WE HAVE PIONEERED THE CREATION OF THE TURKISH AUTOMOTIVE MARKET AND ITS EXPORT DRIVE TOWARDS GLOBAL MARKETS, THUS REPRESENTING THE NATION IN THE WORLD ARENA WITH OUR EXCELLENCE IN PRODUCTION AND R&D…
23% Market share of Koç Holding Automotive Companies, which are industry leaders

3.5 BILLION TL Investments of Koç Holding Automotive Companies
Automotive

Koç Group maintained market leadership with a 23.4% share in the automotive sector, which contracted 10% in 2014.

Developments in the automotive sector in 2014
In 2014, unit sales in the Turkish automotive industry were 807 thousand, a decline of 10% compared to 2013. The factors behind the slowdown in sales were:

- Increasing interest rates,
- Rising vehicle prices due to fluctuations in foreign exchange,
- Increasing special consumption tax rates for passenger cars applicable as of 1 January 2014,
- Restrictions brought by the Banking Regulation and Supervision Agency (BRSA) on vehicle loans,
- High base year,
- Volatility in financial markets and low level of economic activity and consumer confidence before the elections in March.

However, there were positive developments in domestic demand in the second half of the year due to decreasing political uncertainties and a relatively positive economy. The contraction slowed down in the shrinking economy was observed in the 3rd quarter of the year. A monthly basis growth was recorded in light commercial vehicles as of September and in the medium commercial vehicles as of August. Growth was recorded in all segments in the last quarter of the year. There was intensive price competition in the sector throughout the year.

On the other hand, in the European light commercial vehicle market - Turkey’s largest export market - there was an 11% rise in sales volume according to the data announced by the European Automobile Manufacturers Association (ACEA). The bus market which expanded in 2013 as a result of Istanbul Metropolitan Municipality bids, in particular, and of other high quantity purchases of the municipalities, contracted in 2014 due to the fact that the purchases were almost completed. New Mayors, after local elections left behind 2014, completed the year relatively without making purchases due to adaptation period.

The trailer market grew with the impact of the increase in trailer (suitable for train loading) demand compared to previous year. However, uncertainties at the South East border had a negative impact on the market. There was growth in the light truck market compared to the previous year.

The approach of procuring armored and tactical vehicles from domestic resources continued in line with the strategy that gives priority to the national and domestic projects in the defense industry of our country.

Developments in the tractor market in 2014
As of 2014 Turkey is in the 4th position in the world tractor market that reached 1.5 million tractors. While the tractor market contracted all across the world in 2014, only in Turkey and North America was there an increase in the market. This situation offers significant opportunities to producers. According to Turkish Statistical Institute data, more than half a million of the 1.6 million tractors in Turkey have outdated technical specifications. This situation significantly increases the renewal potential of the tractor sector. If this potential is considered wisely, an important amount of productivity rise is expected in the agricultural sector in the upcoming period. In parallel to the increasing importance of industrial agriculture in global markets and in Turkey, Turkish tractor market is expected
to show rapid growth in the coming period. For this process to carry on properly, it is vital to expand the incentives for modern agriculture techniques and agricultural mechanization. In addition, it is anticipated that the export potential of the sector will surge with the compulsory implementation, in 2017, of international standards like the 4th generation emission value in the domestic market.

**Koç Holding Automotive Group**

Koç Holding maintained its leadership with a 23.4% share in the automotive market, which shrank by 10% in 2014. Ford Otosan became 3rd in the automotive market with an 11.6% market share while Tofaş was in the 4th place with an 11.4% market share.

2014 was a year of transition for Ford Otosan as it completed the investment program it started in 2010 and launched new products while increasing its production capacity. Due to the product transition, there was a temporary weakness in production, sales and export figures. However, sales gained momentum with the new generation Ford Transit introduced in March, and Ford Courier introduced in May. After it was launched in B-segment light commercial vehicles, Ford Courier became the bestselling vehicle of its segment every month in the June-December period.

Achieving 19% of Turkey’s total production in 2014 on its own, Tofaş exported about 142 thousand vehicles for the year. With the decision announced by the Company at the end of 2014, to make a US$ 520 million investment and manufacture hatchback and station wagon models, the new model projects’ total investment amounted to US$ 1.4 billion. Doblo’s export to North America also started up in 2014.

Otokar completed 2014 as the leading bus manufacturer of Turkey for the 5th time and maintained its position as Turkey’s leading manufacturer of land vehicles in the defense industry. In 2014, Otokar introduced “Doruk LE”, a bus suitable for the disabled, and Engelsiz Sultan Maxi, a wheelchair accessible shuttle type bus; and it also added the environment friendly buses with Euro 6 emission level to its portfolio of products. Being Turkey’s largest private capital company in the defense industry, Otokar was listed in the country’s inventory in 2014 with the URAL, a tactical armored vehicle that was developed in 2013. Preferred by more than 30 countries in the field of defense industry, Otokar added two new countries to this list in 2014.

With the 45,823 tractors manufactured in 2014, TürkTraktör broke a new record in its 60 year history. Structuring its activities in line with the goal of creating value added for the development of Turkey’s economy and agriculture, TürkTraktör opened a second plant in 2014 in Adapazarı Erenler. New production plants raised TürkTraktör’s production capacity for both domestic and international markets.
Automotive/Ford Otosan

Turkey’s trade powerhouse
Turkey’s youngest commercial vehicle range
Turkey’s automotive company with the largest production capacity
Export champion of the Turkish automotive sector

2014 was a year of transition in which Ford Otosan completed its investment program initiated in 2010, rolling out new products and expanding its production capacity. Owing to product renewals, however, there appeared a temporary weakness in production, sales and export figures. Nevertheless, the new generation Ford Transit was launched in March and Ford Courier in May, adding momentum to the sales performance. Ford Courier, following its launch, became the top selling car in the B segment light commercial vehicles from June to December.
Due to the rise in the foreign exchange rates in the first half of the year, passenger car sales were depressed.

In 2014, Ford Otosan ranked 3rd in the overall market, with a share of 11.6%. In commercial vehicles (excluding buses), the Company maintained its leadership with a 26.6% share.

Turkey’s youngest commercial vehicle range
The first version of the new generation Transit was released to the market in March, and the product range was completed with the phases launched in April and October. Ford Courier was commercialized in May, following a successful 40-month period of engineering, prototyping, as well as factory construction, and manufacturing. The entire engineering responsibility of Courier, Ford’s first light commercial vehicle on the B platform, rests with Ford Otosan.

Automotive company with the largest production capacity in Turkey
Total investment expenditures reached US$ 370 million in 2014. As part of Ford Otosan’s ambitious investment program of US$ 1.4 billion, the Yeniköy Plant, constructed within a record time of 16 months and opened on May 22, has a high-level technology used for the first time in the Ford network. The Yeniköy Plant with an annual production capacity of 110,000 units will be Ford Courier’s sole manufacturing center. With the completion of the investment, total capacity rose to 400,000 units at the Kocaeli plant and to 15,000 units at the İnönü Plant.

Export champion of the Turkish automotive sector
Despite a fall in the export volume owing to product transitions, Ford Custom’s superior success helped Ford Otosan reach an export figure of US$ 3.2 billion in 2014 and become the export champion of the sector for the fourth time in a row, reinforcing its position as net exporter.

Ford’s global engineering center for heavy commercial vehicles and related diesel engines and engine systems
Ford Otosan, which is Ford’s global engineering center for heavy commercial vehicles and related diesel engine and engine systems, is also a support center for light commercial vehicle design and engineering. Gölcük Engineering Center focuses on engines and vehicle tests. Ford Otosan’s technology and R&D center in Sancaktepe, the largest in the Turkish automotive sector, was established with a total investment of TL 60 million. The center works on the development of engines and engine systems. Sancaktepe R&D Center was certified by the Ministry of Science, Industry and Technology, becoming Ford Otosan’s second R&D Center.

Gölcük R&D Center - Exhaust Emission Systems Test Center
The Exhaust Emissions Systems Test Center, which opened its doors at Ford Otosan’s Gölcük R&D Center, is Ford’s first facilities in the world delivering this type of service.

İnönü Engine Test Center
Ford Otosan’s second Engine Test Center is the only such facilities in Turkey which can carry out tests for engines with a capacity of more than 13 liters.

Ford Otosan exporting technology to China
Ford Otosan signed an agreement with China’s Jiangling Motors Corporation Ltd. (JMC) to have its patented Ecotorq engines manufactured in China, the world’s largest truck market, for use in JMC vehicles. Ford Otosan thereby recorded another first for Turkey by exporting technology to China. In July 2014, a technology licensing agreement was signed with the same company for chassis, cabin and spare parts of the current trucks.

Truck manufacturing agreement with Avtotor in Russia
Ford Otosan signed a Memorandum of Understanding with Avtotor Holding to assemble trucks and tractors, manufactured at the İnönü Factory, in Russia.

Ford Otosan, with its 55 years history, is a technology company, having a perfect business model with vehicle and engine manufacturing capability, high engineering competency, competitive R&D organization and experience in exporting engineering. The Company continues to raise its level through new projects and investments. Following 2014, designated as the “Year of Commercial Vehicle,” Ford Otosan declared 2015 as the “Year of Automobiles” and plans to make ambitious leaps in all models, starting with the launch of the new Focus in November.
Automotive/Tofaş

Major investments in the Turkish automotive sector
Light commercial vehicle market leader in Turkey
Producer of Doblo, Turkey’s bestselling light commercial vehicle
The only Turkish company to produce both passenger cars and light commercial vehicles

Significant share in overall Turkish production
In 2014, Tofaş accounted for 19% of the total production in Turkey with a volume of 222,807 vehicles. The Company exported 142 thousand vehicles during the year. Posting sales of TL 7,440 million, export revenue of US$ 1,979 million, and foreign surplus of US$ 367 million, the Company continued to create value added for the national economy.
Investing in new models
With Tofaş’s new US$ 520 million investment project for manufacturing hatchback and station wagon models announced at year-end 2014, the Company’s total investment reached US$ 1.4 billion. Also, Doblo started being exported to North America.

Leader of light commercial vehicles in the domestic market
In 2014, Tofaş brands reached a total market share of 12% in the Turkish auto market.

Tofaş is the leader of the domestic light commercial vehicle market with its Fiat brand, reaching a market share of 27.5%. The Company ranks 3rd in the total passenger car and light commercial vehicles market with a market share of 11.6% and 89,128 unit sales.

During the year, Tofaş launched 500L Living of the Fiat 500 family with a seating capacity of up to seven individuals, as well as Fiat 500L Beat Edition, Fiat 500 GQ series, Fiat Freemont’s new version Freemont Cross and Panda’s SUV vehicle Panda Cross. Fiat launched the 6th generation of its top selling commercial vehicle model, Ducato.

The total sales figures of the Jeep brand doubled over the previous year, while Maserati became the fastest growing automobile brand. New Cherokee, the medium SUV model of the Jeep brand, and Renegade, its first model in the small SUV segment were introduced to the Turkish market, while Ferrari’s new model California T started being delivered to customers in Turkey.

Main awards and successes
- The only Turkish company in the A List of the Climate Performance Leadership Index 2014 announced by the Carbon Disclosure Project,
- 2nd prize in the “İnovaLig Innovation Champions” organized by Turkish Exporters Assembly with support from The Ministry of Economy,
- The only automotive firm in the BIST Sustainability Index,
- A Corporate Governance Rating of 9.01,
- Tofaş Human Resources received an “Achievement Award” for the best practice at PERYÖN Human Management Awards in the category of “Performance Management,”
- In the Automobile Distributors Association’s Gladiators of the Year Awards:
  » Fiat Doblo, “Top Selling Light Commercial Vehicle” in 2014,
  » Fiat, “Top Selling Light Commercial Vehicle Brand,”
  » Maserati, “Fastest Growing Automobile Brand,”
  » New Fiat Ducato, “Chorus of the Regretful” Best TV Commercial of the Year,
  » Jeep, “Best Newspaper Commercial of the Year.”

2015 and beyond
In 2015, Tofaş will focus on projects for new models. In the first quarter, a revamped Fiat Doblo will be launched in the Turkish market, and in the final quarter, a new passenger car will start being manufactured. New product investments will add momentum to Tofaş’s production and exports, while their employment and export potential will make a positive contribution to the national economy.

KOÇ FIAT KREDİ
KOÇ Fiat Kredi provides consumer financing for the brands sold via Tofaş. The Company provided loans of TL 1,146 million for 39 thousand vehicles in 2014, thereby financing 64% of Tofaş’s retail sales. Its loan portfolio totaled TL 1,316 million in 2014.

KOÇ Fiat Kredi financed its lending by issuing securities with a total nominal value of TL 405 million, of which TL 215 million was obtained by security issuance.
New record in tractor production
According to TÜİK’s traffic records for 2014, 59,458 tractors were sold in the Turkish market, corresponding to a 14% increase over the same period in 2013. In 2014, TürkTraktör sold 30,027 tractors in the domestic market and 15,866 tractors overseas. By realizing a total production of 45,823 units, TürkTraktör broke yet another record in its 60-year history. The reasons for the growth of the Turkish tractor market include high agricultural prices despite the fall in production due to adverse weather conditions, access to favorable credit conditions for financing retail sales, and the launch of numerous new tractor models. In addition, grant supports from Instrument for Pre-Accession Assistance in Rural Development (IPARD) also played a key role.
**New products**

The New Holland TR6 Series, which harbors great future potential for export, was released to the Turkish market in May 2014 as Turkey’s biggest domestic tractor with the models TR6.120, TR6.130 and TR6.140.

The tractor of choice among medium- and large-scale enterprises, New Holland T5 Electro Command Series was introduced in two engine options, 105 HP and 114 HP.

Designed to meet the needs of upper medium- and large-scale customers, T6 Auto CommandTM Series comes in three versions, with engines ranging from 110 HP to 131 HP.

In addition to gears which make life easier for the farmer, the TDD Delta Series has been released to the market with four power options in compliance with the Tier III norm. These environmental-friendly tractors are budget-friendly as well.

The new T480S has been manufactured at TürkTraktör factories and features a three-cylinder domestic engine with turbo feed line. This 48 HP engine generates high torque power, which leads to low fuel consumption as well as the capacity to deliver a wide range of tasks. Its 2WD models feature eight forward and two reverse gears, and 4WD models have eight forward and eight reverse gears. T480S is equipped with a fortified domestic transmission system, which maximizes the harmony between the engine and transmission.

Complete with new body and specially designed ergonomic control levers, the new platform of the TD4B Orchard Series has breathed new life into its segment.

The tower-type orchard atomizer New Holland SA2002 HSB, has been included in the product range in 2014 to ensure more efficient agricultural spraying in fruit orchards.

**Investments**

In line with its goal to generate added value for the development of the Turkish economy and agriculture, TürkTraktör laid the foundations of the Adapazarı Erenler Factory in 2014. The new factory has increased the manufacturing capacity for local and export markets. TürkTraktör shall continue to contribute to the Turkish economy with the 60-year manufacturing know-how and R&D expertise gained at its Ankara Facilities and with the vast export capacity of the Erenler Factory, bolstered by CNHI’s international sales and marketing network.

**Achievements and awards**

Respected Turkish research, industrial and commercial institutions have honored TürkTraktör with numerous awards, underlining the Company’s achievements.

New Holland TTJ Series, which was developed domestically by Turkish engineers and workers to service orchards and vineyards, garnered one of the most prestigious awards of the worldwide agricultural industry, namely “Tractor of the Year 2015.” The TTJ Series was shipped to export markets in June 2014 and its success in the global market is a major achievement for the Company.

TürkTraktör also received the first prize in the automotive category of the 3rd Private Sector R&D Centers Summit organized by Ministry of Science, Industry and Technology of Turkey, leaving behind a large number of domestic R&D centers.

**2015 and beyond**

In due consideration of Turkish agricultural policies and developments in the tractor sector, the Company plans to manufacture more advanced, efficient, user-friendly and ergonomic tractors with a higher horse power featuring more enhanced electronic and hydraulic systems, and to focus on cost cutting initiatives.
Automotive/Otokar

Turkey’s first electrical bus manufacturer
Prime contractor to develop Turkey’s main battle tank
Top brand in the 25-plus passenger bus segment for 5 consecutive years

Otokar closed the year 2014 as Turkey’s top bus manufacturer for the 5th time; the Company also preserved its position as a leading land vehicles manufacturer for the defense industry.

Otokar posted a turnover of TL 1,232 million in 2014 and exports of US$ 108 million. Owing to the effect of major tenders with large volumes, Otokar had increased its growth rate to 40% in 2013. However, in 2014 changes in market conditions led to a contraction of 7%.

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Otokar maintained its leadership in the shrinking bus market for the fifth time. In 2014, 2 out of 5 buses sold in Turkey carried the Otokar brand. The same year, the Company churned out its 15,000th Sultan-branded small bus. The Company also released its 10-meter inner-city bus Doruk LE suitable for disabled passengers, and its service type bus Engelsiz Sultan Maxi which can carry up to seven individuals with wheelchairs. As per changing regulations in the European market, eco-friendly buses in compliance with Euro 6 emission standards were included in the product range.

Active in the light truck market since June 2013 with its 8.5-ton Otokar Atlas truck, the Company organized two roadshows and successfully promoted its products across Anatolia. In 2014, sales figures headed up, and the 500th truck was manufactured.

In the expanding trailer market, Otokar significantly increased its sales figures. In particular, its “tarpaulin trailer suitable for train transport” and “maxi section tanker semi-trailer” models drew much attention in the market.

As Turkey’s largest private defense industry company, Otokar preserved its position as the leading land vehicle manufacturer in 2014. The URAL tactical wheeled armored vehicle, developed and commercialized in 2013 entered the national inventory in 2014. Already the choice of over 30 countries in the defense industry, Otokar included two more countries to this list in 2014.

As for ALTAY, Turkey’s main battle tank project, Otokar continued to perform tests in line with the scheduled timeline and completed the manufacturing of the last two prototypes.

**Awards**

Otokar received the 3rd place prize at the Istanbul Chamber of Industry’s Environment and Energy Awards, in the category of “Large Scale Enterprise Environment and Sustainability Management.”


Designated as Turkey’s most successful R&D center in the automotive sector in 2013, Otokar’s Electromagnetic Compatibility Test Center has received accreditation. The center can now offer certification of electromagnetic compatibility for the automotive and defense industries. Continuing to invest in R&D in 2014, the Company put Turkey’s first electric bus, Doruk Electra, to service at three universities, in order to introduce students to the latest technologies and informed the youth about Otokar’s R&D capabilities.

**2015 and beyond**

Otokar foresees that the bus market is set to grow after the general elections in June 2015, and estimates that the municipal bus market will embark on an upward trend. Keen on preserving its leadership in the bus market, the Company will also strive to increase its share in the light truck segment. Otokar will continue to introduce its new defense industry products, primarily for export markets.
Automotive/Otokoç Otomotiv

Long-established history that has added value to the Turkish automotive sector since 1928
Market leader for 40 years with Turkey’s first car rental company AVIS
Only company to provide car rental services ranging from 1 hour to 47 months

Leading the Turkish automotive retailing and car-rental markets
Otokoç Otomotiv operates under the Otokoç, Birmot, Avis, Budget and Otokoç Sigorta (Insurance) brands at 169 locations. The Company provides sales and after-sales services for Ford, Ford Trucks and Volvo under the Otokoç brand and for Fiat, Alfa Romeo, Lancia and Jeep under the Birmot brand.

Otokoç Otomotiv accounted for 32% of Ford retail sales in Turkey in 2014, 32% of Fiat, 42% of Alfa Romeo, Lancia and Jeep, and 47% of Volvo. The Company has an 8% share in the overall market, with 62 thousand vehicle sales. As for second-hand vehicle sales, the Company became the market leader among corporate brands with a sales figure of 20 thousand units. In short-term car rentals, Avis increased its turnover by 24% and Budget by 36%. In operational leasing, the Company’s turnover grew by a remarkable 28% and its fleet reached 20,764 cars. In the car rental business, the Company started to operate in Kazakhstan as the third international investment, after Azerbaijan and Northern Iraq.

Otokoç’s Ford Trucks Plaza investment in Istanbul Sultanbeyli opened in the final quarter of the year. The dual dealership in Kütahya was completed for Ford and Fiat brand vehicles. Otokoç Ankara moved to its new facilities. The dual dealership in İstinye, which sells Ford, Fiat and Volvo brand vehicles, reached the premium dealership standards. Additionally, the showroom and service sections of Otokoç Tarsus were doubled in area. The number of Avis offices has reached 86 and that of Budget has risen to 47.

Otokoç Otomotiv increased its investment by 25% over the previous year to TL 939 million, of which TL 901 million was for vehicle park. Its turnover grew by 13% to attain TL 3.5 billion.

Celebrating its 40th anniversary in 2014, Avis Turkey won for the fifth time Skal International’s “Best Car Rental Company” award and was deemed worthy of a “Superior Achievement Award” by ABG Group. Having risen to 2nd position in the sector in 2014, Budget Turkey was honored by ABG Group with the “Licensee of the Year” award for the second time in five years. ABG Group’s annual EMEA licensee meeting is organized by Avis and Budget Turkey in Istanbul, for both brands together for the first time, hosting representatives of 110 countries.
2015 and beyond

Otokoç Otomotiv plans to invest in expanding its service network and to renovate existing facilities. As for the Portfolio Management project initiated in 2014 at Otokoç and Birmot, the Loyalty Program will be put in place in 2015 so as to develop loyalty cards and manage customer relations under a single roof. The Company plans to restructure and grow its second-hand sales business. Avis has ambitions to grow 29% to outpace the market average and reinforce its leadership. Likewise Budget, the second in the market, targets 36% growth to strengthen its position. At end-2014, the Company also entered the nascent car sharing sector with its brand “Zipcar”. The scope of “Zipcar” operations will be expanded and the sector is expected to take shape in 2015.

In car rentals, utilizing opportunities abroad is seen as a key part of the growth strategy. Furthermore, in 2015, the Company is aiming to launch a new car rental brand.

In 2015, investments will grow 29% to TL 1,167 million, of which TL 1,145 million will be dedicated to car renewal and new car purchases (22,226 units).