

FORD OTOSAN



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



COMPANY INFORMATION

Board of Directors and Commitees

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 September 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 Deutschland Holding GmbH ⁽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 63% in 9M23 to 889,956 units. Sales rose across all segments YoY: PC 67%, LCV 62%, MCV 50% and Heavy Trucks 30%.

In 9M23, domestic sales were robust due to the improvement in semiconductor supply, increase in vehicle availability strong course of domestic demand driven by the fact that vehicle purchases were regarded as an investment instrument in a high inflation environment.

Turkish automotive market sales were as follows in 9M23.

	9M23	9M22	Change, %
Passenger Car	666,890	399,224	67
Light Commercial Vehicle	118,557	73,275	62
Medium Commercial Vehicle	72,128	48,031	50
Truck	28,278	21,696	30
Total ⁽³⁾	889,956	545,652	63

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

Source: Automotive Distributors' Association (ADA) and TAID

PC industry share was 74.9% (9M22: 73.2%). LCV industry share decreased to 21.4% (9M22: 22.2%)

The share of PCs in the total industry						
9M23	9M22	2022	2021	2020	2019	2018
75%	73%	72%	73%	77%	79%	77%

Source: ADA

In 9M23, share of import vehicles in both PC and LCV increased YoY, and reached to 69% and 52% respectively. In total, the share of import vehicles was 65%.

Share of import vehicles	PC	LCV	Total
9M23	69%	52%	65%
9M22	61%	41%	57%
2022	61%	41%	56%

Source: ADA

In 9M23, Ford Otosan maintained its 3rd rank with a market share of 9.7% (10.0%)⁽³⁾ in total industry. Ford Otosan's retail sales increased by 58% to 86,023 (54,320) 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% (1.9%). We maintained our undisputed leadership in the commercial vehicle segment with 29.7% (32.6%) market share. Our market share was 29.7% (30.2%) in light commercial vehicles, 29.9% (39.4%) in medium commercial vehicles and 29.1% (25.6%) in heavy commercial vehicles.

⁽⁴⁾ Data inside the paranthesis represent 9M22 numbers throughout the report.

2. Production and Capacity

In 9M23, our total production volumes increased by 37% to 444,504 (324,325). The capacity utilization rate was 81% in Gölcük Plant, 104% in Eskişehir Plant and 100% in Craiova Plant. The total capacity utilization rate was realized as 90% (79%). Our production volumes by model were as follows.

Plant	Model ⁽⁵⁾	9M23	9M22	Change, %
Gölcük	Transit	122,834	103,147	19
Gölcük	Custom	112,443	117,929	-5
Yeniköy	Courier	53,255	43,233	23
Eskişehir	Ford Trucks	14,642	11,532	27
Craiova	Puma	141,330	38,344	269
Total		444,504	324,325	37

⁽⁵⁾ Production of the current generation Courier ended in July at the Yeniköy Factory, and production of the new generation Courier will start in the Romania Plant in the 4th quarter. Rakun production has been discontinued as of the 3rd quarter.

3. Export, Domestic and Wholesale Review

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⁽⁶⁾	3.9	3.1	2.8	-18.0	10.7	-18.6	-24.0	12.7

⁽⁶⁾ Including 26 markets in Europe and UK.

In the first nine months of 2023, the UK Van market grew by 20.8% YoY.

During this period, there was a 17.4% increase in the European passenger vehicle market YoY.

Exports

In 9M23, Ford Otosan's export figures increased by 35% YoY with the contribution of Craiova Plant and reached to 366,231 (270,998) units. Our export revenues amounted to 163,637 (87,962) million TL with an annual increase of 86% due to the increase in the export volumes and the exchange rate effect.

Domestic Sales

Domestic wholesale volumes were up 66% to 89,816 (54,268) units in 9M23. Due to the increase in the sales and the ongoing pricing discipline, our domestic sales revenues increased by 172% YoY to TL 62,323 (22,895) million.

Total Sales

Total sales volumes were up 40% to 456,047 (325,266). Total Revenues increased by 104% to TL 225,961 (110,857) million. The share of exports in sales revenues was 72% (9A22: 79%).

4. Investments

Capital expenditures were TL 15,843 (8,126) million including capitalized R&D spending.

5. R&D Activities

TL 3,888 (2,189) 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 2,263.

6. Employees

As of September 30th, 2023, Ford Otosan had a total of 23,717 employees: 5,006 salaried and 18,711 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 nine months of the year. The following factors supported our profitability in this period:

- i- Strong domestic sales and increasing share of domestic sales in total sales
- ii- Strong export volumes supported by Romania Plant
- iii- Ongoing pricing discipline
- iv- Cost reduction measures and OpEx control
- v- Exchange impact (Average increase of 42% in EUR/TL in 9M23 YoY)

Gross Profit rose 138% YoY to TL 34,642 million supported by strong YoY growth in domestic volumes and its increasing share in total sales, ongoing cost reduction actions and pricing discipline. Net Other Income grew by 581% YoY to TL 4,729 million in 9M23, due to the 443% YoY increase in Net FX Gain from Operating Activities driven by exchange impact. In this period, the increase in Net Financial Expenditure slowed down due to the 98% contraction in 3Q. Net Financial Expenses increased by 32% in 9M23. As a result, Operating Profit increased by 155% to TL 29,061 million. EBITDA grew 146% YoY to TL 31,145 million while EBITDA excluding the currency impact was up 121% YoY to TL 26,416 million. EBITDA per vehicle and PBT per vehicle were EUR 2,413 and EUR 2,149 in 9M23, respectively.

Net Financial Expenses reached to TL 5,475 million in 9M23 (in 9M22: TL 2,136 million). The main reasons behind 156% YoY increase in Net Financial Expenses: i) Despite 1.7 million Net Interest Income in 3Q, Net Interest Expenses realized as TL 745 million in 9M23 and ii) Net FX Loss went up 125% YoY and reached to TL 5,180 million (balanced with export business related part of Net FX Gain from Operating Activities as part of our cash flow hedge mechanism). As a result, Profit Before Tax increased 154% YoY to TL 23,521 million. Net Profit was TL 25,094 million, up 143% YoY and higher than PBT due to Tax Income Resulting from Deferred Tax Asset.

Margins: Gross 15.3% (+2.2 pps YoY); EBITDA 13.8% (+2.4 pps YoY); EBITDA excluding other income 11.7% (+0.9 pps YoY); Operating 12.9% (+2.6 pps YoY); and Net 11.1% (+1.8 pps YoY).

8. Financing

€372 million loan repayment was made in 9M23 where €673 million was borrowed in new loans. Total debt level was €1,814 million (€1.598 million) as of September-end, up from €1,562 million at the beginning of the year. Cash balance as at the end of the period is TL 30,556 million (TL 7,253 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	30.09.2023	31.12.2022	YoY Δ	
Current Assets	96,935	55,125	76%	
Current Liabilities	77,565	46,206	68%	
Property, Plant and Equipment - Net	32,261	20,145	60%	
Total Assets	163,199	96,052	70%	
Total Liabilities	122,693	74,650	64%	
Shareholders' Equity	40,507	21,402	89%	
Summary Income Statement, Million TL	30.09.2023	30.09.2022	YoY Δ	
Total Revenues ⁽¹⁾	225,961	110,857	104%	
	Export ⁽²⁾	163,637	87,962	86%
	Domestic	62,323	22,895	172%
Gross Profit	34,642	14,560	138%	
Operating Profit	29,061	11,416	155%	
Financial Income / (Expense)	-5,475	-2,136	156%	
Profit Before Tax	23,521	9,271	154%	
Net Income	25,094	10,322	143%	
Other Financial Data, Million TL	30.09.2023	30.09.2022	YoY Δ	
Depreciation & Amortization	2,085	1,251	67%	
EBITDA	31,145	12,667	146%	
Capex	-15,843	-8,126	95%	
Cash Flow Statement, Million TL	30.09.2023	30.09.2022	YoY Δ	
Beginning Balance of Cash & Equivalents	10,110	14,106	-28%	
Net Cash from Operating Activities	33,887	7,748	328%	
Net Cash Used in Investing Activities	-15,830	-14,933	6%	
Net Cash Used in Financing Activities	2,527	-28	N/M	
End of Period Balance of Cash & Equivalents	30,468	7,249	320%	

Financial Ratios	30.09.2023	31.12.2022
Current Ratio	1.25	1.19
Liquidity Ratio	0.83	0.81
Net Debt / Tangible Net Worth	1.08	1.92
Net Debt / EBITDA ⁽⁷⁾	0.83	1.32
Current Assets / Total Assets	0.59	0.57
Current Liabilities / Total Liabilities	0.64	0.62
Total Liabilities/Total Liabilities & Equity	0.75	0.78
Return on Equity ⁽⁸⁾	82.6%	86.9%
Margins	30.09.2023	30.09.2022
Gross Margin	15.3%	13.1%
EBITDA Margin	13.8%	11.4%
Operating Margin	11.7%	10.8%
Net Margin	12.9%	10.3%

⁽⁷⁾ The EBITDA figure is based on a rolling 4-quarter basis.

⁽⁸⁾ Indicates annualized net income over the number of equities

10. Other Material Developments

- In accordance with the authorization given by article 7 of the Company's Articles of Association and in compliance with the provisions of the Capital Markets Board's Communiqué on Debt Securities, on August 07, 2023 our Board of Directors have decided to issue debt securities for sale in foreign markets, with total value of up to 500 million EUR or its equivalent in foreign currency, within a one-year period. The issuance of debt securities can be carried out through one or more transactions, in various series and maturities, with fixed and/or variable interest rates to be determined based on the prevailing market conditions at the time of issuance. The necessary permit application was made to the Capital Markets Board on 15.08.2023.
- Regarding the issuance of debt instruments, which is the subject of our material disclosure dated August 15, 2023, it was announced in our statement dated 21 September 2023 that our debt instrument issue request up to 500 million EUR or its equivalent in foreign currency was approved by the Board in the weekly bulletin of the Capital Markets Board numbered 2023/56.
- Mr. Fikri Onur Sarıkaya who has been acting as Quality Platform Area Lead at Ford Otosan is assigned as Material Planning and Logistics Lead effective as of September 30, 2023. Ms. Pınar Topçu who has been acting as V801 Project Lead at Ford Otosan is assigned as Quality Platform Area Lead effective as of September 30, 2023.
- On October 2, 2023 Ford Otomotiv Sanayi A.Ş. Board of Directors has concluded the following decision for Extraordinary General Assembly approval;
 - According to the Dividend Communiqué numbered II-19.1, TL 10.443.081.600 to be paid to shareholders as dividend in cash, out of TL 10.443.081.600, which is subject to distribution according to the records prepared in accordance with Tax Procedure Law, TL 15.633.687,40 to be covered from other reserves, TL 1.130.228.395,19 to be covered from legal reserves, TL 9.285.400.926,20 to be covered from extraordinary reserves and TL 11.818.591,21 to be covered from retained earnings, and out of TL 1.044.308.160 second rank legal reserve, which will be allocated: TL 1.563.368,74 to be covered from other reserves, TL 113.022.839,52 to be covered from legal reserves, TL

928.540.092,62 to be covered from extraordinary reserves and TL 1.181.859,12 to be covered from retained earnings.

- In accordance with the financial statements prepared within the framework of Capital Markets Board regulations, out of TL 10.443.081.600 proposed to be paid as dividend in cash, TL 9.312.853.204,81 to be covered from extraordinary reserves, TL 1.130.228.395,19 to be covered from legal reserves; out of TL 1.044.308.160 second rank legal reserve, which will be allocated: TL 931.285.320,48 to be covered from extraordinary reserves, TL 113.022.839,52 to be covered from legal reserves.

- Based on the calculations made in accordance with the tax regulations, TL 10.443.081.600 dividend to be distributed by paying gross TL 29,7600 (%2.976,00) and net TL 26,7840 (%2.678,40) for each share with a nominal value of 1-TL

- To make the dividend distribution in accordance with the dematerialization regulations of Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency Corporation) starting from October 30, 2023.

- Ford Otomotiv Sanayi A.Ş. Board of Directors, in the meeting dated October 02, 2023, has resolved to invite the General Assembly for its Extraordinary Meeting, on October 26, 2023 Thursday at 11:00 to review and resolve the agenda specified as attached at Company Headquarters located at "Akpınar Mahallesi, Hasan Basri Caddesi No:2, Sancaktepe / İstanbul (Tel: +90 216 564 71 00, Fax: +90 216 564 73 85).
- Within the scope of our notification dated on May 26, 2023; on October 12, 2023 with decision number 60/1296 Capital Markets Board approved our issuance certificate of debt securities 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 İstanbul A.Ş. during a one-year period without public offering.

11. Guidance

Total industry volume guidance is updated as a result of the strong demand outlook in the domestic market for the full year. Export and production volumes are reduced due to the longer than expected ramp-up period for the next-gen Courier and Custom models. CAPEX guidance is slightly decreased due to the budget calendar shifts for the new projects.

2023 Guidance				
	2022A	1st Guidance for 2023	2nd Guidance for 2023	Last Guidance for 2023
Total Industry Volume	822 K	800 K- 850 K	1,000 K- 1,100 K	1,100 K- 1,200 K
Ford Otosan:				
Retail Sales Volume	85 K	90 K- 100 K	110 K- 120 K	110 K- 120 K
Export Volume	391 K	550 K - 570 K	550 K - 570 K	530 K - 550 K
Turkey	298 K	355 K- 365 K	355 K- 365 K	335 K- 345 K
Romania	93 K	195 K - 205 K	195 K - 205 K	195 K - 205 K
Wholesale Volume	476 K	640 K - 670 K	660 K - 690 K	640 K - 670 K
Total Production Volume	466 K	630 K - 660 K	630 K - 660 K	610 K - 640 K
Turkey	374 K	430 K- 450 K	430 K- 450 K	410 K- 430 K
Romania	92 K	200 K- 210 K	200 K- 210 K	200 K- 210 K
Capex (fixed assets)	€ 818 mn	€ 1,000-1,050 mn	€ 1,000-1,050 mn	€ 900-950 mn
General Investments	€ 52 mn	€ 90-100 mn	€ 90-100 mn	€ 90-100 mn
Product Related Investments	€ 766 mn	€ 910-950 mn	€ 910-950 mn	€ 810-850 mn

