

FORD OTOSAN



Ford Otomotiv Sanayi A. Ş.
1 January – 30 June 2023
Interim Report



COMPANY INFORMATION

Board of Directors and Committees

According to Article 10 of our Articles of Incorporation, all affairs and management of Ford Otosan shall be conducted by the Board of Directors composed of at least 8 members, the total number of the members shall be even, and shall be elected for a period not exceeding three years in accordance with the provisions of the Turkish Commercial Code and regulations of the Capital Markets Board. Save for the mandatory provisions of the Corporate Governance Principles of the Capital Markets Board with respect to the independent members of the Board of Directors, the General Assembly may replace the members of the Board of Directors at any time as deemed necessary. Two of the elected board members shall meet the qualification of independence stipulated in the Corporate Governance Principles regulations of Capital Markets Board.

In our Ordinary General Assembly Meeting held on March 9th, 2023, the number of members of our Board of Directors was defined as 12, including 2 Independent Members. Our Board of Directors that would be serving until Ordinary General Assembly Meeting to audit 2023 accounts are as below:

M. Rahmi Koç	Honorary Chairman
Y. Ali Koç	Chairman
James Kieran Vincent Cahill	Vice Chairman
Johan Egbert Schep	Member
William R. Periam	Member
Levent Çakıroğlu	Member
Haydar Yenigün	Member
Lisa Katherine King	Member
Fatma Füsün Akkal Bozok	Independent Member
Prof. Dr. Katja Windt	Independent Member
Güven Özyurt	Member- General Manager
Josephine M. Payne	Member- General Manager

In accordance with Capital Markets Board's Communiqué II-17.1. on Corporate Governance;

Mrs. Fatma Füsün Akkal Bozok and Prof. Dr. Katja Windt have been elected to the Audit Committee membership. Mrs. Fatma Füsün Akkal Bozok has been elected as the chairman, and Haydar Yenigün, Mr. William Richard Periam, Prof. Dr. Katja Windt and Mrs. Saibe Gül Ertuğ as the members of the Corporate Governance Committee which also fulfills the duties assigned to the Nominating Committee. Mrs. Fatma Füsün Akkal Bozok has been elected as the chairman, and Mr. Haydar Yenigün and Mr. William Richard Periam as the members of the Early Determination and Management of Risk Committee. Mrs. Fatma Füsün Akkal Bozok has been elected as the chairman, and Mr. Haydar Yenigün and Mr. James Kieran Vincent Cahill as the members of the Remuneration Committee.

Shareholder Structure:

Ford Otosan's shareholder structure as of June 30th , 2023 is as follows:

Company Name	Value of Share (TL)	Number of Share	Share Capital (%)
Koç Holding A.Ş.	135,631,304	13,563,130,447	38.65
Vehbi Koç Foundation	2,880,501	288,050,137	0.82
Koç Holding Retirement and Support Fund Foundation	3,259,202	325,920,231	0.93
Temel Ticaret A.Ş. ⁽¹⁾	2,355,885	235,588,500	0.67
Koç Group Companies	144,126,892	14,412,689,315	41.07
Ford Motor Company ⁽²⁾	143,997,037	14,399,703,676	41.04
Publicly Held	62,786,070	6,278,607,009	17.89
Total Nominal Capital (TL)	350,910,000	35,091,000,000	100

(1) At the Extraordinary General Assembly meeting dated September 29, 2022, Temel Ticaret ve Yatırım A.Ş. approved the partial demerger and transferred all of its shares in Koç Holding A.Ş. to Family Danışmanlık Gayrimenkul ve Ticaret A.Ş which 100% owned by Temel Temel Ticaret ve Yatırım A.Ş.

(2) Ford Deutschland Holding GmbH: 100% owned by Ford Motor Company.

TURKISH AUTOMOTIVE MARKET AND FORD OTOSAN

1. Turkish Automotive Market and Ford Otosan

Turkish auto industry grew by 55% in 1H23 to 578,674 units. Sales rose across all segments YoY: PC 55%, LCV 76%, MCV 32% and Heavy Trucks 49%.

In 1H23, domestic sales were robust due to the increase in vehicle availability, improvement in semiconductor supply, strong course of domestic demand driven by the fact that vehicle purchases were regarded as an investment instrument in a high inflation environment, and low base impact.

Turkish automotive market sales were as follows in 1H23.

	1H23	1H22	Change, %
Passenger Car	430,372	278,282	55
Light Commercial Vehicle	82,976	47,060	76
Medium Commercial Vehicle	43,021	32,562	32
Truck	19,335	12,991	49
Total ⁽³⁾	578,674	373,072	55

(3) Covers all heavy commercial vehicles excluding buses and midibuses.

Source: Automotive Distributors' Association (ADA) and TAİD

PC industry share was 74.4% (1H22: 74.6%). LCV industry share increased to 14.3% (1H22: 12.6%).

The share of PCs in the total industry						
1H23	1H22	2022	2021	2020	2019	2018
%74	%75	%72	%73	%77	%79	%77

Source: ADA

In the first half of the year, share of import vehicles in both PC and LCV increased YoY, and reached to 66% and 49% respectively. In total, the share of import vehicles was 62%.

Share of import vehicles	PC	LCV	Total
1H23	66%	49%	62%
1H22	61%	41%	57%
2022	61%	41%	56%

Source: ADA

In 1H23, Ford Otosan maintained its 3rd rank with a market share of 9.8% (9.6%)⁽³⁾ in total industry. Ford Otosan's retail sales increased by 58% to 56,457 (35,660) units compared to the same period of last year. In the passenger car segment, while retaining our profitability strategy, our market share reached to 3.2% (2.0%). We maintained our undisputed leadership in the commercial vehicle segment with 29.3% (32.4%) market share. Our market share was 29.1% (29.6%) in light commercial vehicles, 29.7% (39.4%) in medium commercial vehicles and 29.2% (25.2%) in heavy commercial vehicles.

(4) Data inside the paranthesis represent 1H22 numbers throughout the report.

2. Production and Capacity

In 1H23, our total production volumes increased by 62% to 310,113 (191,216). The capacity utilization rate was 82% in Gölcük Plant, 134% in Yeniköy Plant, 111% in Eskişehir Plant and 103% in Craiova Plant. The total capacity utilization rate was realized as 94% (81%). Our production volumes by model were as follows.

Plant	Model	1H23	1H22	Change, %
Gölcük	Transit	82,172	72,521	13
Gölcük	Custom	75,042	80,752	-7
Yeniköy	Courier	45,623	30,097	52
Eskişehir	Ford Trucks	10,348	7,847	32
Craiova	Puma	96,928	-	-
Total		310,113	191,216	62

3. Export, Domestic and Wholesale Review

Export Markets

According to the European Automobile Manufacturers' Association (ACEA) (www.acea.be), van sales (commercial vehicles up to 3.5 tons) rose by 12.7% in 1H23 YoY in Europe, our largest export market. The increase was due to improvements in the supply chain and last year's low basis.

%	2017	2018	2019	2020	2021	2022	1H22	1H23
UK	-3.6	-1.3	2.4	-20.0	21.4	-20.6	-24.6	17.7
Germany	4.9	5.4	6.9	-12.2	-0.8	-13.0	-22.1	15.5
Italy	-3.4	-6.0	3.4	-15.0	14.7	-12.3	-11.6	9.2
Spain	15.5	7.8	0.3	-26.5	-4.0	-21.3	-35.4	26.6
France	7.1	4.6	4.5	-16.1	7.5	-19.5	-24.4	3.6
Poland	2.0	12.8	1.5	-14.6	23.9	-15.8	-18.3	-0.1
Total ⁽⁵⁾	3.9	3.1	2.8	-18.0	10.7	-18.6	-24.0	12.7

⁽⁵⁾ Including 26 markets in Europe and UK.

Exports

In the first half, Ford Otosan's export figures increased by 68% YoY with the contribution of Craiova Plant and reached to 253,337 (150,976) units. Our export revenues amounted to 102,419 (47,818) million TL with an annual increase of 114% due to the increase in the export volumes and the exchange rate effect.

Domestic Sales

Domestic wholesale volumes were up 73% to 59,456 (34,323) units in 1H23. Due to the increase in the sales and the ongoing pricing discipline, our domestic sales revenues increased by 190% YoY to TL 37,437 (12,912) million.

Total Sales

Total sales volumes were up 69% to 312,793 (185,299). Total Revenues increased by 130% to TL 139,855 (60,730) million. The share of exports in sales revenues was 73% (1H22: 79%).

4. Investments

Capital expenditures were TL 8,282 (5,345) million including capitalized R&D spending.

5. R&D Activities

TL 2,434 (1,327) million pre-capitalization R&D expenditure was made for various product development projects. R&D projects are carried out in line with product programs and the number of R&D engineers is 2,244.

6. Employees

As of June 30th, 2023, Ford Otosan had a total of 22,447 employees: 4,854 salaried and 17,593 hourly. (December 31, 2022: total 20,911 employees: 4,767 salaried and 16,144 hourly). Ford Otosan continued to have the highest employment rate in the Turkish automotive industry. Our hourly employees are part of the Collective Bargaining Agreement signed on January 12, 2022 between Turkish Metal Union and Turkish Employers' Association of Metal Industries (MESS) and valid in between 1st September 2021- 31st August 2023.

7. Profitability

Strong financial results were achieved in the first half of the year. The following factors supported our profitability in this period:

- i- Strong domestic sales
- ii- Increase in export sales despite supply chain difficulties
- iii- Ongoing pricing discipline
- iv- Cost reduction measures and OpEx control
- v- Exchange impact (Average increase of 32% in EUR/TL in 1H23 YoY)

Gross Profit rose 125% YoY to TL 19,945 million supported by strong YoY growth in domestic volumes, ongoing cost reduction actions and pricing discipline. Despite 106% YoY rise in Net Financial Expenses (in other operating income/expenses), Net Other Income grew by 452% YoY to TL 3,497 million in 1H23, driven by the 382% YoY increase in Net FX Gain from Operating Activities. As a result, Operating Profit increased 142% YoY in 1H23 to TL 17,365 million. EBITDA grew 141% YoY to TL 18,660 million while EBITDA excluding the currency impact was up 113% YoY to TL 15,164 million. EBITDA per vehicle and PBT per vehicle were EUR 2,265 and EUR 1,861 in 1H23 respectively.

Net Financial Expenses reached TL 4,902 million in 1H23 (1H22: TL 1,501 million). This increase was driven by the fact that Net Interest Income, which was TL 74 million in 1H22, turned into TL 747 million Net Interest Expenses in this period, and that the Net FX Loss increased by 153% YoY to 4.347 million TL (balanced with export business related part of Net FX Gain from Operating Activities as part of our cash flow hedge mechanism). Thus, Profit Before Taxes reached TL 12,461 million with a YoY increase of 120%. Net Profit, on the other hand, increased by 86% YoY and realized as TL 12,080 million.

Margins: Gross Profit 14.3% (-0.3 pps YoY); EBITDA 13.3% (+0.5 pps YoY); EBITDA excluding other income 10.8% (-0.9 pps YoY); Operating Profit 12.4% (+0.6 pps YoY); and Net Profit 8.6% (-2.1 pps YoY).

8. Financing

€218 million loan repayment was made in 1H23 where €555 million was borrowed in new loans. Total debt level was €1,806 million (€1.838 million) as of June-end, up from €1,562 million at the beginning of the year. Cash balance as at the end of the period is TL 25,988 million (TL 13,542 million).

Ford Otosan continues to follow financial risks very closely and maintains prudent policies. The main policies regarding various risks are summarized in the Note 2 of the financial statements.

9. Main Financial Indicators

Balance Sheet, Million TL	30.6.2023	31.12.2022	YoY Δ
Current Assets	82,692	55,125	50%
Property, Plant and Equipment - Net	26,508	20,145	32%
Total Assets	139,528	96,052	45%
Current Liabilities	70,335	46,206	52%
Total Liabilities	112,237	74,650	50%
Shareholders' Equity	27,291	21,402	28%
Summary Income Statement, Million TL	30.06.2023	30.06.2022	YoY Δ
Total Revenues ⁽¹⁾	139,855	60,730	130%
Export ⁽²⁾	102,419	47,818	114%
Domestic	37,437	12,912	190%
Gross Profit	19,945	8,872	125%
Operating Profit	17,365	7,169	142%
Financial Income / (Expense)	-4,902	-1,501	227%
Profit Before Tax	12,461	5,656	120%
Net Income	12,080	6,506	86%
Other Financial Data, Million TL	30.06.2023	30.06.2022	YoY Δ
Depreciation & Amortization	1,296	584	122%
EBITDA	18,660	7,753	141%
Capex	-8,282	-5,345	55%
Cash Flow Statement, Million TL	30.06.2023	30.06.2022	YoY Δ
Beginning Balance of Cash & Equivalents	10,110	14,106	-28%
Net Cash from Operating Activities	22,463	7,163	214%
Net Cash Used in Investing Activities	-8,271	-12,456	-34%
Net Cash Used in Financing Activities	1,796	4,721	-62%
End of Period Balance of Cash & Equivalents	25,890	13,535	91%

Financial Ratios	30.06.2023	31.12.2022
Current ratio	1.18	1.19
Liquidity ratio	0.84	0.81
Net Debt / EBITDA ⁽⁶⁾	1.09	1.32
Current Assets / Total Assets	0.59	0.57
Current Liabilities / Total Liabilities	0.63	0.62
Total Liabilities / Total Liabilities and Equity	0.80	0.78
Return on Equity ⁽⁷⁾	88.5%	86.9%
Margins	30.06.2023	30.06.2022
Gross Margin	14.3%	14.6%
EBITDA Margin	13.3%	12.8%
Operating Margin	12.4%	11.8%
Net Profit Margin	8.6%	10.7%

⁽⁶⁾ The EBITDA figure is based on a rolling 4-quarter basis.

⁽⁷⁾ Indicates annualized net income over the number of equities.

10. Other Material Developments

- Mr. David Joseph Cuthbert Johnston who carries out Ford Otosan Leader position, has been appointed to the newly formed position of Ford Otosan Leader - Battery & Partnerships effective as of May 1st, 2023. Mr. David Joseph Cuthbert Johnston will be responsible for the cooperation between Ford Motor Company and Ford Otomotiv Sanayi A.Ş. and the management of battery integration processes and Ford Otomotiv Sanayi A.Ş.'s growth strategies.
- Taking into consideration the views of the Audit Committee, the Board of Directors resolved to nominate Güney Bağımsız Denetim ve SMMM A.Ş. to audit our Company's financial reports for the year 2024 accounting period and to fulfil all other obligations required for the auditors by the Turkish Commercial Code numbered 6102 and the Capital Markets Law numbered 6362 and related regulations and to present the selection to the approval of the upcoming ordinary General Assembly meeting.
- On March 22nd, 2023, pursuant to the authority granted by Article 7 of our Company's Articles of Association, the Board of Directors has decided to issue debt securities in accordance with the Capital Markets Board's Regulations on Debt Instruments, up to a total amount of 8 billion Turkish Liras, to be issued in various series and maturities, either privately placed and/or sold to qualified investors, and to be listed on the relevant market of Borsa Istanbul A.Ş. during a one-year period, subject to market conditions. This issuance will not lead to a public offering. The necessary permit application has been made to the Capital Markets Board within the scope of this decision on 26th May 2023.
- Hasan Kazim Burak Gökçelik, who carries out Engineering and Technology Development Leader in our company, retired as of 30 June 2023. Ian Robert Foston, who carries out Vehicle Programs Tribe Leader, replaces him for the Engineering and Technology Development Business Area. Appointed as Engineering and Technology Development Leader effective July 1, 2023
- The Board of Directors resolved the amendment of Ford Otosan Disclosure Policy, which was revised in 2016, in accordance with the Capital Markets Board's relevant regulations and current Ford Otosan disclosure practices and the updated policy was announced on June 15, 2023.

- The Board of Directors resolved that, Community Investment, Board Diversity, Disciplinary, Ethics & Whistle Blowing Policies are approved within the frame of our Company's efforts in corporate governance, sustainability and compliance areas, and the policies were announced on June 15, 2023.
- With the authorization granted by the Capital Markets Board (CMB) to carry out corporate rating activities in accordance with the Corporate Governance Principles, Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş (Kobirate) published Corporate Governance Compliance Rating Report for Ford Otosan. As of June 21, 2023, our Company's Corporate Governance Rating has been determined as 9.42 (94.2%). As a result, Ford Otosan was included in the BIST Corporate Governance Index (XKURY).
- Mr. David Joseph Cutbert Johnston, who was elected to the Board of Directors during the Ordinary General Assembly on March 09, 2023, has left the membership of the Board of Directors as a result of a change in his role within Ford Motor Company organization effective from July 07, 2023. He will continue to his current role as the Ford Otosan Leader - Battery & Partnerships in our company. Ms. Josephine Mary Payne, the Ford Otosan Leader, has been appointed to fill the vacant position on the Board of Directors, subject to the approval of the first General Assembly to be held.
- Ford Otosan made an announcement on July 21st, 2023 that 2022 Sustainability Report of Ford Otosan that incorporates information about the activities and performance on sustainability of Ford Otomotiv Sanayi A.Ş. has been made available on our corporate website www.fordotosan.com.tr/en.
- There will be a shutdown period in our plants due to scheduled annual vacation as below. During this time periodical maintenance will take place in all our plants. There will also be preparations in production lines in Yeniköy Plant for new investments.

	Shutdown Date	Production Commencing Date
Gölcük Transit Line	31 July 2023	14 August 2023
Gölcük Custom Line	31 July 2023	14 August 2023
Yeniköy Plant	31 July 2023	14 August 2023
Eskişehir Plant	31 July 2023	14 August 2023
Craiova Plant	14 August 2023	31 August 2023

11. Guidance

Expectations for the total industry volume and Ford Otosan's retail sales for 2023 were revised upwards due to the strong demand expected in the market throughout the year. Accordingly, our Wholesale Volumes have been revised. Others have not been changed.

2023 Guidance			
	2022A	2023 Old Guidance	2023 New Guidance
Total Industry Volume	822 K	800 K- 850 K	1,000 K- 1,100 K
Ford Otosan:			
Retail Sales Volume	85 K	90 K- 100 K	110 K- 120 K
Export Volume	391 K	550 K - 570 K	550 K - 570 K
Turkey	298 K	355 K- 365 K	355 K- 365 K
Romania	93 K	195 K - 205 K	195 K - 205 K
Wholesale Volume	476 K	640 K - 670 K	660 K - 690 K
Total Production Volume	466 K	630 K - 660 K	630 K - 660 K
Turkey	374 K	430 K- 450 K	430 K- 450 K
Romania	92 K	200 K- 210 K	200 K- 210 K
Capex (fixed assets)	€ 818 million	€ 1,000-1,050 million	€ 1,000-1,050 million
General Investments	€ 52 million	€ 90-100 million	€ 90-100 million
Product Related Investments	€ 766 million	€ 910-950 million	€ 910-950 million

FORD OTOMOTİV SANAYİ A.Ş.