnan Nas

### 1. Market

Turkish automotive market, which contracted by 40% in January and February, has gained some momentum thanks to the SCT reduction at the second half of March. Total domestic sales in the second quarter increased by 20% compared to the same period last year. Total industry volume in the first six months exceeded slightly last year level to 281,258 units (279,561)\*. The positive effect of SCT reduction has been observed mainly in small passenger cars and some light commercial vehicles, expanding these segments; however, the sharp decline in medium and heavy commercial vehicle sales continued since there was no effective tax advantage.

### 2. Market Shares

The availability problem in Ford Fiesta and Transit Connect model after SCT reduction caused significant market share losses in these segments in April. Although our market share recovered in the following two months by overcoming these issues, total market share remained at 13.2% (14.6%) at the first half. Another factor in this drop was the growth of passenger car segment which benefited most from the tax reduction, where we have a relatively low market share. Consequently, "Turkish Automotive Market Leadership" title which was held for the last seven years is now lost.

### 3. Production and Capacity

The capacity utilization rate that was 23% in the first three months increased to 55% in the second quarter thanks to the North America Connect exports and slight recovery in domestic sales. Total production volume decreased by 63% versus same period last year. In Kocaeli Plant; 36,194 Transit and 29,274 Connect were

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

manufactured. The total production volume is 65,978 units (176,994) including 510 Cargo Trucks in İnönü Plant.

#### **4. Export and Sales**

The export volume in the second quarter rose considerably compared to the first three months as a result of the inventory adjustments in European automotive market and North America shipments. 47,399 units (141,908) were exported in the first half of 2009 and the export sales revenue reached Euro 572 million (Euro 1,597 million). Total sales volume decreased by 54% to 84,126 units (183,336) including 36,727 vehicles (41,428) sold to domestic dealers. Parallel to the drop in sales volume, net sales revenue declined 46% compared to last year.

#### **5. Investments**

30.9 million TL (24.1 million TL) of capitalized expenditure was made in this period mainly related to new product projects. The investments for the prioritized projects will be maintained as planned in the future.

#### **6. R&D Activities**

38.2 million TL (50.5 million TL) of R&D expenditure was spent in the first six months for various product development projects. R&D Projects are carried out in line with the product programs.

#### **7. Personnel Figure**

As of 30 June 2009, the company has a total of 7,707 employees composed of 1,415 white-collar and 6,292 blue-collar workers. (31 December 2008: total of 8,164 employees composed of 1,507 white-collar and 6,657 blue-collar workers).

The blue-collar workers in our company are under the coverage of Collective Work Agreement signed on 05.12.2008 between Turkish Metals Union and MESS, effective as of 01.09.2008. This agreement is valid for two years and expires on 31.08.2010.

#### **8. Profitability**

The profitability of our company is improving by means of effective measures taken as well as the rise in capacity utilization rate, production and sales volume. As of June, Operating Profit is 140 million TL (414 million YTL) and Profit Before Tax is 142 million TL (420 million TL). The operating margin which was lower than 4% in the first quarter increased to 6% (10%) in this period. The profitability is expected to pick up further in the coming months as a result of the increase in sales volume.

#### **9. Financing**

The company repaid a total of Euro 45 million financial debt in the first six months of 2009 and borrowed Euro 67 Million. Consequently, total debt level became Euro 197 million (Euro 207 million) from Euro 175 million figure at the beginning of the year. 91 million TL is paid to shareholders as dividend in April. The improvement in the working capital due to reduction in inventory and other cash generating actions reflected positively on the cash flow and cash balance increased to 582 million TL (169 million TL) at the end of the period from 263 million TL at the end of last year. Hence, total cash went up above the sum of short and long-term financial debt.

The company continues to follow financial risks very closely and maintains prudent policies. The main policies regarding various risks are summarized in the Note 2.3.16 of financial statements. Moreover, additional information about the risks regarding financial instruments can be found in Note 27.

The SCT reduction in vehicles, which was prolonged till September 30 in a narrowed extent, is not expected to create positive effect on customers demand as much as the previous period. Taking into account the uncertainties in the last quarter of the year, the 2009 domestic market is forecast to shrink versus last year. On the other hand, the recovery signs in the foreign markets indicate that the export volume in the coming months will be higher than the first half figures.

**FORD OTOMOTİV SANAYİ A.Ş.**