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Ford Promises to Support Russian Joint Venture

By The Moscow Times

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U.S. auto maker Ford Motor Co. said on Friday it had taken control of its Russian venture with Russian car company Sollers and would provide it with additional financial support.

The move comes as the Ford-Sollers venture recorded a 2014 net loss of 5.5 billion rubles ($107 million), hit by a slump in sales because of a drop in the ruble and a downturn in the economy.

Car sales in Russia fell sharply last year as demand faltered after Western sanctions over Moscow's role in the Ukraine crisis and lower oil prices caused ruble weakness.

Ford said it was taking control through the acquisition of preferred shares in the venture and would provide additional funding for the business.

"Both partners will continue to work jointly to improve the business outlook for the Ford-Sollers joint venture by expanding its vehicle line-up to better meet the needs of Russian

customers," Ford said in a statement.

Ford's equity stake in Ford-Sollers, which is responsible for local production, sales and imports of Ford cars in Russia, remains unchanged at 50 percent but the U.S. company will have future rights to buy out Sollers from the venture.

Sollers said its stake was worth no less than an estimated $135 million. The companies did not disclose the financial details of the transaction in preferred shares.

Ford said it had consolidated the joint venture for financial reporting purposes effective March 31, 2015 when the changes were agreed. It said there would be no impact on its first-quarter earnings or full-year guidance for its European operations.

Sollers said earlier on Friday that losses at the joint venture resulted in a 2014 net loss of 3.7 billion rubles ($72 million) compared with a net profit of 3.6 billion in 2013.

Stripping out Ford-Sollers' results, the auto maker would have made a net profit of 1.7 billion rubles, it said.

Russia's car sales decline has continued this year, with March sales down 42.5 percent, according to the Association of European Businesses (AEB), which expects the market to fall by around 24 percent in 2015.

Sales of Ford cars fell 73 percent to 1,848 in March, to be down 71 percent in the first quarter compared to a year ago, according to the figures from the AEB.

Sollers also has joint ventures with Japanese car makers Mazda, Toyota and Isuzu and a partnership with South Korea's SsangYong.

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