

FORD OTOMOTIV SANAYI ANONIM SİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS**

AT 1 JANUARY - 30 JUNE 2023

TOGETHER WITH AUDITOR'S REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)

FORD OTOMOTIV SANAYI ANONIM SİRKETİ

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 AND 31 DECEMBER 2022**

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FORD OTOMOTIV SANAYI ANONIM SIRKETI

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 AND 31 DECEMBER 2022

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

	Notes	Current period reviewed 30 June 2023	Previous period audited 31 December 2022
Assets			
Current assets		82,691,691	55,124,518
Cash and cash equivalents		25,988,462	10,114,706
Trade receivables			
- Due from related parties	22	17,872,467	18,656,099
- Due from third parties	7	12,183,577	7,194,845
Other receivables			
- Due from related parties	22	239,786	167,414
- Due from third parties		469,491	116,104
Inventories	8	20,250,979	13,854,008
Prepaid expenses	11	1,960,857	1,195,201
Other current assets		3,170,456	3,674,364
Current period tax related assets	20	-	151,777
Derivative financial instruments	24	555,616	-
Non-current assets		56,836,580	40,927,729
Financial investments	5	137,857	145,942
Trade receivables			
- Due from third parties	7	17,897	15,684
Other receivables			
- Due from related parties	22	1,498,706	1,153,083
Property, plant and equipment	9	26,507,627	20,145,190
Intangible assets			
- Other intangible assets	10	9,391,674	6,950,343
- Goodwill		710,778	503,941
Right of use assets		206,227	164,475
Prepaid expenses	11	9,450,776	6,063,772
Deferred tax assets	20	8,370,875	5,374,582
Investments in subsidiaries, joint ventures and affiliated companies		60,334	28,000
Derivative financial instruments	24	483,829	382,717
Total Assets		139,528,271	96,052,247

Financial statements for the period ended 1 January - 30 June 2023 were approved for issue by the Board of Directors on 27 July 2023.

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

FORD OTOMOTIV SANAYI ANONIM SIRKETI

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 AND 31 DECEMBER 2022

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

Notes	Current period reviewed 30 June 2023	Previous period audited 31 December 2022
Liabilities		
Current liabilities	70,335,209	46,205,980
Short-term borrowings		
- Bank borrowings	6 12,784,215	7,523,746
Short-term portion of long-term borrowings		
- Bank borrowings	6 10,672,362	5,619,141
- Lease liabilities	6 82,098	75,716
Trade payables		
- Due to related parties	22 7,126,875	4,529,401
- Due to third parties	7 34,441,869	25,616,845
Other payables		
- Due to related parties	22 -	73,169
- Due to third parties	1,135,254	662,186
Deferred income	31 328,819	151,546
Short-term provisions		
- Other short-term provisions	12 744,943	575,911
Employee benefit liabilities	2,125,995	1,255,686
Current tax liabilities	20 828,621	-
Derivative financial liabilities	24 64,158	122,633
Non-current liabilities	41,901,600	28,444,093
Long-term borrowings		
- Bank borrowings	6 27,929,270	18,175,044
- Lease liabilities	6 158,465	117,614
- Other long-term provisions	6 9,122,395	6,407,114
Long-term provisions		
- Provision for employment termination benefits	2,011,490	1,890,236
- Other long-term provisions	12 1,302,942	786,836
Deferred income	516,517	493,991
Other non-current liabilities	5,439	5,439
Deferred tax liability	20 851,026	567,819
Derivative financial liabilities	24 4,056	-
Equity	14 27,291,462	21,402,174
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	(1,111,250)	(1,000,033)
Other comprehensive income/(loss) to be reclassified under profit or loss		
- Gains from financial assets measured at fair value through other comprehensive income	130,036	137,717
- Exchange differences on translation	6,634,193	1,674,943
- Losses on cash flow hedges	(10,911,567)	(4,881,384)
Restricted reserves	1,919,055	1,420,763
Retained earnings	18,172,570	5,057,387
Net profit for the period	12,079,587	18,613,943
Total liabilities and equity	139,528,271	96,052,247

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

FORD OTOMOTIV SANAYI ANONIM Sirketi

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIODS ENDED 30 JUNE 2023 AND 2022

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

	Notes	Reviewed 1 January - 30 June 2023	Not reviewed 1 April - 30 June 2023	Reviewed 1 January - 30 June 2022	Not reviewed 1 April - 30 June 2022
Continuing operations					
Revenue	15	139,855,353	73,553,028	60,730,086	32,853,661
Cost of sales (-)	15	(119,910,223)	(62,098,301)	(51,857,680)	(27,700,369)
Gross profit		19,945,130	11,454,727	8,872,406	5,153,292
Marketing expenses (-)		(2,203,021)	(1,427,753)	(1,085,625)	(605,526)
General administrative expenses (-)		(1,866,051)	(1,031,996)	(669,387)	(383,760)
Research and development expenses (-)		(2,007,963)	(1,206,960)	(581,686)	(304,971)
Other income from operating activities	17	6,802,852	5,670,622	1,404,672	596,402
Other expenses from operating activities (-)	17	(3,306,290)	(2,257,550)	(771,170)	(409,009)
Profit from operating activities		17,364,657	11,201,090	7,169,210	4,046,428
Income from investing activities		149	104	5,197	1,596
Expenses from investing activities (-)		(1,577)	-	(17,263)	(1,037)
Operating income before financial income/(expense)		17,363,229	11,201,194	7,157,144	4,046,987
Financial income	18	5,213,393	3,550,615	4,514,302	2,986,764
Financial expenses (-)	19	(10,115,300)	(7,450,119)	(6,015,294)	(3,662,820)
Profit from continuing operations before tax		12,461,322	7,301,690	5,656,152	3,370,931
Tax income/(expense) from continuing operations		(381,735)	(574,870)	849,829	333,271
Tax expenses for the period (-)	20	(1,849,374)	(9,464)	(50,761)	(18,481)
Deferred tax income	20	1,467,639	(565,406)	900,590	351,752
Profit for the period		12,079,587	6,726,820	6,505,981	3,704,202
Earnings per share with a nominal value Kr	21	34.42 Kr	19.17 Kr	18.54 Kr	10.56 Kr

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

FORD OTOMOTIV SANAYI ANONIM SIRKETI

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2023 AND 2022

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

	Notes	Reviewed 1 January - 30 June 2023	Not reviewed 1 April - 30 June 2023	Reviewed 1 January - 30 June 2022	Not reviewed 1 April - 30 June 2022
Profit for the period		12,079,587	6,726,820	6,505,981	3,704,202
Other comprehensive income/(expense)					
Other comprehensive income not to be reclassified to profit or loss					
(Losses)/gains on remeasurements of defined benefit plans	14	(139,021)	(272,945)	(152,973)	(169,034)
Other comprehensive income taxes not to be reclassified to profit or loss					
Taxes relating to remeasurements of defined benefit plans	14	27,804	54,589	30,595	33,807
Other comprehensive income to be reclassified to profit or loss					
Gains/(losses) from financial assets measured at fair value through other comprehensive income	14	(8,085)	8,843	9,856	(281)
Other comprehensive income/(expense) relating to cash flow hedges		(7,480,470)	(7,106,946)	(344,543)	(217,637)
Currency translation differences		4,959,250	4,420,053	-	-
Other comprehensive income taxes to be reclassified to profit or loss					
Taxes relating to gains/(losses) from financial assets measured at fair value through other comprehensive income	14	404	(442)	(493)	14
Taxes relating to cash flow hedges	14	1,450,287	1,398,921	33,468	22,476
Other comprehensive income/(loss)		(1,189,831)	(1,497,927)	(424,090)	(330,655)
Total comprehensive income		10,889,756	5,228,893	6,081,891	3,373,547

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

FORD OTOMOTIV SANAYI ANONIM SIRKETI

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 30 JUNE 2023 AND 2022

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

	Paid in capital	Inflation adjustments on capital	Share premium	Other comprehensive income not to be reclassified in profit or loss Gains/(losses) on remeasurements defined benefit plans	Other comprehensive income to be reclassified profit or loss Gain/(losses) from financial assets measured at fair value through other comprehensive income	Cash flow hedge reserves	Foreign Exchange risk differences	Restricted reserves	Retained earnings		Total equity
									Accumulated profit	Net profit	
Balances at 1 January 2022	350,910	27,920	8	(125,723)	46,489	(3,191,233)	-	766,316	3,472,846	8,801,005	10,148,538
Transfers	-	-	-	-	-	-	-	454,428	8,346,577	(8,801,005)	-
Dividends	-	-	-	-	-	-	-	-	(4,561,830)	-	(4,561,830)
Profit for the period	-	-	-	-	-	-	-	-	-	6,505,981	6,505,981
Other comprehensive income/(loss)	-	-	-	(122,378)	9,363	(311,075)	-	-	-	-	(424,090)
Total comprehensive income	-	-	-	(122,378)	9,363	(311,075)	-	-	-	6,505,981	6,081,891
Balances at 30 June 2022	350,910	27,920	8	(248,101)	55,852	(3,502,308)	-	1,220,744	7,257,593	6,505,981	11,668,599
Balances at 1 January 2023	350,910	27,920	8	(1,000,033)	137,717	(4,881,384)	1,674,943	1,420,763	5,057,387	18,613,943	21,402,174
Transfers	-	-	-	-	-	-	-	498,292	18,115,651	(18,613,943)	-
Dividends	-	-	-	-	-	-	-	-	(5,000,468)	-	(5,000,468)
Profit for the period	-	-	-	-	-	-	-	-	-	12,079,587	12,079,587
Other comprehensive income/(loss)	-	-	-	(111,217)	(7,681)	(6,030,183)	4,959,250	-	-	-	(1,189,831)
Total comprehensive income	-	-	-	(111,217)	(7,681)	(6,030,183)	4,959,250	-	-	12,079,587	10,889,756
Balances at 30 June 2023	350,910	27,920	8	(1,111,250)	130,036	(10,911,567)	6,634,193	1,919,055	18,172,570	12,079,587	27,291,462

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

FORD OTOMOTIV SANAYI ANONIM SIRKETI

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED 30 JUNE 2023 AND 2022

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

Notes	Current period reviewed 30 June 2023	Previous period audited 30 June 2022
Cash flows generated from/(used in) operating	22,462,808	7,163,370
Net profit for the period	12,079,587	6,505,981
Adjustments to reconcile profit or loss	12,748,012	4,210,681
Adjustments for depreciation and amortisation expense	1,295,575	584,235
Adjustments for impairment loss of inventories	8 (12,601)	5,687
Adjustments for provisions related with employee	1,162,437	146,113
Adjustments for lawsuit and/or penalty provisions	12 22,721	3,008
Adjustments for warranty provisions	12 1,002,642	459,425
Adjustments for other provisions	142,279	(48,518)
Adjustments for dividend income	-	(2,929)
Adjustments for interest income	18 (978,142)	(333,338)
Adjustments for interest expense	19 1,725,373	259,715
Adjustments for tax expenses	20 381,735	(849,829)
Adjustments for unearned financing income	17 (1,020,132)	(249,184)
Adjustments for deferred financing expense	17 1,476,591	471,211
Adjustments for loss on sales of property, plant and equipment	1,428	14,995
Other adjustments for which cash effects are investing or financing cash flow	7,548,106	3,750,090
Changes in working capital	(180,310)	(2,969,110)
Increase/(decrease) in trade receivables	(4,334,255)	(698,543)
Increase/(decrease) in inventories	(6,384,370)	(6,368,856)
Increase/(decrease) in prepaid expenses	(775,508)	(183,230)
Increase/(decrease) in trade payable	11,615,243	4,858,874
Increase/(decrease) in other assets	(901,963)	(749,240)
Increase/(decrease) in other liabilities	600,543	171,885
Cash flows generated from operations	24,647,289	7,747,552
Interest paid	(1,349,649)	(475,690)
Interest received	827,387	232,824
Payments related with provisions for employee benefits	(309,895)	(18,313)
Payments related with other provisions	(483,348)	(271,206)
Taxes paid	(868,976)	(51,797)
Cash flows used in investing activities	(8,271,343)	(12,456,168)
Proceeds from sales of property, plant and equipment	42,755	6,216
Purchase of property, plant and equipment	(3,851,730)	(1,818,653)
Purchase of intangible assets	(1,052,882)	(770,243)
Cash advances given and payables	(3,377,152)	(2,756,120)
Dividends received	-	2,929
Cash outflows for payments to acquire control of subsidiaries	3 -	(7,119,047)
Cash outflows from capital increase/share purchase of subsidiaries	(32,334)	(1,250)
Cash flows (used in)/generated from financing activities	1,795,561	4,721,214
Proceeds from borrowings	6 13,509,907	16,235,863
Cash outflows related to borrowings	6 (6,366,348)	(7,087,919)
Dividends paid	14 (5,000,468)	(4,561,830)
Interest paid	(1,171,567)	(217,210)
Interest received	884,575	393,948
Cash outflows on debt payments from leasing agreements	6 (60,538)	(41,638)
Net (decrease) / increase in cash and cash equivalents before the effect of currency translation differences	15,987,026	(571,584)
Effect of foreign currency translation differences on cash and cash equivalents	(206,837)	-
Net (decrease)/increase in cash and cash equivalents	15,780,189	(571,584)
Cash and cash equivalents at the beginning of the period	10,109,622	14,106,240
Cash and cash equivalents at the end of the period	5 25,889,811	13,534,656

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

FORD OTOMOTIV SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2023 AND 2022

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

1. ORGANIZATION AND NATURE OF THE OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") is incorporated 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 currently operates under the joint management and control of Koç Group and Ford Group companies. The Group is listed on the Borsa İstanbul ("BİST") where 17.89% of its shares are currently quoted. The registered office address of the Group is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

In its Kocaeli compound, the Group 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 model vehicles and Ecoboost engines. Holding activities related to foreign structuring are carried out in the partnership of the Group with Ford Otosan Netherlands BV in the Netherlands.

Additionally, the Group 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 Group as of period ends are as follows:

	Average		Period End	
	2023 June	2022 June	2023 June	2022 December
Hourly	16,633	10,505	17,593	16,144
Salaried	4,783	3,557	4,854	4,767
	21,416	14,062	22,447	20,911

As of 30 June 2023, research and development operations which are also subject to service export is conducted with 2,244 employees (31 December 2022: 2,089).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The Group maintain its legal books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles set by the CMB 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 OTOMOTIV SANAYI ANONIM Sirketi

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2023 AND 2022

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

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 2022. As of 30 June 2023, 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 4 October 2022 by POA and the format and mandatory information recommended by CMB. The Group has prepared its consolidated condensed financial statements for the interim period ended 30 June 2023 in accordance with TAS 34 Interim Financial Reporting standard. The interim condensed consolidated financial statements do not contain all the information that should be included in the annual financial statements and should be read together with the annual financial statements of the Group as of 31 December 2022.

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 foreign currency translation differences 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.
- (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.

FORD OTOMOTIV SANAYI ANONIM SirkETI

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2023 AND 2022

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

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 Group and Subsidiaries are deducted during consolidation. The book values of the shares owned by the Group and the dividends arising from them have been netted off from the related equity and profit or loss statement accounts.

As of 30 June 2023 and 31 December 2022, 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:

	Functional currency	30 June 2023		31 December 2022	
		Suffrage	Effective partnership rate	Suffrage	Effective partnership rate
Ford Romania SRL (Note 3)	Romanian Leu	100.00	100.00	100.00	100.00
Ford Otosan Netherlands BV	EUR	100.00	100.00	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 consolidated financial statements of the Group are prepared on the basis of a going concern assumption.

Comparative period's information

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 Group at 30 June 2023 has been provided with the comparative financial information of 31 December 2022 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 June 2023 have been provided with the comparative financial information, for the period between 1 January - 31 December 2022.

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 POA as of 1 January 2023 and related to its own activity.

FORD OTOMOTIV SANAYI ANONIM Sirketi

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2023 AND 2022

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

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 June 2023:

- **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;** effective 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’;** 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.

However, in the letter of the Public Oversight Agency (POA) to the Association of Insurance, Reinsurance and Pension Companies of Turkey dated 06.04.2023, insurance, reinsurance companies and pension companies, banks that have partnerships/investments in these companies and those that have partnerships/investments in these companies. It has been reported that it has been concluded that it would be appropriate to apply TFRS 17 as of 1/1/2024 in the consolidated and individual financial statements of other companies. This change has no impact on the financial position and performance of the Group.

- **Amendment to IAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.
- b. *Standards, amendments, and interpretations that are issued but not effective as of 30 June 2023:*
 - **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
 - **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
 - **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- **IFRS 1, ‘General requirements for disclosure of sustainability-related financial information’;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.
- **IFRS 2, ‘Climate-related disclosures’;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

2.3 Summary of significant accounting policies

The Group has prepared its consolidated condensed financial statements for the interim period ended 30 June 2023 in accordance with TAS 34 Interim Financial Reporting standard. The interim condensed consolidated financial statements do not contain all the information that should be included in the annual financial statements and should be read together with the annual financial statements of the Group as of 31 December 2022.

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:

There are problems in the supply of in-vehicle electronic components due to Covid-19 pandemic, which have been used more intensively in the automotive sector in recent years. Our main partner, Ford Motor Company, with its global suppliers, tries to ensure that the materials of electronic components are used efficiently by giving priority to the solution of the problem and the main production lines.

Although there were slowdowns in the daily production pace from time to time within the scope of supply problems in semiconductor materials, production activities continued with the effective management of the process. The Group has evaluated the possible impairments in the values of financial assets, inventories and tangible fixed assets in its consolidated financial statements as of 31 December 2022, and no significant effect has been identified.

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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 benefit.
- (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 Group 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 Group’s Legal Counsellor and by the Management team taking into account expert opinions. The Group management determines the amount of the provisions based on the best forecasts.
- (e) In calculation of the warranty provision, the Group 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 June 2023 and 31 December 2022 since presumptions that the Group will have taxable profit in the forthcoming periods are found to be sufficient (Note 20).
- (g) The Group 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).
- (h) The Group capitalizes ongoing development expenditures and evaluates whether there is an annual depreciation of these capitalized assets. As of 30 June 2023 and 31 December 2022, 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 1 July 2022. Ford Romania SRL manufactures cars and engines at its Craiova factory.

Pursuant to the contract, the purchase price calculated as TRY7,119,047 (406 million Euros) after adjusting the net working capital and investment amount for the Next Generation Courier project, considering cash and debt-like assets based on the estimated financial statements dated 30.06.2022. The first installment has been paid on 30 June 2022. After the calculations made on the balance sheet amounts of Ford Romania SRL dated 30.06.2022, an additional payment of TRY256,073 (13 million Euros) was made on 30 December 2022. 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.

Contingent and deferred acquisition costs amounting to TRY5,496,234 (as of June 30, 2023 shown as TRY9,122,395 under "other long-term borrowings") calculated by the Group management as of July 1, 2022, were included in the purchase price, and taken into consideration in goodwill calculation in accordance to acquisition accounting. As of 31 December 2022, the total value calculated by the Group management according to the best estimates is TRY12,871,354.

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	7,375,120
Total contingent and deferred purchase price	5,496,234
Total purchase price	12,871,354
Cash and cash equivalents	293,457
Trade receivables	2,234,962
Other receivables	386,354
Inventories	3,516,501
Prepaid expenses	147,078
Other current assets	442,018
Property, plant and equipment	9,153,765
Right of use assets	31,634
Intangible assets	3,234,243
Trade payables and other payables	(5,554,079)
Deferred tax liability	(488,610)
Other liabilities	(967,782)
Value of total identifiable net assets	12,429,541
Goodwill*	441,813
Total purchase price	12,871,354

* Goodwill value changes in the statement of financial position due to the conversion of Ford Romania SRL's functional currency into Turkish Lira.

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3. BUSINESS COMBINATIONS (Continued)

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

Total purchase price - cash	7,375,120
Cash and cash equivalents – acquired	(293,457)
Cash outflow from the acquisition (net)	7,081,663

With this acquisition, the Group aims to expand its fields of activity by starting production abroad. 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.

Currently, Puma and EcoSport passenger car models and 1.0 liter Ecoboost gasoline engines are produced at the Craiova Facility, and EcoSport production has ended as of the end of 2022 in accordance with the Supply Conditions; the production of the Puma model will continue and it is planned to start the production of the fully electric version as of 2024. In addition, the Van (Transit Courier) and combi (Tourneo Courier) versions of the New Generation Courier vehicle model, whose design and engineering will be developed by Ford Otosan, are expected to be produced at Craiova Facilities in order to replace the Courier vehicle whose production will end in 2023 at the Yeniköy plant. It is expected that the internal combustion engine versions of the New Generation Courier model will start production in 2023 and the fully electric versions in 2024. Agreements covering the main supply conditions, technical details and investment commitments for the New Generation Courier for the vehicles and engines to be produced at the facility, including the New Generation Courier, were mutually signed with Ford.

Within the scope of these agreements, Craiova Factory's vehicle production capacity will increase to a total of 272 thousand units per year, New Generation Courier production of up to 100 thousand units and Puma production of up to 189 thousand units yearly, according to production plan. The engine production capacity was determined as 350 thousand units. In addition, within the scope of the supply agreements, 490 million Euros of investment and engineering expenditure is foreseen for the production of the New Generation Courier, which will start in 2023, within three years after the material event announcement made on July 1, 2022.

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.

Revenue and profit contribution

Ford Romania SRL contributed TRY30,199,461 revenue and TRY12,488 net profit excluding TFRS 3 adjustments to the Group from 1 June to 30 June 2023.

Key estimate: contingent price

According to Ford Romania SRL's expected capacity utilization rates for the period 2028-2034, an additional payment of EUR112,677 thousand in cash can be made on 31 December 2028. This contingent consideration is accounted for as a financial liability. The possible undiscounted amount to be paid within the scope of the agreement is EUR122,920 thousand for 80% capacity and above, EUR102,434 thousand if the capacity ratio is between 65% and 80%, EUR40,973 thousand if the capacity ratio is between 55% and 65% and below the 55% capacity ratio is set to be zero. The fair value of the contingent consideration of EUR112,677 thousand has been estimated with the probabilities created by the current capacity utilization rates of all production facilities.

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3. BUSINESS COMBINATIONS (Continued)

Key estimate: customer contracts

During the acquisition, the Group management evaluated the production and supply contracts of Ford Romania SRL with Ford Motor Company and other Ford Group companies as a single contract and accounted for a "customer contract" amounting to TRY3,234,243 for intangible assets.

It is assumed that the life of the related contracts (11 years) will be extended by one more contract life (22 years) and the fair value of the customer contracts is calculated in this way.

The Group management also used discounted cash flow projections based on reliable estimates of the future cash flows of the related contracts in calculating the fair value of customer contracts. Discounted cash flow projections include estimated profitability rates and pre-tax discount rate (13%).

Deferred purchase price

EUR195,715 thousand including interest payable in June 2025 and EUR23,307 thousand, including interest payable in December 2028, are discounted with the 2% interest rate determined in the purchase agreement and accounted for a total of EUR204,918 thousand, which is the fair value on the date of purchase.

4. SEGMENT REPORTING

The Group, has primary operation of manufacturing, assembling, importing and selling motor vehicles and spare parts. The Group'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.

5. FINANCIAL INVESTMENTS

	<u>30 June 2023</u>		<u>31 December 2022</u>	
	<u>Ownership</u>	<u>TRY</u>	<u>Ownership</u>	<u>TRY</u>
	<u>rate (%)</u>	<u>Amount</u>	<u>rate (%)</u>	<u>Amount</u>
Financial assets at fair value through other comprehensive income				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	137,857	0.59	145,942
		137,857		145,942

(*) The Group's shareholding in Otokar was stated at market value on 30 June 2023 and 31 December 2022 which is assumed to approximate its fair value.

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6. FINANCIAL LIABILITIES

Short-term financial liabilities

Bank borrowings

	30 June 2023		31 December 2022	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- EUR	6.08	5,924,718	3.49	2,020,920
- TRY	17.26	6,859,497	21.18	5,502,826
		12,784,215		7,523,746

Short-term portion of long-term financial liabilities

Bank borrowings

- EUR	5.62	10,672,362	2.37	5,619,141
		10,672,362		5,619,141

Lease liabilities

- EUR	5.23	13,623	4.70	31,765
- TRY	31.63	68,475	25.34	41,498
-USD	-	-	1.95	2,314
-Other	-	-	-	139
		82,098		75,716

		10,754,460		5,694,857
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Total short-term financial liabilities		23,538,675		13,218,603
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Long-term financial liabilities

Bank borrowings

	30 June 2023		31 December 2022	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- EUR	5.86	27,929,270	3.08	18,175,044
		27,929,270		18,175,044

Lease liabilities

	30 June 2023		31 December 2022	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- EUR	5.94	11,287	3.74	22,193
- TRY	37.52	147,178	25.63	89,229
-USD	-	-	-	6,192
		158,465		117,614

Other long-term financial liabilities

	30 June 2023		31 December 2022	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.00	9,122,395	2.00	6,407,114
		9,122,395		6,407,114

Total long-term financial liabilities		37,210,130		24,699,772
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6. FINANCIAL LIABILITIES (Continued)

The amount classified under other long-term payables consists of the contingent and deferred acquisition costs 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 June 2023.

The payment schedules of long-term bank borrowings as of 30 June 2023 and 31 December 2022 are as follows:

Payment Period	30 June 2023	31 December 2022
2024	3,533,169	6,167,124
2025	10,230,729	4,330,694
2026	7,583,582	4,079,397
2027	2,909,314	1,510,983
2028	2,687,483	1,420,791
2029	515,954	348,889
2030	469,039	317,166
	27,929,270	18,175,044

The letters of bank guarantee given to financial institutions in connection with borrowings amounts to TRY2,326,750 (31 December 2022: TRY2,704,765) (Note 12).

The payment schedules of other long-term bank borrowings as of 30 June 2023 and 31 December 2022 are as follows (Note 3):

Payment Period	30 June 2023	31 December 2022
2025	5,297,330	3,720,580
2028	3,825,065	2,686,534
	9,122,395	6,407,114

The movement of financial liabilities as of 30 June 2023 and 2022 is as follows:

	2023	2022
1 January	31,511,261	19,056,227
Cash inflows from borrowing	13,509,907	16,235,863
Cash outflows from borrowing	(6,366,348)	(7,087,919)
Cash outflows related to debt payments arising from lease agreements	(60,538)	(41,638)
Unrealised foreign exchange differences	12,392,925	4,094,633
Change in accrual of interest	553,807	42,505
New lease agreements/impact of contract changes	85,396	35,129
30 June	51,626,410	32,334,800

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7. TRADE RECEIVABLES AND PAYABLES

	30 June 2023	31 December 2022
Short-term trade receivables		
Trade receivables	12,363,370	7,296,635
Doubtful receivables (*)	229,616	229,629
Less: provision for doubtful receivables	(229,616)	(229,629)
Less: unearned credit finance income	(179,793)	(101,790)
	12,183,577	7,194,845

(*) The portion of TRY225,139 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 2022: 30 days), domestic sales of spare parts turnover is 70 days (31 December 2022: 70 days) and discounted by 3.50% monthly effective interest rate (31 December 2022: 2.00%).

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

	30 June 2023	31 December 2022
Long-term trade receivables		
Trade receivables	-	14,000
Deposits and guarantees given	17,897	1,684
	17,897	15,684

	30 June 2023	31 December 2022
Trade payables		
Trade payables	34,794,826	25,793,431
Less: unearned credit finance expense	(352,957)	(176,586)
	34,441,869	25,616,845

The Group’s average turnover of trade payables is 60 days (31 December 2022: 60 days) and discounted by 3.50 % monthly effective interest rate (31 December 2022: 2.00%).

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Group to credit risk as of 30 June 2023 and 31 December 2022 is as follows:

30 June 2023	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Notes 7, 22)	17,872,467	12,201,474	1,738,492	469,491	25,889,811
- The maximum of credit risk covered by guarantees	4,315,000	12,201,474	-	-	-
Net book value of the financial assets that are neither overdue not impaired	16,890,822	12,082,379	1,738,492	469,491	25,889,811
Net book value of financial assets that are overdue but not impaired	981,645	119,095	-	-	-
- Amount of risk covered by guarantees	-	119,095	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	229,616	-	-	-
- Impairment (-)	-	(229,616)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2022	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Notes 5, 8, 9, 27)	18,656,099	7,210,529	1,320,497	116,104	10,109,622
- The maximum of credit risk covered by guarantees	1,837,306	7,210,529	-	-	-
Net book value of the financial assets that are neither overdue not impaired	18,043,926	7,173,853	1,320,497	116,104	10,109,622
Net book value of financial assets that are overdue but not impaired	612,173	36,676	-	-	-
- Amount of risk covered by guarantees	-	36,676	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	229,629	-	-	-
- Impairment (-)	-	(229,629)	-	-	-
- 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 June 2023	Trade Receivables	
	Related Party	Other
1- 30 days overdue	209,358	92,944
1- 3 months overdue	308,072	4,810
3- 12 months overdue	270,623	9,235
1- 5 years overdue	193,592	12,107
	981,645	119,095
Risk covered by guarantees	-	119,095

Group's overdue receivables from related parties result from long-term engineering service invoices and parts export receivables from Ford Motor Company.

31 December 2022	Trade Receivables	
	Related party	Other
1- 30 days overdue	94,944	21,052
1- 3 months overdue	185,010	1,180
3- 12 months overdue	323,555	10,136
1- 5 years overdue	8,664	4,308
	612,173	36,676
Risk covered by guarantees	-	36,676

8. INVENTORIES

	30 June 2023	31 December 2022
Raw materials	9,473,792	9,325,420
Finished goods	5,959,657	2,311,334
Goods in transit	2,553,045	989,782
Vehicle spare parts	922,062	734,836
Import vehicles	516,924	9,708
Spare parts	256,763	183,421
Other	580,597	323,969
	20,262,840	13,878,470
Less: provision for impairment of finished goods and vehicle spare parts	(11,861)	(24,462)
	20,250,979	13,854,008

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8. INVENTORIES (Continued)

Fixed production costs on the product are allocated according to the normal capacity of the production facilities.

The Group classifies the expenses arising from the impairment of inventory under cost of sales. The movement in the balance of this account within the year is as follows:

	2023	2022
1 January	24,462	12,642
Net change within the period	(12,601)	5,687
30 June	11,861	18,329

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

	2023	2022
As of 1 January		
Cost	25,807,534	10,871,957
Accumulated depreciation	(5,662,344)	(5,722,874)
Net book value	20,145,190	5,149,083
Net book value beginning of the period	20,145,190	5,149,083
Additions	3,851,730	1,818,653
Disposals	(44,184)	(21,211)
Transfers (*)	(72,883)	-
Exchange differences on translation	3,658,599	-
Current period depreciation	(1,030,825)	(449,520)
Closing net book value	26,507,627	6,497,005
As of 30 June		
Cost	32,915,827	12,403,987
Accumulated depreciation	(6,408,200)	(5,906,982)
Net book value	26,507,627	6,497,005

(*) The Group has leased certain fixed assets at its Craiova factory to Ford Motor Company using finance lease method in accordance with TFRS 16 and reclassified this amount from its tangible fixed assets to other receivables from related parties.

The Group has compared the borrowing costs related to the foreign currency investment loans it has received with the TRY denominated market loan interest rates. According to the cumulative method within the scope of TAS 23, there is no interest expense capitalized for the period ending as of 30 June 2023 (31 December 2022: None). There is no collateral, pledge or mortgage on tangible assets as of 30 June 2023 and 2022.

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10. INTANGIBLE ASSETS

	2023	2022
As of 1 January		
Cost	8,180,766	2,429,225
Accumulated depreciation	(1,230,423)	(942,448)
Net book value	6,950,343	1,486,777
Net book value beginning of the period	6,950,343	1,486,777
Additions	1,052,882	770,243
Disposals	-	-
Exchange differences on translation	1,613,329	-
Current period depreciation	(224,880)	(111,613)
Closing net book value	9,391,674	2,145,407
As of 30 June		
Cost	10,846,977	3,196,901
Accumulated depreciation	(1,455,303)	(1,051,494)
Net book value	9,391,674	2,145,407

There are no fully depreciated intangible assets as of 30 June 2023. As of 30 June 2023, there is no capitalized interest cost and foreign exchange difference in accordance with TAS 23 (31 December 2022: None).

11. PREPAID EXPENSES

	30 June 2023	31 December 2022
Short-term prepaid expenses		
Advances given for inventories	1,690,291	869,837
Other prepaid expenses	270,566	325,364
	1,960,857	1,195,201
Long-term prepaid expenses		
Advances given for investments (*)	9,345,004	5,967,852
Other prepaid expenses	105,772	95,920
	9,450,776	6,063,772

(*) Advances given for investments are related to the Group’s new vehicle investments. TRY4,887,227 (31 December 2022: TRY4,445,438) is given to domestic vendors as advance payment on mould purchases and TRY4,457,777 (31 December 2022: TRY1,522,414) is the advance given for the new project investments.

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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 claims of vehicles sold in previous years on a model basis.

Short-term provisions

	30 June 2023	31 December 2022
Warranty expense provision	537,800	499,052
Provisions for sales premium (*)	170,142	27,863
Provisions for lawsuits	12,468	8,840
Other short-term provisions	24,533	40,156
	744,943	575,911

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

Long-term provisions

	30 June 2023	31 December 2022
Warranty expense provision	1,115,811	627,890
Provisions for lawsuits	129,437	117,720
Other short-term provisions	57,694	41,226
	1,302,942	786,836

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

	2023	2022
1 January	126,560	87,587
Paid during the period	(7,376)	(9,593)
Additions during the period	22,721	3,008
30 June	141,905	81,002

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

	2023	2022
1 January	1,126,942	646,243
Paid during the period	(475,973)	(261,613)
Additions during the period	1,002,642	459,425
30 June	1,653,611	844,055

Letters of guarantee and letters of credit

	30 June 2023	31 December 2022
Letters of guarantee given to financial institutions due to bank loans	2,326,750	2,704,765
Letters of guarantee given to customs	286,116	203,936
Letters of guarantees given to other parties	320,707	306,914
	2,933,573	3,215,615

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12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

Letters of guarantee given

	30 June 2023		31 December 2022	
	Original currency	TRY amount	Original currency	TRY amount
EUR	10,286	289,598	29,018	578,471
TRY	2,643,975	2,643,975	2,637,144	2,637,144
		2,933,573		3,215,615

The allocation of collaterals, pledges and mortgages as of 30 June 2023 and 31 December 2022 as follows:

Collaterals, pledges and mortgages given by the Group

	30 June 2023	31 December 2022
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	2,925,394	3,208,050
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 (*)	8,180	7,565
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	-	-
	2,933,574	3,215,615

(*) 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 June 2023 and 31 December 2022, total amount of the collaterals, pledges and mortgages obtained by the Group are as follows:

Letters of guarantee taken

	30 June 2023		31 December 2022	
	Original currency	TRY amount	Original amount	TRY amount
EUR	218,127	6,141,147	151,941	3,028,929
TRY	4,519,027	4,519,027	3,259,425	3,259,425
USD	857	22,135	1,158	21,653
Romanian Leu	-	-	8,500	34,053
		10,682,309		6,344,060

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 June 2023 and 31 December 2022.

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13. COMMITMENTS

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

- The Group has signed a loan commitment agreement with İşbank with maturity of 6 months amounting to EUR100,000,000 in 2023. With this agreement, the Group committed to spend the export amount of EUR200,000,000 through its accounts in İşbank.
- The Group also committed to Türkiye İhracat Kredi Bankası A.Ş. (Eximbank) credit amounting to TRY2,000,000 used in October 2022 an export amount of TRY2,000,000.

14. EQUITY

The composition of the Group’s paid-in capital as of 30 June 2023 and 31 December 2022 is as follows:

Shareholders	Share group	30 June 2023	Shareholders percentage (%)	31 December 2022	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 (Public)	A	62,786	17.89	62,786	17.89
Paid in 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	

Capital adjustment differences represent the inflation-adjusted total amounts of cash and cash-like additions to paid-in capital and the difference before inflation adjustment.

There are 35,091,000,000 unit of shares (31 December 2022: 35,091,000,000 unit) with a nominal value of Kr 1 each.

The legal reserves consist of primary and secondary reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the primary legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s paid-in capital. The secondary 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.

In accordance with CMB Financial Reporting Standards, the Group classified the above mentioned reserves under “Restricted reserves”, the amount of restricted reserves is TRY1,919,055 as of 30 June 2023 (31 December 2022: TRY1,420,763).

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”;

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14. EQUITY (Continued)

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 Group.

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.

At the Ordinary General Assembly held on March 9, 2023, the Group received a cash dividend of TL 5,000,468 gross, 1,425% (net 1,282.50 Krs), 1 full TL gross, 14.25 full Turkish lira (net 1,282.50 Krs) from 2022 profits. decided to distribute dividends and paid dividends in March 2023. (in March 2022, 1 full TL share is 13.00 TL (net 1,170 Krs) and 1.300% is TRY4,561,830, and in November 2022, 1 full TL share is 570.00 Krs (net 513.00 Krs) gross % 377 cash dividends in total amounting to TRY2,000,187 were distributed).

In accordance with Communiqué No: II-14.1 “Communiqué on the Principles of Financial Reporting in Capital Markets”, equity schedule on 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
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	130,036	137,717
Losses on cash flow hedge	(10,911,567)	(4,881,384)
Losses on remeasurements of defined benefit plans	(1,111,250)	(1,000,033)
Exchange differences on translation	6,634,193	1,674,943
Restricted reserves	1,919,055	1,420,763
- Legal reserves	1,919,055	1,420,763
Retained earnings	18,172,570	5,057,387
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	17,744,269	4,629,086
Net income for the period	12,079,587	18,613,943
Total equity	27,291,462	21,402,174

The adjusted values of the items shown above with their historical values and the equity inflation adjustment differences are as follows as of 30 June 2023 and 31 December 2022:

30 June 2023	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	1,919,055	1,977,808	58,753
Extraordinary reserves	17,744,269	18,113,414	369,145
Share premium	8	361	353
Other reserves	-	50	50
	20,014,242	20,470,463	456,221

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14. EQUITY (Continued)

31 December 2022	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	1,420,763	1,479,516	58,753
Extraordinary reserves	4,629,086	4,998,231	369,145
Share premium	8	361	353
Other reserves	-	50	50
	6,400,767	6,856,988	456,221

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

Otokar shares which are publicly traded in BIST are valued at their closing price as of 30 June 2023 and 31 December 2022. As of 30 June 2023, fair value change amounting to TRY(7,681) net of deferred tax, (31 December 2022: TRY91,228) 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:

	2023	2022
1 January	(4,068,757)	(3,270,467)
Gains/(losses) from financial assets measured at fair value through other comprehensive income	(7,681)	9,363
Actuarial gains/(losses)	(111,217)	(122,378)
Gains/(losses) on cash flow hedges	(6,030,183)	(311,075)
Exchange differences on translation	4,959,250	-
30 June	(5,258,588)	(3,694,557)

15. REVENUE AND COST OF SALES

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Export sales (*)	102,418,613	51,640,228	47,818,495	25,349,811
Domestic sales	39,867,461	23,332,204	13,855,945	8,018,905
Other sales	868,933	446,651	395,075	208,899
Less: discounts	(3,299,654)	(1,866,055)	(1,339,429)	(723,954)
	139,855,353	73,553,028	60,730,086	32,853,661

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15. REVENUE AND COST OF SALES (Continued)

Units of vehicle sales

	1 January - 30 June 2023			1 April - 30 June 2023		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales(*)	Total sales
Puma	2,008	93,284	95,292	1,281	48,279	49,560
Transit	10,254	71,585	81,839	5,769	35,129	40,898
Transit Custom	3,194	70,816	74,010	1,992	30,937	32,929
Transit Courier	25,088	14,097	39,185	12,273	6,107	18,380
Other Passenger vehicles	12,526	18	12,544	8,280	18	8,298
Ford Trucks (Truck)	5,771	3,520	9,291	2,983	1,489	4,472
New Transit Connect	254	-	254	90	-	90
Ranger	215	-	215	114	-	114
Ecosport	8	17	25	1	-	1
Rakun	138	-	138	11	-	11
	59,456	253,337	312,793	32,794	121,959	154,753

(*) International sales and sales figures include Ford Romania SRL's sales as well as the Group's exports.

	1 January - 30 June 2022			1 April - 30 June 2022		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	2,396	75,387	77,783	1,359	37,279	38,638
Transit	8,867	59,022	67,889	5,238	30,739	35,977
Transit Courier	15,412	13,166	28,578	8,974	5,081	14,055
Ford Trucks (Truck)	3,261	3,395	6,656	1,521	1,424	2,945
Other Passenger vehicles	3,729	-	3,729	1,713	-	1,713
Ranger	301	6	307	195	6	201
New Transit Connect	217	-	217	133	-	133
Rakun	140	-	140	111	-	111
	34,323	150,976	185,299	19,244	74,529	93,773

Summaries of cost of sales as of 30 June 2023 and 2022 are as follows:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Cost of raw material	(105,852,072)	(53,344,864)	(48,421,342)	(25,543,308)
Production overhead costs	(7,594,410)	(3,873,759)	(2,789,960)	(1,464,979)
Amortization expenses	(1,196,926)	(607,313)	(530,148)	(262,056)
Changes in finished goods	3,332,475	1,102,802	3,634,235	1,077,883
Total production cost	(111,310,933)	(56,723,134)	(48,107,215)	(26,192,460)
Cost of trade goods sold	(8,599,290)	(5,375,167)	(3,750,465)	(1,507,909)
Total cost of sales	(119,910,223)	(62,098,301)	(51,857,680)	(27,700,369)

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16. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 30 June 2023 and 2022 is as follows:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Raw material cost	(105,852,072)	(53,344,864)	(48,421,342)	(25,543,308)
Cost of trade goods sold	(8,599,290)	(5,375,167)	(3,750,465)	(1,507,909)
Financial Expenses	(7,017,917)	(4,352,737)	(6,015,294)	(3,662,820)
Personnel expenses	(6,470,396)	(3,357,298)	(2,111,427)	(1,071,657)
Other production overhead costs	(3,848,103)	(2,519,517)	(1,605,569)	(933,699)
Other operational expenses	(3,306,290)	(2,257,550)	(771,170)	(409,009)
Other expenses from operating activities	(3,258,242)	(1,612,564)	(1,357,714)	(727,061)
Depreciation and amortization expenses	(1,291,630)	(658,402)	(582,096)	(288,875)
Expenses from investing activities	(1,577)	-	(17,263)	(1,037)
Changes in inventories	3,332,475	1,102,802	3,634,235	1,077,883
Total expenses	(136,313,042)	(72,375,297)	(60,998,105)	(33,067,492)

17. OTHER OPERATING INCOME/(EXPENSES)

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Other operating income				
Foreign exchange gains related to trade receivables and payables	5,419,442	4,807,087	1,094,516	429,500
Financial income from forward sales	1,020,132	663,811	249,184	136,251
Price difference and claim recovery	104,521	42,170	5,519	2,599
Rent income	35,481	18,473	1,548	594
License income	12,465	5,535	16,820	5,746
Commission income	5,537	2,306	9,435	5,444
Provisions no longer required	969	1,784	-	-
Other	204,305	129,456	27,650	16,268
	6,802,852	5,670,622	1,404,672	596,402
Other operating expenses				
Unearned financial expense	(1,476,591)	(807,820)	(471,211)	(241,955)
Foreign exchange losses related to trade receivables and payables	(1,573,989)	(1,408,112)	(297,119)	(167,043)
Other	(255,710)	(41,618)	(2,840)	(11)
	(3,306,290)	(2,257,550)	(771,170)	(409,009)

18. FINANCIAL INCOME

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Foreign exchange gains	4,042,815	2,795,460	4,036,326	2,804,249
Interest income	978,142	630,776	333,338	81,775
Other	192,436	124,379	144,638	100,740
	5,213,393	3,550,615	4,514,302	2,986,764

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19. FINANCIAL EXPENSES

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Foreign exchange losses	(8,389,927)	(6,367,640)	(5,755,579)	(3,517,899)
Interest expenses	(1,725,373)	(1,082,479)	(259,715)	(144,921)
	(10,115,300)	(7,450,119)	(6,015,294)	(3,662,820)

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 June 2023 is 20% (31 December 2022: 23%). 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.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Dividend payments made to individuals and institutions other than these are subject to 10% withholding tax. Addition of profit to capital is not considered as profit distribution.

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. Authorities authorized for tax inspection can carry out accounting records inspections for five years retrospectively and change tax amounts due to tax assessment if erroneous transactions are detected.

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.

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20. TAX ASSETS AND LIABILITIES (Continued)

As of 30 June 2023 the Group utilised R&D incentive exemption amounting of TRY1,389,566 (30 June 2022: TRY865,391) in return for the legal tax.

As of the reporting date, TRY559,295 (30 June 2022: TRY559,295) under the Large-Scale Investment Incentive Certificate, completed and investment in progress, TRY6,101,944 (30 June 2022: TRY5,673,426) within the scope of Priority Investment Incentive Certificates and TRY10,048,604 (30 June 2022: TRY2,242,358) within the scope of Project Based State Aid investment expenditure was made.

The Group utilized discounted corporate taxation amounting to TRY2,200,679 (30 June 2022: TRY1,262,755) in the current year and this amount has been deducted from the total deferred tax asset.

Tax Advantages Obtained within the Scope of Investment Incentive System:

Gains obtained from the investments of the Group, which are subject to the incentive certificate, are subject to corporate tax at reduced rates from the accounting period in which the investment is started to be operated partially or completely, until it reaches the amount of contribution to the investment. In this context, as of 30 June 2023, the tax advantage amounting to TRY6,325,165 (31 December 2022: TL 4,336,008) that the Group will benefit from in the foreseeable future is reflected in the consolidated financial statements as a deferred tax asset. As a result of recognizing the mentioned tax advantage as of 30 June 2023, deferred tax income amounting to TRY1,989,157 (current period effect of 1 January-30 June 2023) has occurred in the consolidated profit or loss statement for the period 1 January - 30 June 2023.

Periods in which deferred tax assets arising from investment incentives are expected to be used:

As of the balance sheet period, the Group has associated the reduced corporate tax advantage it has achieved through investment expenditures with the tax base. It defines the amount of incentive that the Group can benefit from in this process for the next 10 year period, which the management team has determined as the foreseeable future, as deferred tax asset. In this context, as of 30 June 2023, the Group has 9.8 Billion TRY of investment incentive assets. As a result of the estimations it has prepared, the Group has accounted for 6.3 billion TRY as a deferred tax asset for the relevant period.

The periods during which the deferred tax assets arising from investment incentives are expected to be used/recovered are as follows:

	30 June 2023	31 June 2022
0-5 years	5,760,171	4,056,253
5-10 years	564,994	279,755

Deferred tax assets are recognized when it is determined that taxable income is likely to occur in the coming years. In cases where taxable income is likely to occur, deferred tax assets are calculated over deductible temporary differences, tax losses and tax advantages vested in indefinite-lived investment incentives that allow reduced corporate tax payments. In this context, the Group bases the reflection of deferred tax assets arising from investment incentives in the consolidated financial statements on long-term plans, and evaluates the recoverability of deferred tax assets related to these investment incentives as of each balance sheet date, based on business models that include taxable profit estimations. These deferred tax assets are expected to be recovered within 10 years from the balance sheet date.

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20. TAX ASSETS AND LIABILITIES (Continued)

In the sensitivity analysis carried out as of 30 June 2023, when the inputs (such as growth rate and profitability) in the basic macroeconomic and sectoral assumptions that make up the business plans are evaluated by increasing/decreasing 10%, the amount of deferred tax assets related to investment incentives and the recovery periods foreseen as 10 years are significantly increased. there has been no change.

The Group's net tax position as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Current year corporate tax expense (*)	(1,807,650)	(94,210)
Prepaid tax and withholding	979,029	245,987
Current tax related assets/(liabilities)	(828,621)	151,777
Deferred tax assets	8,370,875	5,374,582
Deferred tax liabilities	(851,026)	(567,819)
Net deferred tax asset	7,519,849	4,806,763

(*) In accordance with the Law No. 7440 on the "Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette on March 12, 2023, the amounts of exemptions and deductions subject to deduction from corporate income in accordance with the regulations in the laws, by being shown in the corporate tax return for the year 2022. An additional tax of 10% must be calculated over the bases subject to reduced corporate tax, without being associated with the period income, and 5% over the exempted earnings. As of March 31, 2023, the Group's accrued amount for the related tax in addition to the corporate tax is TRY1,795,913 thousand, the first installment of the tax payment was paid in May 2023 and the second installment will be paid in August 2023.

The taxation on income for the periods ended 30 June 2023 and 2022 are as follows:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Current year corporate tax expense	(1,849,374)	(9,464)	(50,761)	(18,481)
Current year tax effect of cash flow hedge (*)	(1,450,287)	(1,398,921)	(33,468)	(22,476)
Other deferred tax	2,917,926	833,515	934,058	374,228
Deferred tax income	1,467,639	(565,406)	900,590	351,752
Continuing operations tax (income)/(expense)	(381,735)	(574,870)	849,829	333,271

(*) 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 June 2023 and 2022 and current tax ratio based on income before tax is as follows:

	30 June 2023	30 June 2022
Income before tax	12,461,322	5,656,152
Effective tax rate	20%	23%
Current year tax expense	(2,492,264)	(1,300,915)
Research and development deductions	277,913	199,040
Investment incentive exemption	4,154,344	1,962,755
Other	(2,321,728)	(11,051)
	(381,735)	849,829

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.

In Turkey, the corporate tax rate is 20% as of 30 June 2023 (31 December 2022: 23%).

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20. TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 30 June 2023 and 31 December 2022 using the current enacted tax rates is as follows:

	Cumulative Temporary differences		Deferred tax assets/(liabilities)	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Deferred tax assets				
Investment incentive tax asset	(16,709,843)	(13,343,017)	6,325,165	4,336,008
Expense accruals and other provisions	(2,889,255)	(2,204,649)	566,045	429,755
Warranty expense provision	(1,653,612)	(1,126,942)	330,722	225,388
Employee benefits provision	(1,739,815)	(1,727,355)	345,870	344,358
Inventories	(475,556)	(210,487)	95,498	41,396
Accumulated losses	(1,114,974)	(1,121,253)	178,396	179,401
	(24,583,055)	(19,733,703)	7,841,696	5,556,306
Deferred tax liabilities				
Tangible and intangible assets	1,515,835	4,063,681	(32,148)	(612,460)
Income accruals and other	1,449,062	685,416	(289,813)	(137,083)
Doubtful Trade Receivable – Correction	(712)	-	114	-
	2,964,185	4,749,097	(321,847)	(749,543)
Net deferred tax asset			7,519,849	4,806,763

The deferred tax movement table of 30 June 2023 and 31 December 2022 are presented below:

	2023	2022
1 January	4,806,763	1,715,971
Charged to statement of profit or loss as income/(expense)	1,467,639	526,009
Charged to comprehensive income statement as income/(expense)	1,478,494	30,103
Exchange differences on translation	(233,047)	-
30 June	7,519,849	2,272,083

21. EARNINGS PER SHARE

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Net profit for the year (TRY)	12,079,587	6,726,820	6,505,981	3,704,202
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	34.42 Kr	19.17 Kr	18.54 Kr	10.56 Kr

FORD OTOMOTIV SANAYI ANONIM Sirketi

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2023 AND 2022

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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 on 30 June 2023 and 31 December 2022 and the transactions with related parties during the year are as follows:

a) Receivables from related parties

i) Trade receivable from related parties

	30 June 2023	31 December 2022
Due from shareholders		
Ford Motor Company and subsidiaries	12,857,250	16,272,748
	12,857,250	16,272,748
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	5,073,850	2,403,418
Other	24,011	13,638
	5,097,861	2,417,056
	(82,644)	(33,705)
	17,872,467	18,656,099

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

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Group's export vehicle receivables from the Ford Motor Company sales made from Turkey are due in 14 days and sales made from Romania are 38 days, these 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 Group'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 June 2023	31 December 2022
Due from shareholders		
Ford Motor Company and subsidiaries	239,786	167,414
	239,786	167,414

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

	30 June 2023	31 December 2022
Due from shareholders		
Ford Motor Company and subsidiaries	1,498,706	1,153,083
	1,498,706	1,153,083

(*) 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.

FORD OTOMOTIV SANAYI ANONIM SİRKETİ

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22. RELATED PARTY DISCLOSURES (Continued)

b) Payables to related parties

i) Trade payables to related parties

	30 June 2023	31 December 2022
Due to shareholders		
Ford Motor Company and subsidiaries	5,971,564	3,540,219
	5,971,564	3,540,219
Due to group companies (*)		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	616,262	453,916
Ram Dış Ticaret A.Ş.	236,721	109,300
Ark İnşaat A.Ş.	94,857	162,485
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	45,376	27,356
Ram Sigorta Aracılık Hizmetleri A.Ş.	43,406	9,802
Setur Servis Turistik A.Ş.	36,270	32,346
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	23,467	49,693
Opet Petrolcülük A.Ş.	21,936	19,857
INGAGE Dijital Pazarlama Hizmetleri	14,637	24,869
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	12,980	33,883
Divan Turizm İşletmeleri A.Ş.	12,570	5,444
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	5,910	6,176
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	2,959	2,012
Other	15,602	63,312
	1,182,953	1,000,451
	(27,642)	(11,269)
	7,126,875	4,529,401

(*) The Group’s shareholders’ subsidiaries and affiliate.

ii) Other payables to related parties

	30 June 2023	31 December 2022
Koç Holding A.Ş.	-	68,973
Koç Finansman A.Ş.	-	4,196
	-	73,169

c) Sales to related parties

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Ford Motor Company (*)	96,116,108	48,776,348	43,494,780	23,362,218
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	9,241,282	5,654,625	3,137,853	1,809,725
Other	52	2	-	-
	105,357,442	54,430,975	46,632,633	25,171,943
	(248,866)	(164,238)	(62,470)	(33,745)
	105,108,576	54,266,737	46,570,163	25,138,198

(*) The Group, 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..

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22. RELATED PARTY DISCLOSURES (Continued)

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

	1 January - 30 June 2023			Total
	Material	Service	Fixed assets	
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	111,279	1,594,591	116	1,705,986
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	616,997	616,997
Ram Dış Ticaret A.Ş.	321,218	-	-	321,218
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	399,885	-	399,885
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	52,872	60,943	113,815
Opet Petrolcülük A.Ş.	82,062	-	-	82,062
Koç Holding A.Ş. (**)	-	50,175	-	50,175
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	86,290	-	86,290
Setur Servis Turistik A.Ş.	-	69,135	-	69,135
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	83,201	-	-	83,201
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	49,723	25,280	75,003
Ingage Dijital Pazarlama A.Ş.	-	29,001	-	29,001
Koçtaş Yapı Marketleri Ticaret A.Ş.	12,546	-	35	12,581
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	13,577	-	-	13,577
Other	1,398	41,071	-	42,469
	625,281	2,372,743	703,371	3,701,395
Less: Financial expense from credit purchases	(44,869)	-	-	(44,869)
	580,412	2,372,743	703,371	3,656,526

(*) Operating as an insurance agency, Ram Sigorta Aracılık Hizmetleri A.Ş., includes the premium amounts of insurance purchases made in the interim accounting periods ending on 30 June 2023 and 2022, within the scope of policies signed with insurance companies that are not related parties.

(**) Koç Holding A.Ş., including personnel and senior management expenses, in return for the services provided by Koç Holding A.Ş., includes the service fee invoiced to our Group as a result of the distribution of the expenses incurred in connection with the companies rendered services within the framework of the “11- Intra-Group Services” regulation of the General Communiqué No.1 on Disguised Profit Distribution via Transfer Pricing.

	1 April - 30 June 2023			Total
	Material	Service	Fixed assets	
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	69,733	828,129	116	897,978
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	263,035	263,035
Ram Dış Ticaret A.Ş.	222,274	-	-	222,274
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	218,866	-	218,866
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	59,870	-	59,870
Setur Servis Turistik A.Ş.	-	50,374	-	50,374
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	30,674	18,297	48,971
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	4,935	38,066	43,001
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	40,815	-	-	40,815
Koç Holding A.Ş.	-	39,043	-	39,043
Opet Petrolcülük A.Ş.	31,718	-	-	31,718
Ingage Dijital Pazarlama A.Ş.	-	16,977	-	16,977
Koçtaş Yapı Marketleri Ticaret A.Ş.	5,837	-	-	5,837
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	5,791	-	-	5,791
Other	215	26,608	-	26,823
	376,383	1,275,476	319,514	1,971,373
Less: Financial expense from credit purchases	(31,110)	-	-	(31,110)
	345,273	1,275,476	319,514	1,940,263

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22. RELATED PARTY DISCLOSURES (Continued)

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
	587,996	337,763	270,373	172,230

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
	12,464	5,534	16,820	5,746

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

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
	134,574	88,052	106,984	67,280

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

Deposits in related banks	30 June 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	4,799,846	3,770,959
- TRY time deposits	1,251,998	73,476
- TRY demand deposits	50,544	96,271
- Foreign currency demand deposits	17,698	3,998
	6,120,086	3,944,704

i) Related party bank loans

	30 June 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş.	-	408,587
	-	408,587

i) Other long-term payables

	30 June 2023	31 December 2022
Ford Motor Company and its subsidiaries (Note 6)	9,122,395	6,407,114
	9,122,395	6,407,114

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22. RELATED PARTY DISCLOSURES (Continued)

j) Commission income

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Koç Finansman A.Ş.	5,404	3,808	5,657	3,366
Yapı ve Kredi Bankası A.Ş.	18	4	3,699	2,028
	5,422	3,812	9,356	5,394

k) Commission expense

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Yapı ve Kredi Bankası A.Ş.	9,288	9,597	38,480	17,903
Koç Finansman A.Ş.	37,526	4,301	18,649	17,725
	46,814	13,898	57,129	35,628

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 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Yapı ve Kredi Bankası A.Ş.	97,064	29,613	43,706	12,321

m) Dividend income

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	-	2,929	-

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 in the first six months of 2023 is TRY85,682 (30 June 2022: TRY20,694). TRY51,936 of this amount (30 June 2022: None) is related to the payments made due to leaving, and the remaining part consists of short-term benefits.

FORD OTOMOTIV SANAYI ANONIM SIRKETI

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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 June 2023 and 31 December 2022. The carrying amount of the Group's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

30 June 2023	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	16,864,811	7,316	592,187	105
2. Monetary financial assets (including cash and cash equivalents)	16,640,206	2,007	587,926	4,155
3. Other	2,883,217	-	102,409	12
4. Current assets (1 + 2 + 3)	36,388,234	9,323	1,282,522	4,272
5. Monetary financial assets	2,008,990	-	71,357	-
6. Non-current assets (5)	2,008,990	-	71,357	-
7. Total assets (4 + 6)	38,397,224	9,323	1,353,879	4,272
8. Trade payables	18,265,535	83,297	537,555	38,793
9. Financial liabilities (*)	16,610,703	-	589,995	-
10 Other monetary liabilities	173,833	126	6,059	-
11. Short-term liabilities (8 + 9 + 10)	35,050,071	83,423	1,133,609	38,793
12. Financial liabilities (*)	27,940,556	-	992,419	-
13. Other	9,122,395	-	324,018	-
14. Long-term liabilities (12+13)	37,062,951	-	1,316,437	-
15. Total liabilities (11 + 14)	72,113,022	83,423	2,450,046	38,793
16. Net foreign currency (liabilities)/assets position (7 - 15)	(33,715,798)	(74,100)	(1,096,167)	(34,521)
17 Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(27,476,620)	(74,100)	(874,558)	(34,533)

(*) The Group's net foreign exchange position is mainly due to long-term EUR denominated loans obtained to fund its investments. The Group is hedging for the foreign currency exchange risk arising from its EUR denominated long-term loans with export agreements signed with Ford Motor Company. The TRY equivalent of such loans amount to TRY30,993,767 as of 30 June 2023 (31 December 2022: TRY21,090,392). As of 30 June 2023, the Group has a total of TRY3,937,228 (31 December 2022: TRY760,240) of the product to be issued. As of 30 June 2023, the Group has a TRY-settled forward foreign currency purchase agreement with a nominal amount of TRY2,815,400 (31 December 2022: None) (EUR110,000,000) for foreign currency position management.

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	15,639,400	4,073	780,573	115
2. Monetary financials assets (including cash and cash equivalents)	5,552,499	4,694	273,452	9,049
3. Other	1,441,494	11,182	61,837	7
4. Current assets (1 + 2 + 3)	22,633,393	19,949	1,115,862	9,171
5. Monetary financial assets	1,413,957	-	70,929	-
6. Non-current assets (5)	1,413,957	-	70,929	-
7. Total assets (4 + 6)	24,047,350	19,949	1,186,791	9,171
8. Trade payables	9,653,706	111,871	350,744	46,622
9. Financial liabilities	7,674,278	124	384,844	-
10 Other monetary liabilities	189,352	-	9,467	28
11. Short-term liabilities (8 + 9 + 10)	17,517,336	111,995	745,055	46,650
12. Financial liabilities	18,203,429	331	912,833	-
13. Other	6,407,114	-	321,402	-
14. Long-term liabilities (12+13)	24,610,543	331	1,234,235	-
15. Total liabilities (11 + 14)	42,127,879	112,326	1,979,290	46,650
16. Net foreign currency (liabilities)/assets position (7 - 15)	(18,080,529)	(92,377)	(792,499)	(37,479)
17 Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(13,114,909)	(103,559)	(532,934)	(37,486)

FORD OTOMOTIV SANAYI ANONIM SIRKETI

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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 June 2023

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)	(191,347)	191,347
USD net hedged amount	-	-
USD net- gain/(loss)	(191,347)	191,347
Change in EUR against TRY		
EUR net assets/(liabilities)	(3,086,148)	3,086,148
EUR net hedged amount	3,099,377	(3,099,377)
EUR net- gain/(loss)	13,229	(13,229)
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(94,085)	94,085
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(94,085)	94,085

31 December 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)	(172,730)	172,730
USD net hedged amount	-	-
USD net- gain/(loss)	(172,730)	172,730
Change in EUR against TRY		
EUR net assets/(liabilities)	(1,579,837)	1,579,837
EUR net hedged amount	2,109,039	(2,109,039)
EUR net- gain/(loss)	529,202	(529,202)
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(55,486)	55,486
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(55,486)	55,486

The comparative amounts for total export and import amounts for the year ended 30 June 2023 and 2022 are as follows:

	30 June 2023	30 June 2022
Total export amount	73,799,817	47,818,495
Total import amount	48,870,528	29,305,118

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 Group manages the currency exposure arising from foreign currency denominated borrowings and trade payables with its foreign currency assets.

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

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

	30 June 2023	31 December 2022
Fixed interest rate financial instruments		
Financial assets	21,375,828	9,069,319
Financial liabilities	32,686,749	21,502,772
Floating interest rate financial instruments		
Financial liabilities	28,062,056	16,415,603

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 TRY64,216 at 30 June 2022 (31 December 2022: TRY20,608) due to higher/lower interest expense.

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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 June 2023	Book value	Total contractual cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial instruments						
Financial liabilities	51,385,847	51,729,368	4,345,681	19,849,303	26,450,074	1,084,310
Lease liabilities	240,563	369,467	23,285	69,854	257,339	18,989
Other long-term debts	9,122,395	9,752,135	-	-	5,508,196	4,243,939
Trade payables						
- Related party	7,126,875	7,153,969	7,153,969	-	-	-
-Other	34,441,869	34,795,375	34,795,375	-	-	-
Other liabilities						
- Related party	-	-	-	-	-	-
-Other	1,135,254	1,135,254	1,135,254	-	-	-
Derivative financial liabilities						
Derivative financial instruments	68,214	68,214	68,214	-	-	-

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022	Book value	Total contractual cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non-derivative financial instruments						
Financial liabilities	31,317,931	34,905,746	1,097,279	12,977,883	17,680,800	3,149,784
Lease liabilities	193,330	265,380	16,725	50,175	184,841	13,639
Trade payables						
- Related party	4,529,401	4,540,670	4,540,670	-	-	-
-Other	25,616,845	25,793,431	25,793,431	-	-	-
Other liabilities						
- Related party	73,169	73,169	73,169	-	-	-
-Other	662,186	662,186	662,186	-	-	-
Derivative financial liabilities						
Derivative financial instruments	122,633	122,633	-	-	122,633	-

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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 June 2023 and 31 December 2022, the Group’s hierarchy table for its assets and liabilities recorded at fair value are as follows:

30 June 2023	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	1,039,445	-
Financial assets at fair value through OCI - Otokar	137,857	-	-
Total assets	137,857	1,039,445	-
Liabilities at fair value			
Derivative financial liabilities	-	68,214	-
Total liabilities	-	68,214	-

(*) 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 2022	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	382,717	-
Financial assets at fair value through OCI - Otokar	145,942	-	-
Total assets	145,942	382,717	-
Liabilities at fair value			
Derivative financial liabilities	-	122,633	-
Total liabilities	-	122,633	-

(*) 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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24. CASH FLOW HEDGE OPERATIONS

The Group uses long-term floating rate foreign currency loans from international markets. The Group hedges interest rate risk by securing a portion of the floating rate loans from international markets through long-term swap transactions.

The Group hedged the interest rate risk arising from cash flows related to the borrowing used as of 30 June 2023 with the maturity of 10 October 2023 amounting to TRY450,000 with interest rate swapping. The critical conditions of the settlement contract such as maturity, payment, interest rate change dates are in line with the critical conditions of the foreign currency borrowing, which is the subject of financial hedge as of 30 June 2023. The fair value of the interest rate swap transaction calculated as of 30 June 2023 is TRY24,076 and it is classified as short-term liabilities.

The Group hedged the interest rate risk arising from cash flows related to the borrowing used as of 30 June 2023 with the maturity of 09 October 2023 amounting to TRY750,000 with interest rate swapping. The critical conditions of the settlement contract such as maturity, payment, interest rate change dates are in line with the critical conditions of the foreign currency borrowing, which is the subject of financial hedge as of 30 June 2023. The fair value of the interest rate swap transaction calculated as of 30 June 2023 is TRY40,084 and it is classified as short-term liabilities.

As of 30 June 2023, the Group has hedged the interest rate risk arising from the cash flows of the loan amounting to EUR150,000,000 with a maturity of 16 December 2030, by using interest swaps. The critical conditions of the swap contract, such as maturity, payment and interest change dates, are in line with the critical conditions of the TRY loan, which is the subject of financial protection as of 30 June 2023. The fair value of the said swap transaction as of 30 June 2023 is TRY4,054 and it is shown under long-term liabilities in the statement of financial position.

	30 June 2023	31 December 2022
Derivative financial liabilities	68,214	122,633
	68,214	122,633

As of 30 June 2023, the Group bears the interest risk arising from the cash flows of the loans used, amounting to EUR100,000,000 with a maturity of 5 November 2026 and EUR100,000,000 with a maturity of 5 November 2028, has been subject to financial protection with interest ceiling (cap) options. The critical conditions of the swap contract, such as maturity, payment and interest change dates, are in line with the critical conditions of the foreign currency loan that is the subject of financial protection as of 30 June 2023. The fair value of the related swap transaction as of 30 June 2023 is TRY476,892 and is presented under non-current assets in the financial position statement.

As of 30 June 2023, the Group bears the interest risk arising from the cash flows of the loans used, amounting to EUR150,000,000 with a maturity of 23 May 2024 has been subject to financial protection with interest ceiling (cap) options. The critical conditions of the swap contract, such as maturity, payment and interest change dates, are in line with the critical conditions of the foreign currency loan that is the subject of financial protection as of 30 June 2023. The fair value of the related swap transaction as of 30 June 2023 is TRY26,483 and is presented under non-current assets in the financial position statement.

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24. CASH FLOW HEDGE OPERATIONS (Continued)

Derivative financial instruments (Continued)

As of 30 June 2023, the Group has hedged the interest rate risk arising from the cash flows of the loan amounting to EUR100,000,000 with a maturity of 21 August 2028, by interest swap. The critical conditions of the swap contract, such as maturity, payment and interest change dates, are in line with the critical conditions of the foreign currency loan, which is the subject of financial protection as of 30 June 2023. As of 30 June 2023, the fair value of the said swap transaction is TRY6,937 and is presented under non-current assets in the statement of financial position.

As of 30 June 2023, the Group has a TRY-settled forward foreign currency purchase contract with a nominal amount of EUR110,000,000 for foreign currency position management. The maturities of these contracts are 28 July 2023 (EUR40,000,000), August 4, 2023 (EUR20,000,000), August 11, 2023 (EUR20,000,000), November 17, 2023 (EUR20,000,000) and November 24, 2023 (EUR10,000,000). The fair value of the said transaction as of 30 June 2023 is TRY529,133 and is shown under current assets in the statement of financial position.

	30 June 2023	31 December 2022
Derivative financial assets	1,039,445	382,717
	1,039,445	382,717

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 Company, the Group will associate a portion of estimated export revenue from 1 April 2013 to December 2030 with long-term financial borrowings.

	30 June 2023	31 December 2022
Cash flow hedge reserve		
Amount recognized in other comprehensive income	8,925,323	4,348,539
Amount recycled from other comprehensive income to statement of profit or (loss)	(1,444,853)	(2,320,356)
	7,480,470	2,028,183

25. SUBSEQUENT EVENTS

With the “Law on the Establishment of Additional Motor Vehicles Tax for Compensation of Economic Losses Caused by the Earthquakes Occurring on 6 February 2023, and Amending Certain Laws and Decree Law No. 375” published in the official newspaper dated 15 July 2023, the corporate tax rate was increased from 20% to 25% and the new rate is effective as of July 2023 payment period. The Group continues to evaluate the possible effects of the related law on the consolidated financial statements as of the date of issue of these financial statements.