# INTERIM REPORT

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

**Report Period** : **01.01.2009 – 31.03.2009**

**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

The economic crisis and recession that started in 2008 carries on in 2009 as well. Turkish automotive market which contracted by 40% in January and February, gained some momentum thanks to the SCT reduction at the second half of March; however, total domestic sales in the first three months decreased by 22% compared to the same period last year to 99,455 units (128,094)[•]. The positive effect of SCT reduction has been observed mainly in small passenger cars with engine size less than 1600cc and to some extent in the light commercial vehicles. The sharp decline in medium and heavy commercial vehicle sales continued.

## 2. Market Shares

Although company market leadership goes on, total market share decreased to 13.4% (15.2%). The main factors in this loss were the growth of passenger car segment to 69% (57%) in which Ford Otosan has 8.9% market share and availability problem in Transit Connect model before the new product is introduced to the market. After the issues in new Transit Connect are resolved, a rise in the market share is expected.

## 3. Production and Capacity

Significant cut in production programs were made in the first quarter of 2009 due to demand shrinkage in domestic and export markets as well as the accumulation in inventory. In this period, non-working days in our plants exceeded the work days and capacity utilization rate fell below 25%. Total production volume decreased by 78% versus same period last year. In Kocaeli Plant; 13,281 Transit and 6,333 Connect were manufactured. The total production volume is 19,798 units (89,102) including 184 Cargo Trucks in İnönü Plant.

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[•] The numbers shown in parentheses show the values corresponding to the same period previous year.

## 4. Export and Sales

Since the contraction in European automotive market affected our export operations quite adversely, only 17,608 units (72,435) were exported in the first quarter of 2009 and export sales revenue dropped to Euro 230 million (Euro 810 million). Total sales figure decreased by 68% to 29,846 units (92,448) including 12,238 vehicles (20,013) sold to domestic dealers. Paralel to the drop in sales volume, net sales revenue declined 58% compared to last year.

## 5. Investments

13.7 million TL (10 million TL) of capitalized expenditure was made in this period related to new products. The investments for the prioritized projects will be maintained as planned in the future.

## 6. R&D Activities

4.3 million TL (6.5 million TL) of R&D expenditure was spent in the first three months for various product development projects. R&D Projects are carried out in line with the product programs.

## 7. Personnel Figure

As of 31 March 2009, the company has a total of 7,927 employees composed of 1,476 white-collar and 6,451 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

In spite of the economic crisis, negative market conditions, extremely low capacity utilization rate and low production/sales volume; our company made profit in the first quarter of 2009 thanks to effective measures taken. 30 million TL (223 million YTL) Operating Profit and 36.7 million TL (239.6 million TL) Profit Before Tax was made as of March-end. The operating margin which was 11 % in the first quarter of 2008 dropped to 4% in this period. The profitability is expected to improve in the coming months as a result of the increase in production and sales volume.

## 9. Financing

The company repaid a total of Euro 15 million financial debt in the first three months of 2009 and borrowed Euro 25 Million and USD 20 Million in January. Consequently, total debt level went up to Euro 200 million (Euro 215 million) from Euro 175 million figure at the beginning of the year. 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 607 million TL (500 million TL) at the end of the period from 263 million TL at the end of last year. 91.2 million TL is paid to shareholders as dividend on April 2, 2009.

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.

The SCT reduction which will be in place till June 15 brought partial revival to the domestic market. The Transit Connect export sales to North America which will begin in May will reflect positively on export sales. In addition to these, slight recovery due to the inventory reduction in domestic and export markets towards the end of the year will enable the production and sales volume, as well as the capacity utilization rate, to increase and improve our profitability.

**FORD OTOMOTİV SANAYİ A.Ş.**