

Evaluations on BMC A.Ş.

BMC was established in 1964 in İzmir with participation of the Özakat family combined with the technology of the English BMC Leyland Group in order to manufacture trucks, tractors, heavy and light commercial vehicles. In the early years, Austin and Morris-branded commercial vehicles were manufactured. BMC's domestic capital, which initially was at the rate of 74%, increased over the years and reached 100% in 1989 as a result of the acquisition by the Çukurova Group.

Having contributed to the development of the Turkish automotive sector since it started its manufacturing in 1966, BMC manufactured its first diesel engine in Turkey and adapted petrol engines to diesel engines in 1976. In addition to motor vehicles, BMC also manufactured industrial engines, generators, marine engines and military products required by the industry.

BMC is a company that exists in the automotive sector as an OEM (Original Equipment Manufacturer) and has the capability to manufacture trucks, buses, light commercial vehicles, and armored vehicles for the defense industry as well as casting parts and engines at two individual facilities. It has human resources with the capacity to create original designs and to develop new models thanks to R&D activities. The facility also has a training center and an apprenticeship school, both of which provide qualified manpower. The sales, marketing and after-sales services relating to the manufactured products are carried out in all operational markets using distribution channels and services authorized by BMC.

At the facility, which is unproblematic in terms of machinery, equipment, human resources and market, manufacturing was interrupted in February of 2013 due to the financial problems.

In line with its customers' demands, BMC has flexibility to manufacture vehicles in compliance with recent EU regulations. BMC carries out manufacturing processes within the framework of certificates listed below:

- Quality System Certificate ISO 9000,
- Industrial Quality Insurance Certificate AQAP-2110
- Environmental Management System Certificate BS EN ISO 14001:2004,
- Manufacturing License by the Ministry of National Defense,

- NATO Facility Security Clearance Certificate at the Classified Level as National "Secret",
- Supplier for NAMSA (NATO Maintenance and Supply Agency),
- Certificate of Competency for After-Sales Services.

Table 1 Manufacturing at BMC by Vehicle Types

| Years | Truck | | Bus | | Kirpi (Hedgehog) | | LCV | | Total | |
|-------|--------|------|--------|------|---------------------|------|--------|------|--------|------|
| | Number | CUR% | Number | CUR% | Number | CUR% | Number | CUR% | Number | CUR% |
| 2000 | 4,809 | 48 | 552 | 31 | - | - | 6,158 | 75 | 11,519 | 58 |
| 2001 | 1,349 | 13 | 57 | 3 | - | - | 2,025 | 25 | 3,431 | 17 |
| 2002 | 2,120 | 21 | 111 | 6 | - | - | 2,105 | 26 | 4,336 | 22 |
| 2003 | 4,258 | 43 | 533 | 30 | - | - | 4,198 | 51 | 8,989 | 45 |
| 2004 | 7,159 | 72 | 882 | 49 | - | - | 4,958 | 60 | 12,999 | 65 |
| 2005 | 6,480 | 65 | 683 | 38 | - | - | 5,509 | 67 | 12,672 | 63 |
| 2006 | 7,197 | 72 | 565 | 31 | 1 | | 4,762 | 58 | 12,525 | 63 |
| 2007 | 5,381 | 54 | 941 | 52 | 1 | | 3,687 | 45 | 10,010 | 50 |
| 2008 | 4,154 | 42 | 1,108 | 62 | 1 | | 1,913 | 23 | 7,176 | 36 |
| 2009 | 1,542 | 15 | 551 | 31 | 0 | | 384 | 5 | 2,477 | 12 |
| 2010 | 2,731 | 27 | 504 | 28 | 40 | 8 | 756 | 9 | 4,031 | 20 |
| 2011 | 2,684 | 27 | 505 | 28 | 186 | 39 | 428 | 5 | 3,803 | 19 |
| 2012 | 528 | 5 | 155 | 9 | 61 | 13 | 133 | 2 | 877 | 4 |

Resource: BMC

BMC manufactured an average of 4,155 trucks and 582 buses during the 12-year period between 2000-2011. Based on the estimates and excluding 2001 and 2009 in which economic crises were experienced, an average of 4,697 trucks and 638 buses were manufactured. Based on the estimates and excluding the years of economic crisis and 2010 and 2011, in which the Company went through a financial crisis, an average of 5,195 trucks and 672 buses were manufactured.

If we look at the manufacturing capacity of BMC, the manufacture of light commercial vehicles (LCV's) seems to be decreasing gradually. The interviewed company executives also stated the manufacture of light commercial vehicles would be discontinued due to

intense competition and high manufacturing costs. Thus, the manufacturing of LCV's is not taken into consideration in the assessment.

The facility is capable of manufacturing engines in compliance with Euro-1 and Euro-2. Turkey switched to the norm Euro-4 as of January 2009. In EU member nations where the norm Euro-5 was already in use since September 2009, the norm Euro-6 shall be applicable in August 2014. Accordingly, it is assumed that the foundry and the engine manufacturing division shall only be operational for the supply of spare parts if necessary to supply spare parts for the vehicles manufactured earlier.

Additionally, BMC manufactures tactical wheeled vehicles (TWV's) and armored vehicles for the defense industry. BMC delivered 403 units of 10 ton TWV's and 282 units of 5 ton TWV's within the scope of tenders on which an agreement was entered into in March 2009, but 105 units out of 706 units of 2.5 ton TWV's and 175 units out of 468 units of armored vehicles have not yet been delivered. The Undersecretariat for Defense Industries imposed penal sanctions for the vehicles which could not be delivered in due time.

BMC achieved 21% of Turkey's truck manufacturing capacity, which was 47,418 units in 2012, and 20% of Turkey's bus manufacturing capacity, which was 8,980 units in the same year. The share of truck and bus manufacturing by BMC in the Turkish manufacturing is provided below. During the years between 2000 and 2011, BMC accomplished an annual average of 16% of truck manufacturing in Turkey and an annual average of 10% of bus manufacturing in Turkey.

Table 2 Share of Manufacturing by BMC in the Turkish Manufacturing

| Years | BMC's Share (%) | |
|-------|-----------------|------|
| | Truck | Bus |
| 2000 | 17.0 | 13.1 |
| 2001 | 20.2 | 2.3 |
| 2002 | 17.2 | 4.1 |
| 2003 | 22.4 | 11.9 |
| 2004 | 22.5 | 18.2 |
| 2005 | 17.4 | 12.6 |
| 2006 | 19.4 | 9.4 |
| 2007 | 15.6 | 13.5 |
| 2008 | 11.3 | 14.7 |
| 2009 | 18.7 | 9.3 |

| | | |
|------|------|-----|
| 2010 | 11.5 | 9.6 |
| 2011 | 7.2 | 7.3 |
| 2012 | 1.8 | 2.4 |

BMC exported 10% - 39% of its products on the unit basis by years.

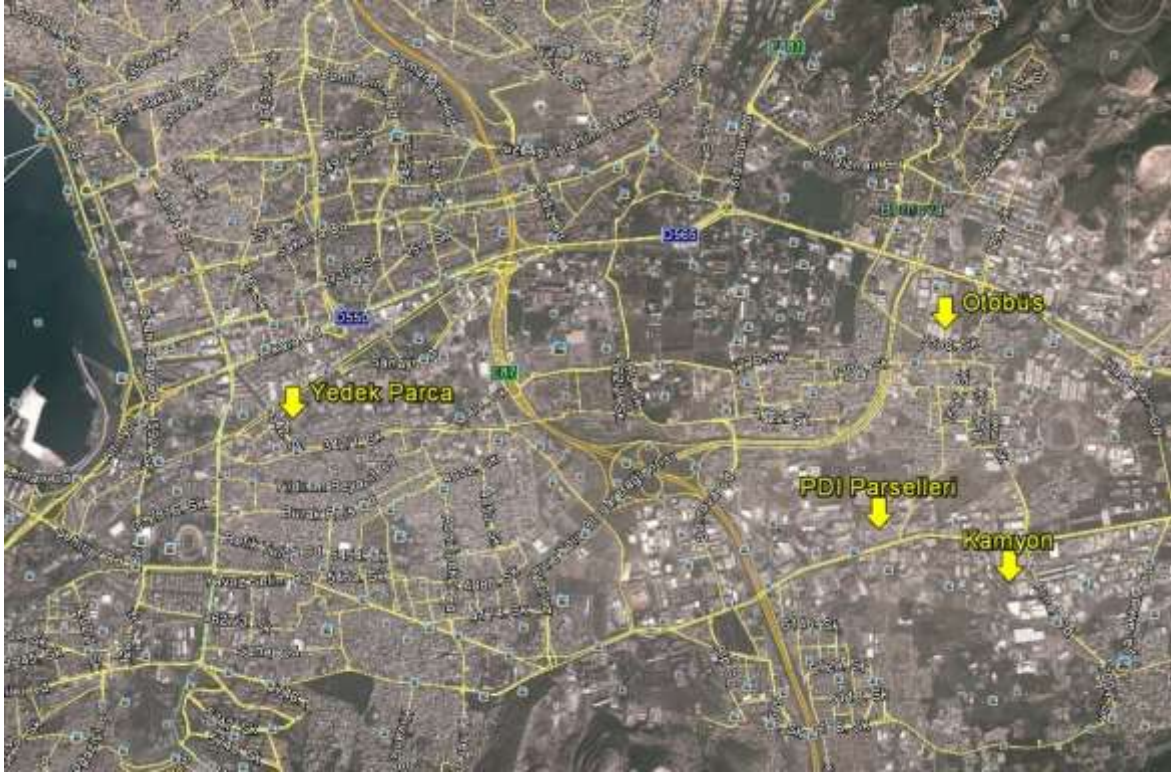
Table 3 BMC Vehicle Export

| Years | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------------|--------|--------|--------|--------|---------|---------|--------|--------|--------|--------|
| Export (units) | 463 | 882 | 1,146 | 712 | 1,524 | 1,189 | 582 | 423 | 389 | 341 |
| Share of Manufacturing (%) | 5 | 7 | 9 | 6 | 15 | 17 | 23 | 10 | 10 | 39 |
| Export Amount (\$ Thousand) | 22,579 | 53,202 | 78,668 | 68,671 | 124,438 | 123,155 | 55,471 | 51,542 | 49,839 | 26,282 |

Resource: OSD, BMC, ISO

BMC's share in the total vehicle park is 1.5%. Shares of the brands in the truck park, which is the main park in BMC's manufacturing: 18% Mercedes, 17.3% Ford, 12.6% BMC, 8.6% Isuzu and 6.3% Iveco. The bus park consists of vehicles with the following brands and shares: 19.8% Mercedes, 12.4% Iveco, 10% Peugeot, 9.2% Isuzu and 3% BMC. 2.7% of total pickup truck park and 2.2% of minibus park consist of BMC brand vehicles.

BMC Sanayi ve T.A.Ş. has an indoor area of approximately 122,770 m² on various premises located in the province İzmir.



Picture 1 Facilities owned by BMC Sanayi ve Ticaret A.Ş.



Picture 2 Main Factory Buildings



Picture 3 Satellite Image of Bus Manufacturing Building



Picture 4 Bus Assembly Line 1



Picture 5 Bus Assembly Line 2



Picture 6 Bus Assembly Line 3



Picture 7 Heavy Commercial Vehicle Assembly Line



Picture 8 Press Workshop



Picture 9 Heavy Commercial Vehicle Axles



Picture 10 Heavy Tonnage Press Machines



Picture 11 Machining Manufacturing Workshop



Picture 12 Casting Induction Furnace



Picture 13 Light Commercial Vehicle (LCV) Assembly Line



Picture 14 Storage Area for Finished Products



Picture 14 Manufacturing Division for Armored Vehicle Kirpi (Hedgehog)



Picture 15 Finished Kirpi (Hedgehog)