

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 30 SEPTEMBER 2022**

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2022

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FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF FINANCIAL POSITION AS AT 31 September 2022 AND 30 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		Current period Not audited	Previous period audited
	Notes	30 September 2022	31 December 2021
Summary Consolidated Assets			
Current assets		47,980,331	32,813,852
Cash and cash equivalents		7,253,086	14,173,931
Trade receivables			
- Due from related parties	22	16,475,394	7,914,177
- Due from third parties	7	5,377,513	3,492,571
Other receivables			
- Due from related parties	22	144,418	-
- Due from third parties		146,343	820
Inventories	8	15,286,257	5,269,306
Prepaid expenses	11	671,434	303,696
Other current assets		2,554,393	1,659,351
Current period tax related assets	20	71,493	-
Non-current assets		31,744,196	9,979,001
Financial investments	5	79,270	49,913
Trade receivables			
- Due from third parties	7	19,915	37,579
Other receivables			
- Due from related parties	22	1,076,075	-
Property, plant and equipment	9	15,622,450	5,149,083
Intangible assets			
- Other Intangible assets	10	5,896,636	1,486,777
- Goodwill		539,764	-
Right of use assets		90,198	68,767
Prepaid expenses	11	5,880,723	1,421,793
Deferred tax assets	20	2,199,730	1,715,971
Investments in subsidiaries, joint ventures and affiliated companies		14,834	12,959
Derivative financial instruments		324,601	36,159
Total Assets		79,724,527	42,792,853

Summary consolidated Financial statements for the period ended 1 January - 30 September 2022 were approved for issue by the Board of Directors on 2 November 2022. Financial statements will be finalized after the approval at the General Assembly.

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022 AND 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		Current period Not audited 30 September 2022	Previous period audited 31 December 2021
	Notes		
Summary Consolidated Liabilities			
Current liabilities		41,489,116	20,782,144
Short-term borrowings			
- Bank borrowings	6	10,206,042	4,473,375
Short-term portion of long-term borrowings			
- Bank borrowings	6	3,359,989	3,733,404
- Lease liabilities	6	57,404	50,140
Trade payables			
- Due to related parties	22	11,596,298	2,106,450
- Due to third parties	7	14,173,313	9,272,218
Other payables			
- Due to related parties	22	-	38,246
- Due to third parties		583,060	220,755
Deferred income		118,967	64,730
Short-term provisions			
- Other short-term provisions	12	490,279	390,161
Employee benefit liabilities		903,764	419,560
Current tax liabilities	20	-	13,105
Non-current liabilities		22,596,242	11,862,171
Long-term borrowings			
- Bank borrowings	6	14,886,553	10,749,405
- Lease liabilities	6	61,397	49,903
- Other long-term provisions	6	5,720,592	-
Long-term provisions			
- Provision for employment termination benefits		931,280	568,497
- Other long-term provisions	12	587,657	416,018
Deferred income		400,413	63,183
Other non-current liabilities		8,350	14,129
Derivative financial liabilities		-	1,036
Equity	14	15,639,169	10,148,538
Paid-in capital		350,910	350,910
Inflation adjustments on capital		27,920	27,920
Share premium		8	8
Other comprehensive income/(loss) not to be reclassified under profit or loss			
- Losses on remeasurements of defined benefit plans		(265,530)	(125,723)
- Gains from financial assets measured at fair value through other comprehensive income		74,378	46,489
Other comprehensive income/(loss) to be reclassified in profit or loss			
- Exchange Differences on Translation		230,249	-
- Losses on cash flow hedges		(3,579,274)	(3,191,233)
Restricted reserves		1,220,744	766,316
Retained earnings		7,257,593	3,472,846
Net profit for the period		10,322,171	8,801,005
Total liabilities and equity		79,724,527	42,792,853

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF PROFIT OR LOSS FOR THE PERIODS ENDED 30 SEPTEMBER 2022 AND 2021

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Not audited 1 January 2022 - 30 September 2022	Not audited 1 July 2022 - 30 September 2022	Not audited 1 January 2021 - 30 September 2021	Not audited 1 July 2021 - 30 September 2021
Summary consolidated Continuing operations					
Revenue	15	110,857,477	50,127,391	45,657,489	18,870,745
Cost of sales	15	(96,297,973)	(44,440,293)	(39,753,193)	(16,551,730)
Gross profit		14,559,504	5,687,098	5,904,296	2,319,015
Marketing expenses		(1,691,843)	(606,218)	(680,577)	(238,918)
General administrative expenses		(1,206,535)	(537,148)	(473,497)	(164,237)
Research and development expenses		(939,048)	(357,362)	(416,271)	(141,955)
Other income from operating activities	17	1,901,721	497,049	830,503	228,707
Other expenses from operating activities	17	(1,207,631)	(436,461)	(574,658)	(215,056)
Profit from operating activities		11,416,168	4,246,958	4,589,796	1,787,556
Income from investing activities		13,030	7,833	2,464	-
Expenses from investing activities		(22,042)	(4,779)	(34,714)	(33,248)
Operating income before financial income/(expense)		11,407,156	4,250,012	4,557,546	1,754,308
Financial income	18	5,943,385	1,429,083	2,414,607	1,135,193
Financial expenses	19	(8,079,360)	(2,064,066)	(2,277,231)	(987,104)
Profit from continuing operations before tax		9,271,181	3,615,029	4,694,922	1,902,397
Tax income/(expense) from continuing operations		1,050,990	201,161	15,839	(10,213)
- Tax expenses for the period	20	(73,503)	(22,742)	(45,112)	(19,183)
- Deferred tax (expense)/income	20	1,124,493	223,903	60,951	8,970
Net profit		10,322,171	3,816,190	4,710,761	1,892,184
Earnings per share with a nominal value Kr	21	29.42 Kr	10.88 Kr	13.42 Kr	5.39 Kr

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 SEPTEMBER 2022 AND 2021

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Not audited 1 January 2022 - 30 September 2022	Not audited 1 July 2022 - 30 September 2022	Not audited 1 January 2021 - 30 September 2021	Not audite 1 July 2021 - 30 September 2021
Summary consolidated Net profit		10,322,171	3,816,190	4,710,761	1,892,184
Other comprehensive income/(expense)					
Other comprehensive income not to be reclassified to profit or loss					
Gains/(losses) on remeasurements of defined benefit plans	14	(174,759)	(21,786)	(22,081)	(5,564)
Gains/(losses) from financial assets measured at fair value through other comprehensive income	14	29,357	19,501	478	6,158
Other comprehensive income taxes not to be reclassified to profit or loss					
Taxes relating to remeasurements of defined benefit plans	14	34,952	4,357	4,416	1,113
Taxes relating to gains/(losses) from financial assets measured at fair value through other comprehensive income	14	(1,468)	(975)	(24)	(308)
Other comprehensive income to be reclassified to profit or loss					
Exchange Differences on Translation	14	230,249	230,249	-	-
Other comprehensive income relating to cash flow hedges	14	(422,469)	(77,926)	(286,467)	172,535
Other comprehensive income taxes to be reclassified to profit or loss					
Taxes relating to cash flow hedges	14	34,428	960	64,531	(37,597)
Other comprehensive (loss)		(269,710)	154,380	(239,147)	136,337
Total comprehensive income		10,052,461	3,970,570	4,471,614	2,028,521

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 30 SEPTEMBER 2022 AND 2021

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Paid in capital	Inflation adjustments on capital	Share premium	Other comprehensive income not to be reclassified in profit or loss	Other comprehensive income to be reclassified in profit or loss	Cash flow hedge reserve	Exchange differences on translation	Restricted reserves	Retained earnings		Total equity
				Gain/(losses) from financial assets measured at fair value through other comprehensive income	Gains/(losses) on remeasurements defined benefit plans				Accumulated profit	Net profit	
Balances at 1 January 2021	350,910	27,920	8	41,600	(18,359)	(1,431,512)	-	410,493	3,467,929	4,194,913	7,043,902
Impact of correction of errors	-	-	-	-	-	-	-	-	(258,400)	-	(258,400)
Revised Balances at 1 January 2021	350,910	27,920	8	41,600	(18,359)	(1,431,512)	-	410,493	3,209,529	4,194,913	6,785,502
Profit for the period	-	-	-	-	-	-	-	-	-	4,710,761	4,710,761
Other comprehensive income/(loss)	-	-	-	454	(17,665)	(221,936)	-	-	-	-	(239,147)
Total comprehensive income	-	-	-	454	(17,665)	(221,936)	-	-	-	4,710,761	4,471,614
Transfers	-	-	-	-	-	-	-	223,530	3,971,383	(4,194,913)	-
Dividends (Note 14)	-	-	-	-	-	-	-	-	(2,252,842)	-	(2,252,842)
Balances at 30 September 2021	350,910	27,920	8	42,054	(36,024)	(1,653,448)	-	634,023	4,928,070	4,710,761	9,004,274
Balances at 1 January 2021	350,910	27,920	8	46,489	(125,723)	(3,191,233)	-	766,316	3,472,846	8,801,005	10,148,538
Profit for the period	-	-	-	-	-	-	-	-	-	10,322,171	10,322,171
Other comprehensive income/(loss)	-	-	-	27,889	(139,807)	(388,041)	230,249	-	-	-	(269,710)
Total comprehensive income	-	-	-	27,889	(139,807)	(388,041)	230,249	-	-	10,322,171	10,052,461
Transfers	-	-	-	-	-	-	-	454,428	8,346,577	(8,801,005)	-
Dividends (Note 17)	-	-	-	-	-	-	-	-	(4,561,830)	-	(4,561,830)
Balances at 30 September 2022	350,910	27,920	8	74,378	(265,530)	(3,579,274)	230,249	1,220,744	7,257,593	10,322,171	15,639,169

The accompanying notes form an integral part of these financial statements..

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Current period Not Reviewed 30 September 2022	Previous period Not Reviewed 30 September 2021
	Note	
Cash flows generated from/(used in) operating activities	7,914,371	5,508,277
Net profit for the period	10,322,171	4,710,761
Adjustments to reconcile profit or loss	6,694,896	1,759,171
Adjustments for depreciation and amortisation expense	1,250,885	772,257
Adjustments for impairment loss of inventories	8 2,836	(2,439)
Adjustments for provisions related with employee benefits	708,841	22,332
Adjustments for lawsuit and/or penalty provisions	12 17,565	19,811
Adjustments for warranty provisions	12 634,124	236,282
Adjustments for other provisions	(9,851)	(82,107)
Adjustments for dividend income	(2,929)	(2,343)
Adjustments for interest income	18 (464,895)	(807,019)
Adjustments for interest expense	19 552,384	150,847
Adjustments for tax expenses	20 (1,050,990)	(15,839)
Adjustments for unearned financing income	17 (427,842)	(275,641)
Adjustments for deferred financing expense	17 776,010	494,977
Adjustments for loss on sales of property, plant and equipment	11,941	34,593
Other adjustments for which cash effects are investing or financing cash flow	4,696,817	1,213,460
Changes in working capital	(8,077,185)	(432,700)
Decrease/(increase) in trade receivable	(8,366,393)	(509,424)
(Increase)/decrease in inventories	(6,503,596)	(2,246,234)
(Increase)/decrease in prepaid expenses	(290,994)	(54,359)
Increase/(decrease) in trade payable	8,637,287	2,568,683
(Increase)/decrease in other assets	(1,681,376)	(225,438)
Increase/(decrease) in other liabilities	127,887	34,072
Cash flows generated from operations	8,939,882	6,037,232
Interest paid	(727,879)	(510,823)
Interest received	329,007	249,673
Payments related with provisions for employee benefits	(36,613)	(15,197)
Payments related with other provisions	(431,925)	(205,349)
Taxes paid	(158,101)	(47,259)
Cash flows used in investing activities	(14,933,344)	(2,048,189)
Proceeds from sales of property, plant and equipment	16,980	12,030
Purchase of property, plant and equipment	(2,364,866)	(842,300)
Purchase of intangible assets	(1,372,326)	(420,603)
Cash advances given and payables	(4,388,596)	(799,659)
Dividends received	2,929	2,343
Cash outflows for payments to acquire control of subsidiaries	3 (6,825,590)	-
Cash outflows from capital increase/share purchase of subsidiaries	(1,875)	-
Cash flows (used in)/generated from financing activities	(27,634)	1,995,311
Proceeds from borrowings	6 16,763,827	10,174,154
Cash outflows related to borrowings	6 (12,327,358)	(6,540,507)
Dividends paid	14 (4,561,830)	(2,252,842)
Interest paid	(369,552)	(144,323)
Interest received	528,549	798,930
Cash outflows on debt payments from leasing agreements	6 (61,270)	(40,101)
Net (decrease) / increase in cash and cash equivalents before the effect of exchange rate changes	(7,046,607)	5,455,399
Effect of exchange rate changes on cash and cash equivalents	189,416	-
Net (decrease)/increase in cash and cash equivalents	(6,857,191)	5,455,399
Cash and cash equivalents at the beginning of the period	14,106,240	8,073,629
Cash and cash equivalents at the end of the period	7,249,049	13,529,028

The accompanying notes form an integral part of these financial statements.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

1. ORGANIZATION AND NATURE OF THE OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the “Group Company”) is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Company and the Koç Group of Companies. The Company is listed on the Borsa İstanbul (“BIST”) where 17.89% of its shares are currently quoted. The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

In its Kocaeli compound; the Company has a Gölcük plant in which the Transit and Transit Custom vehicles are manufactured and a Yeniköy plant in which the Transit Courier vehicle is manufactured and in its Eskişehir İnönü compound; a Ford Trucks truck and engines and powertrain plant which manufactures for trucks and Transit vehicles and Romania Craiova factory in which produces Puma and Ecosport model vehicles and Ecoboost engines.

Additionally, the Company has a spare part distribution warehouse, sales and marketing departments and a research and development (R&D) centre located in Sancaktepe, İstanbul.

The number of the personnel employed with respect to categories by the Company as of period ends are as follows:

	Average		Period End	
	2022 September	2021 September	2022 September	2021 December
Hourly	12,291	9,511	16,022	10,261
Salary	3,825	3,100	4,450	3,463
	16,116	12,611	20,472	13,724

Research and development operations which are also subject to service export is conducted with 1,494 employees in Sancaktepe branch, conducted with 252 employees in R&D centre in Kocaeli plant, conducted with 127 employees in R&D centre in Eskişehir İnönü plant, and 16 employees in R&D ODTU Teknokent Office in totally 1,889 employees as of 30 September 2022 (31 December 2021: 1,688).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The Company maintain its legal books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with accounting principles issued by the Turkish Commercial Code (“TCC”) and tax legislation.

The financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, (“TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. Public Oversight Accounting and Auditing Standards Authority (“POA”) made an announcement on 20 January 2022 about Application of Financial Reporting in Hyperinflationary Economies for Turkish Financial Reporting Standards and Reporting Standards for Large and Medium Sized Entities..

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies for the year 2021. As of the preparation date of this financial statements, POA did not make an additional announcement and no adjustment was made to this financial statements in accordance with TAS 29.

The financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB. The Company prepared its condensed interim financial statements for the period ended September 30, 2022 in accordance with TAS 34 “Interim Reporting” standard. Interim condensed financial statements do not include all the information required for the annual financial statements and therefore they should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

Subsidiaries operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations applicable in the countries in which they operate. The condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluations arising from the differences between the book value and the fair value of the derivative instruments and financial investments that are expressed at fair value, and tangible and intangible assets that arise during business combinations.

Functional Currency and Financial Statement Presentation Currency

Each item in the financial statements of the companies within the group is accounted for using the currency that is functional in the basic economic environment in which the companies operate (“functional currency”). Consolidated financial statements are represented in Ford Otomotiv San. A.Ş.'s current financial statement presentation currency of the Group, Turkish Lira.

Financial Statements of Subsidiaries Operating in Foreign Countries

Financial statements of Subsidiaries operating in foreign countries have been prepared in accordance with TAS/TFRS published by POA, reflecting the necessary adjustments and classifications in order to make the correct presentation. The assets and liabilities of the related foreign partnerships are translated into Turkish Lira using the foreign exchange rate, income and expense average exchange rate at the balance sheet date. Currency differences resulting from the use of closing and average exchange rates are accounted for under the exchange differences on translation item in shareholders' equity.

Consolidation Principles

(a) Consolidated financial statements are prepared by the parent company Ford Otomotiv San. A.Ş. and its Subsidiaries, prepared according to the principles set forth in items (b) to (d) below. During the preparation of the financial statements of the companies included in the consolidation, necessary adjustments and classifications were made in terms of compliance with the TAS/TFRS, which was put into effect by the POA in accordance with the provisions of the Communiqué Serial II, No. 14.1, and compliance with the accounting policies and presentation formats applied by the Group.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

(b) Subsidiaries, Ford Otomotiv San. A.Ş. means companies in which it is exposed to or has rights to variable returns due to its relationship with the investee, and over which it has control because it has the ability to affect these returns through its power over the investee.

(c) Subsidiaries are included in the scope of consolidation from the date on which control over their operations is transferred to the Group and are excluded from the scope of consolidation on the date that control ceases. Financial position statements and profit or loss statements of Subsidiaries are consolidated using the full consolidation method and Ford Otomotiv San. A.Ş.'s registered values and shareholders' equity of the Subsidiaries are mutually offset. Intra-group transactions and balances between the Company and Subsidiaries are deducted during consolidation. The book values of the shares owned by the Company and the dividends arising from them have been netted off from the related equity and profit or loss statement accounts.

As of 30 September 2022 and 31 December 2021, Ford Otomotiv San. A.Ş.'s direct and indirect voting rights and effective shareholding ratios (%) and functional currencies according to the countries of operation are shown below:

		30 September 2022		31 December 2021	
	Functional currency	Suffrage	Effective partnership rate	Suffrage	Effective partnership rate
Ford Romania SRL	Romanian Leu	100.00	100.00	-	-

(d) Financial assets at fair value through other comprehensive income for which the Group has less than 20% of the total voting rights or for which the Group has no significant influence and which have quoted market prices in active markets and whose fair value can be reliably calculated, are reflected in the consolidated financial statements at their fair values.

Going concern

The Summary Consolidated financial statements of the Company are prepared on the basis of a going concern assumption.

Comparatives of prior periods' financial statements

The financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at 30 September 2022 has been provided with the comparative financial information of 31 December 2021 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the interim period between 1 January - 30 September 2022 have been provided with the comparative financial information, for the period between 1 January 2021 - 30 September 2021.

2.2 Amendments and interpretations in the standards

The new standards, amendments and interpretations

The Group has applied the new and revised standards and interpretations issued by the KGK as of 1 January 2022 and related to its own activity.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

a. Standards, amendments, and interpretations applicable as of 30 September 2022:

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective beginning on or after 1 January 2021 or)**; The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (effective beginning on or after 1 January 2021)**; These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.
- **Amendment to IFRS 16, ‘Leases’ - Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021)**; As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 September 2021 to 30 September 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

b. Standards, amendments, and interpretations that are issued but not effective as of 30 September 2022:

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**; effective from annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial Instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

This change has no impact on the Company's financial position and performance.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

b. Standards, amendments, and interpretations that are issued but not effective as of 30 September 2022:

- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2.3 Summary of significant accounting policies

Condensed consolidated financial statements for the interim period ended 30 September 2022 have been prepared in accordance with TAS 34 for the preparation of interim financial statements. Significant accounting policies used in the preparation of the condensed consolidated financial statements are consistent with the accounting policies detailed in the solo financial statements as of 31 December 2021, excluding business combinations and goodwill. Therefore, the interim consolidated financial statements should be evaluated together with the financial statements for the year ended 31 December 2021.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Business combinations and goodwill

A business combination is an event or transaction in which the acquirer gains control of one or more businesses. Business combinations realized by the Group are accounted for using the purchase method within the scope of TFRS 3 “Business Combinations” standard. In this method, the acquisition cost includes the fair value of the assets given at the acquisition date, the equity instruments issued, the liabilities assumed or incurred at the date of the exchange, and the additional costs attributable to the acquisition. If the business combination agreement includes provisions that the cost can be adjusted depending on future events; If the adjustment is probable and its value can be determined, it is included in the merger cost at the acquisition date. The difference between the acquisition cost of a business and the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business is accounted for as goodwill in the consolidated financial statements. Goodwill arising in a business combination is not amortized, but is instead tested for impairment annually (as of 31 December) or more frequently when circumstances indicate impairment. Impairment losses calculated on goodwill are not associated with the profit or loss statement in the following periods, even if the said impairment disappears. Goodwill is associated with cash-generating units during impairment testing. If the acquirer's share in the fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the business combination cost, the difference is associated with the consolidated statement of profit or loss.

2.4 Important Developments Regarding the Current Period

During the Covid-19 pandemic, due to the increasing demands of many sectors for electronic components (microchips), there are difficulties in the supply of in-vehicle electronic components, which have been used more intensely in the automotive sector in recent years. Our main partner, Ford Motor Company, works with its global suppliers to ensure the efficient use of materials belonging to electronic components by giving priority to the solution of the problem and main production lines

Although there were some slowdowns in the daily production pace in the first quarter of the year within the scope of supply problems in semiconductor materials, Company's production activities continued with the effective management of the process.

Although the effects of the Covid-19 have decreased globally, future uncertainties continue. However, while preparing the financial statements dated 30 September 2022, the possible effects of the COVID-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the financial statements were reviewed. In this context, the Company has tested for possible impairment in financial assets, stocks and tangible assets in its financial statements dated 30 September 2022 and no impairment has been detected.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Significant accounting estimates and decisions

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

- (a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed under provision for employee benefits.
- (b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered. The expected credit loss of trade receivables has been measured and no significant effect has been found. (Note 7).
- (c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel’s opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 8).
- (d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company’s Legal Counsellor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts
- (e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 12).
- (f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of 30 September 2022 and 31 December 2021 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 20).
- (g) The Company recognizes depreciation and amortization for its property, plant and equipment and intangibles by taking into account their useful lives that are stated in Note 2 (Notes 9 and 10).

The company capitalizes ongoing development expenditures and evaluates whether there is an annual depreciation of these capitalized assets. As of 30 September 2022 and 31 December 2021, there is no impairment of capitalized development expenses (Note 10).

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3. BUSINESS COMBINATIONS

The Group has purchased all of Ford Romania SRL shares on 01 July 2022. Ford Romania SRL manufactures cars and engines at its Craiova factory.

Pursuant to the contract, the first installment calculated as TRY7,119,047 (406 million Euros) after adjusting the net working capital and investment amount for the Next Generation Courier project, taking into account cash and debt-like assets over the estimated financial statements dated 30.06. has been paid. 196 million Euros including interest will be paid in June 2025, and 23 million Euros including interest will be paid in December 2028. In addition, an additional payment of up to 140 million Euros including interest will be made, depending on the capacity utilization rate of the Romanian plant for the years 2028-2034. As of September 30, 2022, the total value calculated by the Group management according to the best estimates is TRY12,646,485 including interest accrual.

A total of TRY5,527,438, calculated according to the best estimates made by the Group management as of 30 September 2022, has been included in the purchase price and has been taken into account in the goodwill calculation in the provisional purchase accounting application.

Within the scope of TFRS 3, the differences that will occur due to operational results in the following period in the amount accounted as contingent payment will be recognized in the consolidated statement of profit or loss. The Group has provisionally accounted for the difference between the total amount of the acquisition and the net assets acquired for the said purchase in accordance with the provisions of TFRS 3 “Business Combinations Standard”. The purchase price and the fair values of the acquired assets and liabilities used provisionally within the scope of TFRS 3 are summarized in the table below.

Purchase price-cash	7,119,047
Total contingent and deferred purchase price	5,527,438
Total purchase price	12,646,485
Cash and cash equivalents	293,457
Trade receivables	2,110,233
Other receivables	386,354
Inventories	3,516,501
Prepaid expenses	147,078
Other current assets	442,018
Property, plant and equipment (Note 9)	9,153,765
Right of use assets	31,634
Intangible assets (Note 10)	3,234,243
Other non - current assets	17
Trade payables and Other payables	(5,852,491)
Deferred tax liabilities	(699,044)
Other non-current liabilities	(643,704)
Value of total identifiable net assets	12,120,061
Goodwill	526,424
Total purchase price	12,646,485

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3. BUSINESS COMBINATIONS (Continued)

The details of the cash outflow from the acquisition are as follows:

Total purchase price - cash	7,119,047
Cash and cash equivalents - acquired	(293,457)
Cash outflow from the acquisition (net)	6,825,590

In addition to production and supply agreements with Ford Motor Company and related Ford Group Companies for Courier, Puma, EcoSport models, engines and spare parts, the Group has signed technology and production license agreements with Ford Motor Company for these products.

Within the scope of these agreements, Craiova Factory's vehicle production capacity will increase to a total of 272 thousand units per year. The engine production capacity was determined as 350 thousand units. In addition, within the scope of supply agreements, it is foreseen to spend 490 million Euros in investment and engineering in the next three years for the production of the New Generation Courier, which will start in 2023.

It is envisaged that a significant portion of the vehicles to be produced will be sold to Ford Motor Company or its subsidiaries, priced with the cost plus method of sales, and the investment costs will be transferred to Ford Motor Company through sales.

Since the initial accounting of this acquisition within the scope of TFRS 3 business combinations has not been completed as of the date of preparation of the consolidated financial statements, it has been accounted for with provisional amounts in the consolidated financial statements as of September 30, 2022. The Group will complete the initial accounting of the business combination and make the necessary adjustments within 1 year from the date of the merger.

4. SEGMENT REPORTING

The Group, which is incorporated and domiciled in Turkey, has primary operation of manufacturing, assembling, importing and selling motor vehicles and spare parts. The Company's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Group structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Group are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

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5. FINANCIAL INVESTMENTS

	<u>30 September 2022</u>		<u>31 December 2021</u>	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Financial assets at fair value through other comprehensive income				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	79,270	0.59	49,913
		79,270		49,913

(*) The Company's shareholding in Otokar was stated at market value at 30 September 2022 and 31 December 2021 which is assumed to approximate its fair value.

6. FINANCIAL LIABILITIES

Short-term financial liabilities

Bank borrowings

	<u>30 September 2022</u>		<u>31 December 2021</u>	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	3.25	9,392,192	0.57	4,413,965
- TRY	33.80	813,850	0.00	59,410
		10,206,042		4,473,375

Short-term portion of long-term financial liabilities

Bank borrowings

	<u>30 September 2022</u>		<u>31 December 2021</u>	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.13	3,359,989	1.79	3,733,404
		3,359,989		3,733,404

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6. FINANCIAL LIABILITIES (Continued)

Lease liabilities

	30 September 2022		31 December 2021	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	3.76	34,145	4.83	31,276
- TRY	23.81	20,792	24.13	18,864
-USD	5.21	2,266	-	-
-Other	3.18	201	-	-
		57,404		50,140
		3,417,393		3,783,544
Total short-term financial liabilities		13,623,435		8,256,919

Long-term financial liabilities

Bank borrowings

	30 September 2022		31 December 2021	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.32	14,886,553	2.23	10,749,405
		14,886,553		10,749,405

Lease liabilities

	30 September 2022		31 December 2021	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.59	22,050	5.20	20,074
- TRY	25.72	32,680	23.88	29,829
- USD	2.64	6,667	-	-
		61,397		49,903

Other long-term financial liabilities

	30 September 2022		31 December 2021	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.00	5,720,592	-	-
		5,720,592		-
Total long-term financial liabilities		20,668,542		10,799,308

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6. FINANCIAL LIABILITIES (Continued)

The amount classified under other long-term payables consists of the installments that the Group has to pay in 2025 and 2028 when it acquired Ford Romania SRL's shares on 1 July 2022. This amount has been determined according to the best estimation of the Group management as of 30 September 2022. The payment schedules of long-term bank borrowings as of 30 September 2022 and 31 December 2021 are as follows:

Payment Period	30 September 2022	31 December 2021
2023	2,426,049	3,089,074
2024	3,905,847	2,478,784
2025	3,418,691	2,113,774
2026	3,233,823	1,994,758
2027	974,831	549,904
2028	927,312	523,111
	14,886,553	10,749,405

The letters of bank guarantee given to financial institutions in connection with borrowings amounting to TRY8,040,237 (31 December 2021: TRY4,788,554) (Note 12).

The movement of financial liabilities as of 30 September 2022 and 2021 is as follows:

Payment Period	30 September 2022	31 December 2021
2025	3,325,799	-
2028	2,394,793	-
	5,720,592	-

The movement of financial liabilities as of 30 September 2022 and 2021 is as follows:

	2022	2021
1 January	19,056,227	8,080,874
Cash inflows from borrowing	16,763,827	10,174,154
Cash outflows from borrowing	(12,327,358)	(6,540,507)
Cash outflows related to debt payments arising from lease agreements	(61,270)	(40,101)
Unrealised foreign exchange differences	4,889,037	1,499,927
Change in accrual of interest	182,832	6,524
Changes in TFRS 16 - lease liabilities	68,090	31,353
Contingent and deferred purchase price to be paid to the related party	5,720,592	-
30 September	34,291,977	13,212,224

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7. TRADE RECEIVABLES AND PAYABLES

30 September 2022 31 December 2021

Short term trade receivables

Trade receivables	5,460,692	
	3,532,719	
Doubtful receivables(*)	229,666	229,602
Less: provision for doubtful receivables	(229,666)	(229,602)
Less: unearned credit finance income	(83,179)	(40,148)
	5,377,513	3,492,571

(*) The portion of TRY 225,139 of the doubtful receivables amount is related to the dealers involved in the fraud process.

The average turnover of receivables related to vehicle sales to domestic distributors is 30 days (31 December 2021: 25 days), domestic sales of spare parts turnover is 70 days (31 December 2021: 70 days) and discounted by 2.33% monthly effective interest rate (31 December 2021: 1.49%).

The collection of receivables from export sales other than Ford Motor Group is kept under guarantee with letter of credit, letter of guarantee, export credit insurance, Ford credit limit or upfront cash collection.

30 September 2022 31 December 2021

Long term trade payables

Trade receivables	18,362	31,277
Deposits and guarantees given	1,553	6,302
	19,915	37,579

30 September 2022 31 December 2021

Trade payables

Trade payables	14,335,609	9,341,802
Less: unearned credit finance expense	(162,296)	(69,584)
	14,173,313	9,272,218

The average turnover of trade payables is 60 days (31 December 2021: 60 days) and discounted by 2.33% monthly effective interest rate (31 December 2021: 1.49%).

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Group to credit risk as of 30 September 2022 and 31 December 2021 is as follows:

30 September 2022	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Note 22, 7)	16,475,394	5,397,428	1,220,493	146,343	7,249,049
- The maximum of credit risk covered by guarantees	449,998	4,568,462	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	15,778,136	5,367,725	1,220,493	146,343	7,249,049
Net book value of financial assets that are overdue but not impaired	697,258	29,703	-	-	-
- Amount of risk covered by guarantees	-	29,703	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	229,666	-	-	-
- Provision for impairment (-)	-	(229,666)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2021	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Note 22, 7)	7,914,177	3,492,571	-	820	14,106,240
- The maximum of credit risk covered by guarantees	360,620	3,466,862	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	7,631,251	3,481,061	-	820	14,106,240
Net book value of financial assets that are overdue but not impaired	282,926	11,510	-	-	-
- Amount of risk covered by guarantees	-	713	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	229,602	-	-	-
- Provision for impairment (-)	-	(229,602)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

The aging schedule of receivables that are overdue but not impaired is as follows:

30 September 2022	Trade receivables	
	Related party	Other
1 - 30 days overdue	235,806	2,388
1 - 3 months overdue	115,827	2,894
3 - 12 months overdue	332,485	19,808
1 - 5 years overdue	13,140	
	4,613	
	697,258	29,703
Risk covered by guarantees	-	29,703

The Group’s overdue related party receivables are related to the long-term engineering service charges and spare parts exports to Ford Motor Company.

31 December 2021	Trade receivables	
	Related party	Other
1 - 30 days overdue	88,928	7,199
1 - 3 months overdue	112,008	192
3 - 12 months overdue	81,039	3,345
1 - 5 years overdue	951	774
	282,926	11,510
Risk covered by guarantees	-	713

8. INVENTORIES

	30 September 2022	31 December 2021
Raw materials	8,439,726	3,339,957
Finished goods	4,190,719	773,904
Goods in transit	1,407,077	620,062
Vehicle spare parts	663,912	385,651
Spare parts	174,415	90,557
Import vehicles	115,499	39,121
Other	307,771	32,696
	15,299,119	5,281,948
Less: provision for impairment of finished goods and vehicle spare parts	(12,862)	(12,642)

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15,286,257 5,269,306

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8. INVENTORIES (Continued)

The allocation of fixed production overheads to finished goods costs of conversion is based on the normal capacity of the production facilities.

The Group has accounted the expenses due to the impairment of inventories as part of cost of sales and the movement in the balance within the year is as follows:

	2022	2021
1 January	12,642	18,073
Acquisitions	3,056	-
Change within the period	(2,836)	(2,439)
30 September	12,862	15,634

The Group has provided a provision for impairment on the inventories when their net realizable values are lower than their costs or when they are classified as slow-moving inventories. The reversal of provisions has been accounted under cost of sales (Note 15).

9. PROPERTY, PLANT AND EQUIPMENT

	2022	2021
1 January 2022		
Cost	10,871,957	9,370,022
Accumulated depreciation	(5,722,874)	(4,966,649)
Net book value	5,149,083	4,403,373
For the period ended 30 September 2022	5,149,083	4,403,373
Acquisitions (Note 3)	9,153,765	-
Additions	3,405,587	848,981
Disposals	(28,921)	(91,114)
Transfers (*)	(1,277,010)	-
Exchange differences on translation	236,599	-
Depreciation charge	(1,016,653)	(555,101)
Closing net book value	15,622,450	4,606,139
30 September 2022		
Cost	29,443,555	10,127,889
Accumulated depreciation	(13,821,105)	(5,521,750)
Net book value	15,622,450	4,606,139

(*) The Group has leased certain fixed assets at its Craiova factory to Ford Motor Company using finance lease

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method in accordance with TFRS 16 and reclassified this amount from its tangible fixed assets to other receivables from related parties.

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9. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group compared the borrowing cost of investment loans in foreign currency to the market loan interest denominated in TRY. According to the cumulative method within the scope of TAS 23, there is no interest expense capitalized for the period ending as of 30 September 2021. (31 December 2021: None).

There is no collateral, pledge or mortgage on tangible assets as of 30 September 2022 and 2021.

10. INTANGIBLE ASSETS R

	2022	2021
1 January 2022		
Cost	2,429,225	1,648,621
Accumulated depreciation	(942,448)	(743,782)
Net book value	1,486,777	904,839
For the period ended 30 September 2022		
Acquisitions (Note 3)	3,234,243	-
Additions	1,289,211	420,603
Disposals	-	(339)
Exchange differences on translation	83,115	-
Depreciation charge	(196,710)	(145,364)
Closing net book value	5,896,636	1,179,739
30 September 2022		
Cost	7,049,084	2,068,885
Accumulated depreciation	(1,152,448)	(889,146)
Net book value	5,896,636	1,179,739

There are no fully depreciated intangible assets as of 30 September 2022. As of 30 September 2022, there is no capitalized interest cost and foreign exchange difference in accordance with TAS 23 (31 December 2021: None).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

11. PREPAID EXPENSES

Short-term prepaid expenses	30 September 2022	31 December 2021
Advances given for inventories	564,606	249,320
Other prepaid expenses	106,828	54,376
	671,434	303,696

Long-term prepaid expenses	30 September 2022	31 December 2021
Advances given for investments (*)	5,786,680	1,398,084
Other prepaid expenses	94,043	23,709
	5,880,723	1,421,793

(*) Advances given for investments are related to the Company’s new vehicle investments. TRY2,892,596 (31 December 2021: TRY751,825) is given to domestic vendors as mould advances and TRY2,894,084 (31 December 2021: TRY646,259) is the advance given for the new project investments.

12. PROVISION, CONTINGENT ASSETS AND LIABILITIES

The Group recognizes 2, 3 and 4 years of warranty provision for the vehicles sold by dealers for malfunctions described in the sales agreements. Warranty expense provision is estimated by considering vehicles under warranty as of the balance sheet date and warranty y claims of vehicles sold in previous years on a model basis.

Short-term provisions

	30 September 2022	31 December 2021
Warranty expense provision	402,895	317,812
Provisions for sales premium (*)	62,498	72,349
Provisions for lawsuits	5,307	-
Other short-term provisions	19,579	-
	490,279	390,161

(*) Provisions for sales premium is composed of expense accruals related with dealer vehicle stock at the reporting date (Note 2).

Long-term provisions

	30 September 2022	31 December 2021
Warranty expense provision	458,215	328,431
Provisions for lawsuits	87,177	87,587
Other long-term provisions	42,265	-
	587,657	416,018

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12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

The movement of provisions for lawsuits during the period is as follows:

	2022	2021
1 January	87,587	83,369
Acquisitions	5,307	-
Paid during the period	(12,668)	(14,533)
Additions during the period	12,258	19,811
30 September	92,484	88,647

A movement in the warranty expense provision during the period is as follows

	2022	2021
1 January	646,243	354,216
Paid during the period	(419,257)	(190,816)
Additions during the period	634,124	236,282
30 September	861,110	399,682

Letters of guarantee and letters of credit

30 September 2022

31 December 2021

Letters of guarantee given to financial institutions due to bank loans	8,040,237	4,788,554
Letters of guarantee given to customs	183,809	151,414
Letters of guarantees given to other parties	146,236	87,044
	8,370,282	5,027,012

Letters of guarantee given

	30 September 2022		31 December 2021	
	Original currency	TRY amount	Original currency	TRY amount
EUR	458,830	8,223,703	336,221	4,936,492
TRY	146,579	146,579	90,520	90,520
		8,370,282		5,027,012

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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

The allocation of collaterals, pledges and mortgages as of 30 September 2022 and 31 December 2021 as follows:

Collaterals, pledges and mortgages given by the Company

30 September 2022 31 December 2021

A. Total amount of collaterals/pledges/mortgages given for its own legal entity	8,364,201	5,022,460
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities (*)	6,081	4,552
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of collaterals/pledges/mortgages	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section	-	-
	8,370,282	5,027,012

(*) Relevant amounts are related to CPCs (non-cash loans) given by the Group in favor of its domestic dealers within the scope of warranty obligations.

As of 30 September 2022 and 31 December 2021, total amount of the collaterals, pledges and mortgages obtained by the Group are as follows:

Letters of guarantee taken

	30 September 2022		31 December 2021	
	Original currency	TRY amount	Original currency	TRY amount
TRY	2,592,200	2,592,200	761,409	761,409
EUR	136,220	2,441,505	66,651	978,591
USD	1,039	19,221	201	2,606
Romanian Leu	8,500	30,611	-	-
		5,083,537		1,742,606

Other

The long-term bank borrowing agreements related to the investments require the Group to comply with certain financial ratios. Such financial ratios are met by the Group as of 30 September 2022 and 31 December 2021.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

13. COMMITMENTS

Commitments related with bank loans used by the Group are as follows:

- a) The Group has signed a 1-year loan commitment agreement with İşbank amounting to EUR100,000,000 in 2022. With this agreement the Group committed to pass the export value of EUR200,000,000 through its accounts..
- b) The Group also committed to Türkiye İhracat Kredi Bankası A.Ş. (Eximbank):
 - With 6 months term credit amounting to Euro 30,000,000 used in June 2022 an export amount of Euro 30,000,000,
 - With 6 months term credit amounting to Euro 80,000,000 used in May 2022 an export amount of Euro 80,000,000,
 - With 6 months term credit amounting to Euro 80,000,000 used in April 2022 an export amount of Euro 80,000,000,

14. EQUITY

The composition of the Company’s paid-in capital as of 30 September 2022 and 31 December 2021 is as follows:

Shareholders	Share group	30 September 2022	Shareholders percentage (%)	31 December 2021	Shareholders percentage (%)
Koç Holding A.Ş.	B	135,631	38.65	135,631	38.65
Temel Ticaret ve Yatırım A.Ş.	B	2,356	0.67	2,356	0.67
Ford Deutschland Holding GmbH	C	143,997	41.04	143,997	41.04
Vehbi Koç Vakfı	A	2,881	0.82	2,881	0.82
Koç Holding Emekli ve Yardım Sandığı Vakfı	A	3,259	0.93	3,259	0.93
Other(Publicly traded)	A	62,786	17.89	62,786	17.89
Share Capital		350,910	100	350,910	100
Inflation adjustment to share capital		27,920		27,920	
Inflation adjusted paid in capital		378,830		378,830	

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share.

There are 35,091,000,000 unit of shares (31 December 2021: 35,091,000,000 unit) with a nominal value of Kr 1 each.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC; the legal reserves can be used only to offset losses, unless legal reserve does not exceed at the rate of 50% of the paid-in capital.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
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14. EQUITY (Continued)

In accordance with CMB Financial Reporting Standards, the Group classified the above mentioned reserves under “Restricted reserves”, the amount of restricted reserves is TRY1,220,744 as of 30 September 2021 (31 December 2021: TRY766,316).

In accordance with Communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on 13 June, 2013 which is published on Official Gazette numbered 28676, “Share Capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- “The difference arising from the “Paid-in Capital” and not been transferred to capital yet, shall be classified under the “Inflation Adjustment to Share Capital”;
- The difference due to the inflation adjustment of “Restricted reserves” and “Share premium” and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under “Retained earnings”;

Other equity items shall be carried at the amounts calculated based on TAS. Adjustment to share capital has no use other than being transferred to paid-in share capital.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February, 2014. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on year-end financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the Group are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In accordance with the Ordinary General Assembly Meeting dated as of 21 March 2022, the Group has decided to distribute dividends at the rate of 1,300% gross (net 1,170%), with a total amount of TRY2,252,842 as full TRY13.00 gross (Kr1,170 net) for each share with a value of full TRY1 and the Group made the dividend payment in March 2022. In accordance with the Ordinary General Assembly Meeting dated as of 17 November 2021, the Group has decided to distribute dividends at the rate of 642% gross (net 545.70%), with a total amount of TRY4,561,830 as full TRY3.77 gross (Kr320.45 net) for each share with a value of full TRY1 and the Group made the dividend payment in November 2021.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

14. EQUITY (Continued)

In accordance with Communiqué No: II-14.1 “Communiqué on the Principles of Financial Reporting in Capital Markets”, equity schedule at 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Issued capital	350,910	350,910
Inflation adjustments on capital	27,920	27,920
Share premium	8	8
Gains from financial assets measured at fair value through other comprehensive income	74,378	46,489
Losses on cash flow hedge	(3,579,274)	(3,191,233)
Losses on remeasurements of defined benefit plans	(265,530)	(125,723)
Exchange differences on translation	230,249	-
Restricted reserves	1,220,744	766,316
- Legal reserves	1,220,744	766,316
Retained earnings	7,257,593	3,472,846
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	6,829,292	3,044,545
Net income for the period	10,322,171	8,801,005
Total equity	15,639,169	10,148,538

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended 30 September 2022 and 31 December 2021 are as follows:

30 September 2022	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	1,220,744	1,279,497	58,753
Extraordinary reserves	6,829,292	7,198,437	369,145
Share premium	8	361	353
Other reserves	-	50	50
	8,400,954	8,857,175	456,221

31 December 2021	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920

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Legal reserves	766,316	825,069	58,753
Extraordinary reserves	3,044,545	3,413,690	369,145
Share premium	8	361	353
Other reserves	-	50	50
	4,161,779	4,618,000	456,221

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

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14. EQUITY (Continued)

Inflation adjustment difference in equity can be utilized in issuing bonus shares and in offsetting accumulated losses; the carrying amount of extraordinary reserves can be utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

Otokar shares which are publicly traded in BIST are valued at their closing price as of 30 September 2022 and 31 December 2021. As of 30 September 2022, fair value change amounting to TRY27,889 net of deferred tax, (31 December 2021: TRY4,889) is shown in statement of comprehensive income.

The net of tax effects of the changes in the statement of other comprehensive income and the effects of the changes in accumulated income and expense under equity are as follows:

	2022	2021
1 January	(3,270,467)	(1,408,271)
Gains/(losses) from financial assets measured fair value through other comprehensive income	27,889	454
Actuarial gains/(losses)	(139,807)	(17,665)
Gains/(losses) on cash flow hedges	(388,041)	(221,936)
Exchange differences on translation	230,249	-
30 September	(3,540,177)	(1,647,418)

15. REVENUE AND COST OF SALES

Revenue	1 January-30		1 July -30	
	September 2022	September 2022	September 2021	September 2021
Export sales(*)	87,962,012	40,143,517	35,454,317	
	15,563,397			
Domestic sales	24,480,978	10,625,033	11,157,522	3,615,363
Other sales	717,824	322,748	248,316	100,628
Less: discounts	(2,303,337)	(963,907)	(1,202,666)	(408,643)
	110,857,477	50,127,391	45,657,489	
	18,870,745			

Units of vehicle sales

	1 January -			1 July -		
	30 September 2022			30 September 2022		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	3,708	111,350	115,058	1,312	35,963	37,275
Transit	13,963	86,036	99,999	5,096	27,014	32,110
Transit Courier	24,271	17,835	42,106	8,859	4,669	13,528
Puma	1,055	39,403	40,458	345	39,403	39,748
Ecosport	1,536	10,774	12,310	374	10,774	11,148
Ford Trucks (Trucks)	5,563	5,594	11,157	2,302	2,199	4,501
Passenger vehicles	3,161	-	3,161	1,304	-	1,304
Ranger	524	6	530	223	-	223
Transit Connect	241	-	241	24	-	24
Rakun	246	-	246	106	-	106

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

54,268	270,998	325,266	19,945	120,022	139,967
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(*) International sales and sales figures include Ford Romania SRL's sales as well as the Company's exports.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

15. REVENUE AND COST OF SALES (Continued)

	1 January - 30 September 2022			1 July - 30 September 2022		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	2,969	117,293	120,262	1,325	47,216	48,541
Transit	12,135	76,933	89,068	4,075	34,131	38,206
Transit Courier	22,519	14,601	37,120	5,233	2,715	7,948
Ford Trucks (Truck)	4,632	3,414	8,046	1,466	1,594	3,060
Passenger vehicles	5,534	12	5,546	779	-	779
Puma	1,174	2	1,176	386	-	386
Ecosport	1,114	2	1,116	374	-	374
Ranger	1,143	2	1,145	346	-	346
Transit Connect	316	-	316	9	-	9
	51,536	212,259	263,795	13,993	85,656	99,649

Summaries of cost of production as of 30 September 2022 and 31 December 2021 are as follows;

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
Cost of raw material	(87,095,606)	(38,674,264)	(33,852,036)	
	(14,344,266)			
Production overhead cost	(5,258,655)	(2,468,695)	(2,168,917)	(788,045)
Amortization expenses	(1,162,117)	(631,969)	(715,411)	(242,733)
Changes in finished good	3,070,585	(563,650)	661,586	110,497
Total production cost	(90,445,793)	(42,338,578)	(36,074,778)	
	(15,264,547)			
Cost of trade goods sold	(5,852,180)	(2,101,715)	(3,678,415)	
	(1,287,183)			
Total cost of sales	(96,297,973)	(44,440,293)	(39,753,193)	
	(16,551,730)			

16. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 30 September 2022 and 2021 is as follows:

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
Raw material cost	(87,095,606)	(38,674,264)	(33,852,036)	
(14,344,266)				
Financial expenses	(8,079,360)	(2,064,066)	(2,277,231)	
(987,104)				
Cost of trade goods sold	(5,852,180)	(2,101,715)	(3,678,415)	
(1,287,183)				
Personnel expenses	(3,870,837)	(1,759,410)	(1,648,656)	
(587,649)				
Other operational expenses	(2,585,146)	(1,227,432)	(1,049,752)	
(368,420)				
Other overhead costs	(2,554,585)	(949,016)	(986,648)	(358,494)
Other expenses from operating activities	(1,247,630)	(665,534)	(769,617)	(261,325)

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Depreciation and amortization expenses	(1,207,631)	(436,461)	(574,658)	(215,056)
Expenses from investing activities	(22,042)	(4,779)	(34,714)	(33,248)
Changes in inventories	3,070,585	(563,650)	661,586	110,497
Total expenses	(109,444,432)	(48,446,327)	(44,210,141)	
(18,332,248)				

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17. OTHER OPERATING INCOME/EXPENSES

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
Other operating income				
Foreign exchange gains related to trade receivables and payables	1,312,294	217,778	383,956	14,701
Unearned financial income	427,842	178,658	275,641	90,826
License income	17,929	1,109	17,291	7,103
Rent income	16,981	15,433	8,079	1,892
Commission income	15,707	6,272	10,670	3,244
Reversal of provisions	14,204	14,204	98,000	98,000
Price difference and claim recovery	5,815	296	5,063	2,136
Other	90,949	63,299	31,803	10,805
	1,901,721	497,049	830,503	228,707

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
Other operating expenses				
Unearned financial expense				
Foreign exchange losses	(776,010)	(304,799)	(494,977)	
related to trade receivables and payables	(410,502)	(113,383)	(76,608)	(23,029)
Other	(21,119)	(18,279)	(3,073)	(114)
	(1,207,631)	(436,461)	(574,658)	(215,056)

18. FINANCIAL INCOME

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
Foreign exchange gains	5,229,313	1,192,987	1,607,588	842,339
Interest income	464,895	131,557	807,019	292,854
Other	249,177	104,539	-	-
	5,943,385	1,429,083	2,414,607	1,135,193

19. FINANCIAL EXPENSES

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
Foreign exchange losses (937,219)	(7,526,976)	(1,771,397)	(2,106,887)	
Interest expenses	(552,384)	(292,669)	(150,847)	(39,949)
Other	-	-	(19,497)	(9,936)
	(8,079,360)	(2,064,066)	(2,277,231)	
(987,104)				

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20. TAX ASSETS AND LIABILITIES

Corporate Tax Law was amended by the Law No, 5520 dated 13 June 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from 1 January, 2006. Accordingly, the corporate tax rate for the fiscal year 30 September 2022 is 23% (31 December 2021: 25%). Corporate tax is payable on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc.) and corporate income tax deductions (e.g. research and development expenditures deduction). No further tax is payable unless the profit is distributed.

15% withholding tax rate applies to dividends distributed by resident corporations resident real persons except for, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated over the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax declarations to the Tax Office within the 25th of the fourth month following the close of the financial year.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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20. TAX ASSETS AND LIABILITIES (Continued)

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

There are many exceptions to the Institutions Tax Law. These exceptions to the Group are explained below:

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate.

The Group capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Group makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code.

As of 30 September 2022, the Group utilised R&D incentive exemption amounting of TRY1,616,389 (30 September 2021: TRY315,335) in return for the legal tax.

As of the reporting date, 559,295 TRY (31 December 2021: TRY559,295) under the Large-Scale Investment Incentive Certificate, completed and investment in progress, TRY5,721,497 (31 December 2021: TRY5,457,304) under the Priority Investment Incentive Certificates and TRY3,285,167 (31st) within the scope of Project Based State Aid December 2021: TRY1,087,945) investment expenditures were made.

The Group utilized discounted corporate taxation amounting to TRY1,971,669 (31 December 2021: TRY1,721,248) in the current year and this amount has been deducted from the total deferred tax asset.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies in the financial statements for 2021. Considering that no new disclosure has been made as of the date these financial statements were prepared, no inflation adjustment was made in accordance with TAS 29 while preparing the financial statements as of 30 September 2022.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

20. TAX ASSETS AND LIABILITIES (Continued)

The Group's net tax position as of 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	31 December 2021
Current year corporate tax expense	(73,503)	(76,950)
Prepaid tax and withholding	144,996	63,845
Current tax related assets/(liabilities)	71,493	(13,105)

Turkish tax legislation does not allow the parent company to file a tax return on consolidated subsidiary financial statements. For this reason, tax liabilities reflected in these consolidated financial statements have been calculated separately for all companies included in the scope of consolidation. The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 30 September 2022 and 31 December 2021 using the current enacted tax rates is as follows:

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
Current year corporate tax expense	(73,503)	(22,742)	(45,112)	(19,183)
Current year tax effect of cash flow hedge (*)	(34,428)	(960)	(64,531)	37,597
Deferred tax charged to statement of profit or loss	1,158,921	224,863	125,482	(28,627)
Deferred tax (expense)/income	1,124,493	223,903	60,951	8,970
Continuing operations tax (income)/(expense)	1,050,990	201,161	15,839	(10,213)

(*) The amount represents the tax effect of the reclassification made between the statement of income and other comprehensive income relating to the cash flow hedge transactions.

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at 30 September 2022 and 2021 and current tax ratio based on income before tax is as follows:

	30 September 2022	30 September 2021
Income before tax	9,271,181	4,694,922
Effective tax rate	% 23	% 25
Current year tax expense	(2,132,372)	(1,173,731)
Research and development deductions	371,769	156,364
Investment incentive exemption	2,851,669	908,258
Other	(40,076)	124,948
	1,050,990	15,839

The Group calculates deferred income tax assets and liabilities by taking into account the effects of temporary differences arising from the different assessments between TFRS and statutory financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

20. TAX ASSETS AND LIABILITIES (Continued)

In accordance with the regulation numbered 7316, published in Official Gazette on 22 April 2021, "Law on the Amending the Procedure Law on Collection of Public Claims and Some Other Laws", in temporary declarations to be issued after 01.07.2021, the corporate tax rate has increased from 20% to 25% and to 23% for 2022. It will be applied as 20% from 2023. Within the scope of the said law, deferred tax assets and liabilities in the financial statements dated September 30, 2022 are calculated at the rate of 23% for the part of the temporary differences that will create tax effect in 2022, and 20% for the part that will have tax effect in the following periods.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 30 September 2022 and 31 December 2021 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
Deferred tax assets				
Investment incentive tax asset	(5,721,497)	(7,104,544)	2,280,008	1,400,008
Expense accruals and other provisions	(1,610,870)	(690,644)	336,173	153,682
Warranty expense provision	(861,110)	(646,243)	179,395	141,050
Employee benefits provision	(776,800)	(491,932)	153,954	98,386
Inventories	(263,195)	(184,455)	60,305	42,425
	(9,233,472)	(9,117,818)	3,009,835	1,835,551
Deferred tax liabilities				
Tangible and intangible assets	4,426,386	430,811	(702,094)	(86,162)
Income accruals and other	475,776	153,259	(108,011)	(33,418)
	4,902,162	584,070	(810,105)	(119,580)
Net deferred tax asset			2,199,730	1,715,971

The movements of deferred tax assets/(liabilities) for the nine-month interim periods ended 30 September are as follows:

	2022	2021
1 January	1,715,971	954,246
Charged to statement of profit or loss as income/(expense)	1,124,493	60,951
Acquisitions (Note 3)	(699,044)	-
Effect of fixes(*)	-	64,600
Charged to comprehensive income statement as income/(expense)	67,912	68,923
Exchange differences on translation	(9,602)	-
30 September 2021	2,199,730	1,148,720

(*) In our financial statements dated 30 September 2022, the related doubtful receivables provision amounting to TRY 323,000, with the effect of deferred tax income amounting to TRY 64,600 (net TRY 258,400), has been adjusted retrospectively without being associated with the current period results

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

21. EARNINGS PER SHARE

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
Net profit for the year (TRY)	10,322,171 1,892,184	3,816,190	4,710,761	
Weighted average number of shares with nominal	35,091,000,000 35,091,000,000	35,091,000,000	35,091,000,000	
Earnings per share with nominal value of Kr 1 each	29.42 Kr	10.88 Kr	13.42 Kr	5.39 Kr

22. RELATED PARTY DISCLOSURES

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Group is controlled by Koç Holding A.Ş. and Ford Deutschland Holding GmbH, a subsidiary of Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies' assets are shown as related parties.

The related party balances at 30 September 2022 and 31 December 2021 and the transactions with related parties during the year are as follows:

a) Receivables from related parties

i) Trade receivable from related parties

	30 September 2022	31 December 2021
Due from shareholders		
Ford Motor Group and subsidiaries	14,933,976	6,613,713
	14,933,976	6,613,713
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,429,458	1,302,822
Other	131,884	12,466
	1,561,342	1,315,288
Less: unearned credit finance income	(19,924)	(14,824)
	16,475,394	7,914,177

(*) The Company's shareholders' subsidiaries and affiliate.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

22. RELATED PARTY DISCLOSURES (Continued)

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Export vehicle receivables from the Ford Motor Company are due in 14 days and for Romanian 38 days and receivables are collected regularly.

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company's vehicle sales receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 30 days on average and sales of spare parts is due in 70 days on average.

ii) *Other receivables from related parties* (*)

	30 September 2022	31 December 2021
Due other from shareholders		
Ford Motor Company and subsidiaries	144,418	-
	144,418	-

iii) *Long-term other receivables from related parties* (*)

	30 September 2022	31 December 2021
Due long term from shareholders		
Ford Motor Company and subsidiaries	1,076,075	-
	1,076,075	-

(*) All of the amounts shown in other receivables from related parties consist of receivables arising from the Group's accounting by leasing certain fixed assets in Craiova factory to Ford Motor Company in accordance with TFRS 16.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

22. RELATED PARTY DISCLOSURES (Continued)

b) Payables to related parties

i) Trade payables to related parties

30 September 2022 31 December 2021

Due to shareholders

Ford Motor Company and subsidiaries	10,981,918	1,564,116
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10,981,918 1,564,116

Due to group companies (*)

Zer Merkezi Hizmetler ve Ticaret A.Ş.	371,604	207,883
Ram Dış Ticaret A.Ş.	92,075	128,869
Ram Sigorta Aracılık Hizmetleri A.Ş.	56,469	916
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	23,360	10,067
Opet Petrolcülük A.Ş.	16,312	9,352
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	14,409	30,427
Setur Servis Turistik A.Ş.	13,289	19,337
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	12,597	15,007
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	6,378	5,020
Divan Turizm İşletmeleri A.Ş.	4,969	1,940
Ark İnşaat A.Ş.	4,336	43,658
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1,043	618
Other	8,278	73,856

625,119 546,950

Less: unearned credit finance income

(10,739) (4,616)

11,596,298 2,106,450

(*) The Company's shareholders' subsidiaries and affiliate.

ii) Other payables to related parties

30 September 2022 31 December 2021

Koç Holding A.Ş.	-	27,905
Koç Finansman A.Ş.	-	7,975
Yapı ve Kredi Bankası A.Ş.	-	2,366

- 38,246

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

22. RELATED PARTY DISCLOSURES (Continued)

c) Sales to related parties

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
Ford Motor Company (*)	80,662,642	37,167,862	33,211,328	
	14,476,392			
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	5,427,581	2,289,728	2,637,749	897,221
Other	4,899	4,898	6	5
	86,095,122	39,462,489	35,849,083	
15,373,618				
Less: financial income from credit sales	(104,792)	(42,322)	(73,037)	(25,368)
	85,990,330	39,420,166	35,776,046	
	15,348,250			

(*) The Company, exports vehicle, spare parts and engineering service to Ford Motor Company.

(**) The Group has a vehicle and spare parts trade in accordance with domestic dealer agreement with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

d) Material, service and fixed asset purchases from related parties

	1 January - 30 September 2022			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	111,982	1,368,574	23	1,480,579
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	775,840	775,840
Ram Dış Ticaret A.Ş.	566,671	-	-	566,671
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	372,553	-	372,553
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	153,893	56,726	210,619
Opet Petrolcülük A.Ş.	118,135	-	-	118,135
Koç Holding A.Ş. (**)	-	74,551	-	74,551
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	72,572	-	72,572
Setur Servis Turistik A.Ş.	-	68,059	-	68,059
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	60,251	-	-	60,251
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	45,192	5,572	50,764
Ingage Dijital Pazarlama A.Ş.	-	22,174	-	22,174
Koçtaş Yapı Marketleri Ticaret A.Ş.	19,640	-	17	19,657
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	13,518	-	-	13,518
Divan Turizm İşletmeleri A.Ş.	-	6,777	-	6,777
Tanı Pazarlama İlet. Hiz. A.Ş.	-	2,133	-	2,133
Other	245	9,194	10,600	20,039
	890,442	2,195,672	848,778	3,934,892
Less: Financial expense from credit purchases	(19,874)	-	-	(19,874)
	870,568	2,195,672	848,778	3,915,018

(*) Contains paid and accrued premium amounts for the period ended 30 September 2022 and period ended 2021 within the context of insurance policies signed with insurance companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

(**) It includes service costs that are based on finance, law, planning, tax and management provided by Koç Holding A.Ş. to the companies within the group organisation, invoiced to the Group within the context of

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“11-Intra-group Services” in numbered 1 General Communique about concealed Gain Distribution by Transfer Pricing.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

22. RELATED PARTY DISCLOSURES (Continued)

	1 July - 30 September 2021			Total
	Material	Service	Fixed assets	
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	17,539	222,341	147	240,027
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	115,941	115,941
Ram Dış Ticaret A.Ş.	65,563	-	-	65,563
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	46,128	-	46,128
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	15,858	12,432	28,290
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	13,599	12,544	26,143
Opet Petrolcülük A.Ş.	16,024	-	-	16,024
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	13,419	-	-	13,419
Ingage Dijital Pazarlama A.Ş.	-	10,003	-	10,003
Koç Holding A.Ş.	-	6,930	-	6,930
Koçtaş Yapı Marketleri Ticaret A.Ş.	5,013	-	-	5,013
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	4,106	-	4,106
Setur Servis Turistik A.Ş.	-	3,047	-	3,047
Otokar Otomotiv Savunma San. A.Ş.	1,867	-	-	1,867
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1,470	-	-	1,470
Tanı Pazarlama İlet. Hiz. A.Ş.	-	351	-	351
Other	22	2,525	120	2,667
	120,917	324,888	141,184	586,989
Less: Financial expense from credit purchases	(1,472)	-	-	(1,472)
	119,445	324,888	141,184	585,517

Material, vehicle and service purchases from abroad

	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2021
Ford Motor Group and subsidiaries	55,627,959	34,786,541	16,559,559	6,396,050

e) License fees paid to Ford Motor Group included in cost of sales

	1 January-30 September 2022	1 July -30 September 2022	1 January-30 September 2021	1 July -30 September 2021
	474,665	204,292	207,618	68,531

f) License fees received from Jiangling Motors Corporation, a subsidiary of Ford Motor Group, included in other income

	1 January- 30 September 2022	1 July - 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2021
	28,025	11,205	17,291	7,103

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

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22. RELATED PARTY DISCLOSURES (Continued)

g) Donations to related parties, establishments and foundations, included in general administrative expenses

	1 January- 30 September 2022	1 July - 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2021
	166,231	59,247	71,308	34,591

h) The details of deposits in related banks and loans obtained from related banks

Deposits in related banks

30 September 2022 31 December 2021

Yapı ve Kredi Bankası A.Ş.

- Foreign currency time deposits	1,646,044	
	1,671,059	
- TRY demand deposits	53,285	37,447
- Foreign currency demand deposits	10,093	7,702
- TRY time deposit	421,558	1,112,832
	2,130,980	
	2,829,040	

i) Related bank loans

30 September 2022 31 December 2021

Yapı ve Kredi Bankası A.Ş.	408,587	-
	408,587	-

i) Other long term payables

30 September 2022 31 December 2021

Ford Motor Group and subsidiaries (Note 6)	5,720,592	-
	5,720,592	-

j) Commission income

	1 January- 30 September 2022	1 July 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2021
Yapı ve Kredi Bankası A.Ş.	10,518	4,862	6,731	1,768
Koç Finansman A.Ş.	5,081	1,381	3,920	1,469
	15,599	6,243	10,651	3,237

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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

22. RELATED PARTY DISCLOSURES (Continued)

k) Commission expense

	1 January- 30 September 2022	1 July 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2021
Koç Finansman A.Ş.	52,165	13,685	67,224	23,276
Yapı ve Kredi Bankası A.Ş.	42,009	23,360	111,618	62,869
	94,174	37,045	178,842	86,145

Commissions paid to Koç Finansman A.Ş. and Yapı ve Kredi Bankası A.Ş. are credit commissions related to sales to end user customers by dealers and are recorded as sales discounts in the statement of profit or loss.

l) Interest income

	1 January- 30 September 2022	1 July 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2021
Yapı ve Kredi Bankası A.Ş.	47,468	3,762	159,288	37,627

m) Dividend income

	1 January- 30 September 2022	1 July 30 September 2022	1 January- 30 September 2021	1 July - 30 September 2021
Otokar Otomotiv- ve Savunma Sanayi A.Ş.	2,929	-	2,343	

n) Compensation of key management personnel

The Group defines its key management personnel as board of directors’ members, general manager, assistant general managers and directors reporting directly to the general manager.

Compensation of key management personnel includes salaries, premiums, Social Security Institution employer’s contribution, employer’s contribution of unemployment insurance and the attendance fees

The total amount of compensation given to key management personnel of the Group as of the first six months of 2022 is TRY37,054 (30 September 2021: TRY13,947).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 30 September 2022 and 31 December 2021. The carrying amount of the Group's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

30 September 2022

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	17,069,201	61,505	879,054	72
2. Monetary financials assets (including cash and cash equivalents)	5,304,872	527	304,263	2,005
3. Other	3,096,112	25,465	139,114	6,577
4. Current assets (1 + 2 + 3)	25,470,185	87,497	1,322,431	8,654
5. Monetary financial assets	1,291,147	-	72,038	-
6. Non-current assets (5)	1,291,147	-	72,038	-
7. Total assets (4 + 6)	26,761,332	87,497	1,394,469	8,654
8. Trade payables	11,183,836	120,025	471,127	16,328
9. Financial liabilities (*)	12,788,792	122	713,395	-
10. Other monetary liabilities	1,332,358	8,573	58,099	6,620
11. Short term liabilities (8 + 9 + 10)	25,304,986	128,720	1,242,621	22,948
12. Financial liabilities (*)	14,915,265	360	831,804	-
13. Other	5,720,592	-	319,172	-
14. Long term liabilities (12+13)	20,635,857	360	1,150,976	-
15. Total liabilities (11 + 14)	45,940,843	129,080	2,393,597	22,948
16 Net foreign currency (liabilities)/ assets position (7 - 15)	(19,179,511)	(41,583)	(999,128)	(14,294)
17 Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(16,555,031)	(67,048)	(819,070)	(20,871)

(*) The Group's net foreign exchange position is mainly due to long term Euro denominated loans obtained to fund its investments. The Group is hedging for the foreign currency exchange risk arising from its Euro denominated long-term loans with export agreements signed with Ford Motor Group. The TRY equivalent of such loans amount to TRY19,756,954 as of 30 September 2022 (31 December 2021: TRY7,670,190). As of 30 September 2022, the Group has a total of TRY1,591,739 (31 December 2021: TRY280,042) of the product to be issued.

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ENDED 1 JANUARY - 30 SEPTEMBER 2022**

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	7,633,465	7,736	502,998	2
2. Monetary financials assets (including cash and cash equivalents)	6,504,528	1,398	429,525	1,833
3. Other	641,824	12,667	32,518	-
4. Current assets (1 + 2 + 3)	14,779,817	21,801	965,041	1,835
5. Monetary financial assets	36,159	-	2,463	-
6. Non-current assets (5)	36,159	-	2,463	-
7. Total assets (4 + 6)	14,815,976	21,801	967,504	1,835
8. Trade payables	2,912,537	74,560	131,445	8,121
9. Financial liabilities (*)	8,130,864	-	545,202	-
10. Other monetary liabilities	31,591	-	2,152	-
11. Short term liabilities (8 + 9 + 10)	11,074,992	74,560	678,799	8,121
12. Financial liabilities (*)	10,817,259	-	723,403	-
13. Other	1,036	-	71	-
14. Long term liabilities (12+13)	10,818,295	-	723,474	-
15. Total liabilities (11 + 14)	21,893,287	74,560	1,402,273	8,121
16. Net foreign currency (liabilities)/assets position (7 - 15)(7,077,311)	(52,759)	(434,769)	(6,286)	
17. Net monetary foreign (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(7,718,099)	(65,426)	(467,216)	(6,286)

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk primarily against EUR and partly against USD. The foreign exchange risk of the Group arises from long-term EUR investments.

30 September 2022

Appreciation/depreciation in foreign currency	Profit/(loss)/ before taxation	
	<u>Increase by 10 (%)</u>	<u>Decrease by 10 (%)</u>
Change in USD against TRY		
USD net assets/(liabilities)	(76,947)	76,947
USD net hedged amount	-	-
USD net- gain/(loss)	(76,947)	76,947
Change in EUR against TRY		
EUR net assets/(liabilities)	(1,790,759)	1,790,759
EUR net hedged amount	1,975,695	(1,975,695)
EUR net- gain/(loss)	184,936	(184,936)
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(50,246)	50,246
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(50,246)	50,246

31 December 2021

Appreciation/depreciation in foreign currency	Profit/(loss) before taxation	
	<u>Increase by 10 (%)</u>	<u>Decrease by 10 (%)</u>
Change in USD against TRY		
USD net assets/(liabilities)	(68,468)	68,468
USD net hedged amount	-	-
USD net- gain/(loss)	(68,468)	68,468
Change in EUR against TRY		
EUR net (liabilities)/assets	(638,340)	638,340
EUR net hedged amount	767,019	(767,019)
EUR net- gain/(loss)	128,679	(128,679)
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(924)	924
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(924)	924

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the year ended 30 September 2022 and 2021 are as follows:

	30 September 2022	30 September 2021
Total export amount	75,583,157	35,454,317
Total import amount	46,010,224	21,026,004

The Group’s net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk, the Group follows a balanced foreign currency position policy. The foreign currency exposure arising from foreign currency denominated borrowings and trade

Interest rate risk

The Group’s interest rate sensitive financial instruments are as follows:

	30 September 2022	30 September 2021
Fixed interest rate financial instruments		
Financial assets	6,790,335	14,044,278
Financial liabilities	23,177,778	12,917,808
Floating interest rate financial instruments		
Financial liabilities	11,114,199	6,138,419

If the interest rates of floating interest-bearing EUR denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TRY54,329 at 31 September 2022 (31 December 2021: TRY9,511) due to higher/lower interest expense.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 1 JANUARY - 30 SEPTEMBER 2022**

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The table below shows the liquidity risk arising from financial liabilities of the Group :

30 September 2022	Book value	Total contractual cash outflow	Up to 3 months	Between 3 - 12 months	Between 1 - 5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities 1,628,345	28,452,584	30,215,405	8,573,956	5,670,187	14,342,917	
Lease liabilities	118,801	146,657	9,243	27,728	102,148	7,538
Long term other liabilities	5,720,592 2,701,746	6,208,335	-	-	3,506,589	
Trade payables						
- Related party	11,596,298	11,607,037	11,607,037	-	-	-
-Other	14,173,313	14,335,609	14,335,609	-	-	-
Other liabilities						
-Related party	-	-	-	-	-	-
-Other	583,060	583,060	583,060	-	-	-
Derivative financial liabilities						

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 1 JANUARY - 30 SEPTEMBER 2022**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

Derivative financial liabilities	-	-	-	-	-	-
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FORD OTOMOTİV SANAYİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021	Book value	Total contractual cash outflow	Up to 3 months	Between 3 - 12 months	Between 1 - 5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities 1,238,559	18,956,184	19,527,995	2,778,230	5,293,338	10,217,868	
Lease liabilities	100,043	121,792	7,313	21,940	86,304	6,235
Trade payables						
- Related party	2,106,450	2,111,066	2,111,066	-	-	-
-Other	9,272,218	9,341,802	9,341,802	-	-	-
Other liabilities						
-Related party	38,246	38,246	38,246	-	-	-
-Other	220,755	220,755	220,755	-	-	-
Derivative financial liabilities						
Derivative financial instruments	1,036	1,036	-	-	1,036	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2022

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value hierarchy table

The Group classifies the fair value measurement of financial instruments reported at fair value according to their source of valuation inputs, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted).

Level 2: Other valuation techniques that includes direct or indirect observable inputs.

Level 3: Valuation techniques that does not contain observable market inputs.

As of 30 September 2022 and 31 December 2021, the Group’s hierarchy table for its assets and liabilities recorded at fair value are as follows:

30 September 2022

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	324,601	-
Financial assets at fair value through OCI			
Otokar	79,270	-	-
Total assets	79,270	324,601	-

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date.

(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. , as prices) or indirectly (i.e. , derived from prices).

31 December 2021

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	36,159	-
Financial assets at fair value through OCI - Otokar	49,913	-	-
Total assets	49,913	36,159	-

Liabilities at fair value

Derivative financial liabilities	-	1,036	-
Total liabilities	-	1,036	-

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date.

(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. , as prices) or indirectly (i.e. , derived from prices).

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

24. CASH FLOW HEDGE OPERATIONS

There is an effective foreign currency cash flow hedge relationship between foreign currency long-term financial borrowings related with investment expenditures (non-derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Group, the Group will associate a portion of estimated export revenue from 1 April 2013 to November 2028 with long-term financial borrowings. There is no ineffective part.

	30 September 2022	31 December 2021
Cash flow hedge reserve		
Amount recognized in other comprehensive income	2,194,112	3,176,720
Amount recycled from other comprehensive income to statement of profit or (loss)	(1,771,643)	(937,654)
	422,469	2,239.066

25. SUBSEQUENT EVENTS

At the meeting of the Board of Directors of the Group on October 20, 2022, a gross cash dividend of 570% (net 513.00%), of which 5.7 full Turkish lira (net 513.00 Kr) per 1 full TRY share, and a total of TRY2,000,187 was paid and decided to submit this decision to the approval of the Extraordinary General Assembly to be held on 28 November 2022.

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