FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2023 TOGETHER WITH AUDITOR'S REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Ford Otomotiv Sanayi A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Ford Otomotiv Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing adopted within the framework of the regulations of the Capital Markets Board and issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") the ethical requirements regarding independent audit in regulations issued by the POA; the regulations of the Capital Markets Board; and other relevant legislation are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the key audit matter was addressed in the audit
Application of TAS 29 - Financial Reporting in Hyperinflationary Economies (Note 2.1)	
The Group prepared the consolidated financial statements for the year ended as of 31 December 2023 in accordance with the announcement made by the Public Oversight Authority on 23 November 2023, applying TMS 29 "Financial Reporting in Hyperinflationary Economies" standard. TAS 29 requires financial statements to be restated into the current purchasing power at the end of the reporting period. Therefore, transactions in 2023 and non-monetary balances at the end of the period with prior year statements with comparative information were restated to reflect a price index that is current at the balance sheet date as of 31 December 2023. The implementation of TAS 29 leads to a change in several of the Company's(Group's) control activities pervasively related to financial reporting. The impact of TAS 29 is reliant upon a number of key judgements such as the relevant line items in the inventories were restated on a average basis depending on the level of fluctuation of the underlying transactions and rate of inflation. The preparation of financial statements using a current purchasing power approach requires a complex series of procedures and reconciliations to ensure accurate results. We considered the application of TAS 29 to be a key audit matter due to judgement applied in the restatement, high degree of complexity in calculation and the risk of the data used in the restatement being incomplete or inaccurate.	- We obtained an updated understanding of the Group's processes and accounting policies (and accounting for consolidated entities with different functional currencies, - We gained an understanding and evaluated the relevant controls designed and implemented by management resulting from implementation of TAS 29, - We determined whether the segregation of monetary and non-monetary items made by the management is in accordance with TAS 29, - We obtained detailed listings of non-monetary items, and tested the original cost and dates of acquisition with supporting documentation, historical costs and purchase dates were tested with supporting documents, and the mathematical accuracy of the indexation was checked by sample-based and analytical methods, - We evaluated the reasonableness of judgements used by management by comparing them with recognised practices and applying our industry knowledge and experience. We also checked if the judgements were used consistently in all periods, - We tested the restatement of non-monetary items, the other comprehensive income, changes in equity and preparation of the cash flow with recognition of inflationary effects by checking the methodology and general price index rates used.

Key Audit Matters	How the key audit matter was addressed in the audit
Cash Flow Hedge Accounting (Notes 2.3, 18 and 29)	
Based on the manufacturing agreements with Ford Motor Company, the Group associates sales of specific models of commercial vehicles subject to export by the end of 2030 with long term loans denominated in Euros and borrowed for investments related to the manufacturing of such vehicles. Sales subject to the agreement are denominated in Euro and are affected by TRY/EUR exchange rate fluctuations. The Group hedges the foreign exchange rate risk against borrowings obtained in the Euro currency. Vehicle profit margins and sales volumes, which are the basis of the forward budget estimates used by the Group, affect cash flow risk hedge accounting. The cash flow hedge losses classified under equity as of 31 December 2023 amount to TRY18,700,475 thousand. This amount is material in terms of the consolidated financial statements. Cash flow hedge accounting is structurally complex, and its audit requires professional expertise. Calculation and recognition mistakes that might occur related to this subject could significantly affect the consolidated financial statements. Calculations made when testing the effectiveness of the Group's cash flow hedges take into account important judgments and management estimations such as vehicle profits and sales volumes. Therefore, cash flow hedge accounting is a key matter for our audit.	• We understood the recognition process of cash flow hedge transactions. • With the support of our internal experts we tested the official definition and documentation of the risk management target and strategy, which causes the Group to hedge against cash flow risk, and vehicle profit margins and sales amounts, which are the basis of the forward-looking budget estimates used in the efficiency test, by comparing them with past performance and independent data sources. • We checked the recovery probability of the Group's future revenues for the loans that form the basis of cash flow hedging by comparing it with performance in previous years. • We checked the sales numbers and prices of the vehicles subject to the cash flow hedge by comparing them with the budget approved by management. • We reviewed repayment plans for the borrowings denominated in Euros by reviewing the loan agreements and obtaining bank confirmations. We checked to what extent monthly borrowing payments cover monthly sales. • We assessed the sufficiency of the consolidated financial statement disclosures related to the cash flow hedge accounting in terms of TFRS.

Key Audit Matters	How the key audit matter was addressed in the audit
Warranty Provisions (Notes 2.3 and 14)	
The Group has warranty provisions amounting to TRY2,001,745 thousand as of 31 December 2023. The Group calculates the current period warranty provision based on the actual warranty expense per vehicle in the previous period and possibilities of return within warranty. The warranty cost per vehicle and possibilities of return is approved twice a year by management and is calculated for each vehicle model, based on the technical department's experience and warranty claims in the past. This issue has been determined as a key audit matter since deviations in future estimates in the warranty provision calculation cause significant changes in the consolidated financial statements and significance of the provision amount.	• We assessed and tested the effectiveness of the controls in the process of warranty provisions calculation. • We confirmed that unit managers approve the unit cost estimations per vehicle. Using a sampling method, we tested unit costs with detailed tests. • To test the data on which the estimations are based, the number of vehicles sold were compared to the sales reports. Sales reports were reconciled with the sale accounts. • We tested warranty provisions, that became expenses during the period using the sampling method. • We assessed the reasonableness of the actual warranty expenses considering the warranty provisions set aside in previous periods. • We assessed the sufficiency of the consolidated financial statement disclosures related to warranty expenses in terms of TFRS.

4. Responsibilities of management and those charged with governance for the consolidated financial statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 5 March 2024.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Ediz Günsel, SMMM
Independent Auditor

Istanbul, 5 March 2024

CONTENTS **PAGE**

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

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

	Notes	Current period audited 31 December 2023	Previous period audited 31 December 2022
Assets			
Current Assets		**102,969,262**	**91,321,074**
Cash and cash equivalents	5	15,224,502	16,666,305
Trade receivables			
- Due from related parties	27	25,257,720	30,740,214
- Due from third parties	8	20,331,968	11,855,162
Other receivables			
- Due from related parties	27	1,194,171	275,853
- Due from third parties	9	252,126	191,308
Assets arising from customer contracts	36	1,132,678	-
Inventories	10	29,352,289	23,274,992
Prepaid expenses	13	1,923,237	2,012,790
Other current assets	17	8,270,221	6,054,362
Derivative financial instruments	28, 29	30,350	-
Current period tax related assets	25	-	250,088
Non-current assets		**114,037,767**	**82,986,064**
Financial investments	6	299,125	240,473
Trade receivables			
- Due from third parties	8	16,691	25,843
Other receivables			
- Due from related parties	27	9,875,598	1,899,969
Property, plant and equipment	11	57,197,468	47,915,268
Intangible assets			
- Other intangible assets	12	17,959,055	13,533,487
- Goodwill	3	819,059	830,359
Right of use assets	33	975,599	330,337
Prepaid expenses	13	13,400,547	12,626,944
Deferred tax assets	25	13,013,365	4,886,703
Investments in subsidiaries, joint ventures and affiliated companies	35	125,437	66,067
Derivative financial instruments	28, 29	355,823	630,614
Total Assets		**217,007,029**	**174,307,138**

Financial statements for the period ended 1 January - 31 December 2023 were approved for issue by the Board of Directors on 5 March 2023. Financial statements will be finalized after the approval at the General Assembly.

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

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

	Notes	Current period audited 31 December 2023	Previous period audited 31 December 2022
Liabilities			
Current liabilities		**94,133,906**	**76,202,568**
Short-term borrowings			
- Bank borrowings	7	19,643,464	12,397,102
Short-term portion of long-term borrowings			
- Bank borrowings	7	14,146,163	9,258,827
- Lease liabilities	7	174,227	124,760
Trade payables			
- Due to related parties	27	9,849,195	7,463,230
- Due to third parties	8	42,715,846	42,209,644
Other payables			
- Due to related parties	27	625,617	120,563
- Due to third parties	9	1,003,574	1,091,104
Deferred income	31	585,395	317,295
Short-term provisions			
- Other short-term provisions	14	1,273,769	948,946
Employee benefit liabilities	16	4,042,846	2,069,031
Current tax liabilities	25	73,810	-
Derivative financial liabilities	28, 29	-	202,066
Non-current liabilities		**49,865,578**	**46,962,929**
Long-term borrowings			
- Bank borrowings	7	30,440,768	29,947,565
- Lease liabilities	7	690,138	193,796
- Other long-term borrowings	7	10,660,273	10,557,194
Long-term provisions			
- Provision for employment termination benefits	16	1,843,046	3,114,599
- Other long-term provisions	14	1,374,942	1,296,493
Deferred income	31	3,759,095	908,708
Other non-current liabilities	32	-	8,962
Deferred tax liability	25	934,123	935,612
Derivative financial liabilities	28, 29	163,193	-
Equity	**18**	**73,007,545**	**51,141,641**
Paid-in capital		350,910	350,910
Inflation adjustments on capital		5,820,922	5,820,922
Share premium		8	8
Other comprehensive income/(loss) not to be reclassified under profit or loss			
- Losses on remeasurements of defined benefit plans		(1,335,671)	(1,419,229)
Other comprehensive income/(loss) to be reclassified under profit or loss			
- Gains from financial assets measured at fair value through other comprehensive income		112,776	100,105
- Losses on cash flow hedges		(18,700,475)	(9,982,397)
- Foreign exchange risk differences		(617,602)	44,536
Restricted reserves		5,882,436	5,364,241
Retained earnings		32,438,572	23,132,618
Net profit for the period		49,055,669	27,729,927
Total liabilities and equity		**217,007,029**	**174,307,138**

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

	Notes	Current period audited 1 January - 31 December 2023	Previous period audited 1 January - 31 December 2022
Continuing operations			
Revenue	19	411,905,593	322,556,451
Cost of sales (-)	19	(356,657,683)	(285,957,542)
Gross profit		**55,247,910**	**36,598,909**
Marketing expenses (-)	20	(6,863,905)	(5,246,165)
General administrative expenses (-)	20	(6,429,489)	(3,715,849)
Research and development expenses (-)	20	(5,308,883)	(2,851,293)
Other income from operating activities	22	15,853,675	6,476,919
Other expenses from operating activities (-)	22	(8,482,467)	(3,991,431)
Profit from operating activities		**44,016,841**	**27,271,090**
Income from investing activities	30	2,874,131	37,066
Expenses from investing activities (-)	30	(74,075)	(67,028)
Operating income before financial income/(expense)		**46,816,897**	**27,241,128**
Financial income	23	14,977,681	13,310,137
Financial expenses (-)	24	(29,924,999)	(21,411,810)
Net monetary position gains		15,558,754	6,307,616
Profit from continuing operations before tax		**47,428,333**	**25,447,071**
Tax income/(expense) from continuing operations		**1,627,336**	**2,282,856**
Tax expenses for the period (-)	25	(2,739,929)	(216,612)
Deferred tax income	25	4,367,265	2,499,468
Profit for the period		**49,055,669**	**27,729,927**
Earnings per share with a nominal value Kr	**26**	**139.80 Kr**	**79.02 Kr**

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

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

	Notes	Current period audited 1 January - 31 December 2023	Previous period audited 1 January - 31 December 2022
Profit for the period		**49,055,669**	**27,729,927**
Other comprehensive income/(expense)			
Other comprehensive income not to be reclassified to profit or loss			
(Losses)/gains on remeasurements of defined benefit plans	18	104,448	(1,774,038)
Other comprehensive income taxes not to be reclassified to profit or loss			
Taxes relating to remeasurements of defined benefit plans	18	(20,890)	354,809
Other comprehensive income to be reclassified to profit or loss			
Gains/(losses) from financial assets measured at fair value through other comprehensive income	18	13,338	105,373
Other comprehensive income/(expense) relating to cash flow hedges	18, 29	(12,852,506)	(1,792,830)
Exchange differences on translation	18	(662,138)	44,536
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	18	(667)	(5,268)
Taxes relating to cash flow hedges	18, 29	4,134,428	448,207
Other comprehensive income/(loss)		**(9,283,987)**	**(2,619,211)**
Total comprehensive income		**39,771,682**	**25,110,716**

FORD OTOMOTİV SANAYİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS 31 DECEMBER 2023 AND 2022

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

				Other comprehensive income not to be reclassified in profit or loss	Other comprehensive income to be reclassified profit or loss				Retained earnings		
	Paid in capital	**Inflation adjustments on capital**	**Share premium**	**Gainss/(losses) on remeasurements defined benefit plans**	**Gain/(losses) from financial assets measured at fair value through other comprehensive income**	**Cash flows hedge reserves**	**Foreign exchange risk differences**	**Restricted reserves**	**Accumulated profit**	**Net profit**	**Total equity**
Balances at 1 January 2022	**350,910**	**5,820,922**	**8**	**-**	**-**	**(8,637,774)**	**-**	**4,029,207**	**14,034,815**	**23,821,859**	**39,419,947**
Profit for the period	-	-	-	-	-	-	-	-	-	27,729,927	27,729,927
Other comprehensive income/(loss)	-	-	-	(1,419,229)	100,105	(1,344,623)	44,536	-	-	-	(2,619,211)
Total comprehensive income	-	-	-	(1,419,229)	100,105	(1,344,623)	44,536	-	-	27,729,927	25,110,716
Transfers	-	-	-	-	-	-	-	1,001,560	22,820,299	(23,821,859)	-
Dividends	-	-	-	-	-	-	-	333,474	(13,722,496)	-	(13,389,022)
Balances at 31 December 2022	**350,910**	**5,820,922**	**8**	**(1,419,229)**	**100,105**	**(9,982,397)**	**44,536**	**5,364,241**	**23,132,618**	**27,729,927**	**51,141,641**
Balances at 1 January 2023	**350,910**	**5,820,922**	**8**	**(1,419,229)**	**100,105**	**(9,982,397)**	**44,536**	**5,364,241**	**23,132,618**	**27,729,927**	**51,141,641**
Profit for the period	-	-	-	-	-	-	-	-	-	49,055,669	49,055,669
Other comprehensive income/(loss)	-	-	-	83,558	12,671	(8,718,078)	(662,138)	-	-	-	(9,283,987)
Total comprehensive income	-	-	-	83,558	12,671	(8,718,078)	(662,138)	-	-	49,055,669	39,771,682
Transfers	-	-	-	-	-	-		-	27,729,927	(27,729,927)	-
Dividends	-	-	-	-	-	-	-	518,195	(18,423,973)	-	(17,905,778)
Balances at 31 December 2023	**350,910**	**5,820,922**	**8**	**(1,335,671)**	**112,776**	**(18,700,475)**	**(617,602)**	**5,882,436**	**32,438,572**	**49,055,669**	**73,007,545**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

	Notes	Current period audited 31 December 2023	Previous period audited 31 December 2022
Cash flows generated from/(used in) operating		**50,572,807**	**34,249,071**
Net profit for the period		49,055,669	27,729,927
Adjustments to reconcile profit or loss		**12,985,144**	**14,829,967**
Adjustments for depreciation and amortisation expense	11, 12, 33	6,064,701	7,195,807
Adjustments for impairment loss of inventories	10	13,331	1,052
Adjustments for provisions related with employee		2,394,203	1,307,269
Adjustments for lawsuit and/or penalty provisions	14	94,143	94,303
Adjustments for warranty provisions	14	2,779,558	2,431,552
Adjustments for other provisions		295,265	(149,917)
Adjustments for dividend income	30	-	(9,034)
Adjustments for interest income	23	(3,277,477)	(1,238,078)
Adjustments for interest expense	24	5,641,892	1,959,951
Adjustments for tax expenses	25	(1,987,414)	(2,518,872)
Adjustments for unearned financing income	22	(4,010,617)	(1,472,421)
Adjustments for deferred financing expense	22	5,055,329	2,594,690
Adjustments for loss on sales of property, plant and equipment	30	64,552	38,996
Unrealized foreign currency translation differences	22	(1,202,480)	(2,125,562)
Other adjustments for which cash effects are investing or financing cash flow		10,633,656	12,812,021
Adjustments for monetary (gain)/loss		(9,573,498)	(6,091,790)
Changes in working capital		**(6,992,075)**	**(5,548,011)**
Increase/(decrease) in trade receivables		(3,439,237)	(7,567,720)
Increase/(decrease) in inventories		(6,090,628)	(2,389,744)
Increase/(decrease) in prepaid expenses		152,955	(1,013,642)
Increase/(decrease) in trade payable		3,192,191	8,751,788
Increase/(decrease) in other assets		(2,991,896)	(517,001)
Increase/(decrease) in other liabilities		2,184,540	(2,811,692)
Cash flows generated from operations		**55,048,738**	**37,011,883**
Interest paid		(4,601,252)	(2,520,225)
Interest received		3,710,593	1,278,104
Payments related with provisions for employee benefits	16	(458,119)	(70,389)
Payments related with other provisions		(1,423,185)	(1,191,210)
Taxes paid		(1,703,968)	(259,092)
Cash flows used in investing activities		**(32,071,503)**	**(34,199,262)**
Proceeds from sales of property, plant and equipment		885,329	9,935
Purchase of property, plant and equipment		(26,743,460)	(11,437,876)
Purchase of intangible assets		(5,316,997)	(1,733,185)
Cash advances given and payables		(837,005)	(7,872,105)
Dividends received	30	-	9,034
Cash outflows for payments to acquire control of subsidiaries	3	-	(13,153,976)
Cash outflows from capital increase/share purchase of subsidiaries		(59,370)	(21,089)
Cash flows (used in)/generated from financing activities		**(8,570,744)**	**(6,342,711)**
Proceeds from borrowings	7	29,759,166	42,342,286
Cash outflows related to borrowings	7	(18,445,446)	(34,567,093)
Dividends paid	18	(18,423,973)	(13,722,496)
Interest paid		(4,505,046)	(1,658,299)
Interest received		3,255,141	1,412,922
Cash outflows on debt payments from leasing agreements	7	(210,586)	(150,031)
Net (decrease) / increase in cash and cash equivalents before the effect of currency translation differences		**9,930,560**	**(6,292,902)**
Effect of monetary (loss) on cash and cash equivalents		(11,894,749)	(15,272,078)
Effect of foreign currency translation differences on cash and cash equivalents		500,050	41,266
Net (decrease)/increase in cash and cash equivalents		**(1,464,139)**	**(21,523,714)**
Cash and cash equivalents at the beginning of the period		**16,657,928**	**38,181,642**
Cash and cash equivalents at the end of the period	**5**	**15,193,789**	**16,657,928**

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

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

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 ("BIST") 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 and Ecosport 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	**2022**	**2023 December**	**2022 December**
Hourly	17,558	13,223	18,363	16,144
Salaried	4,881	4,029	5,338	4,767
	22,439	**17,252**	**23,701**	**20,911**

As of 31 December 2023, research and development operations which are also subject to service export is conducted with 2,298 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.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

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

Financial reporting in hyperinflationary economy

The Group has prepared its consolidated financial statements for the year ended December 31, 2023 in accordance with the provisions of TAS 29 "Financial Reporting in Hyperinflation Economies," based on the announcement made by the Public Oversight, Accounting and Auditing Standards Authority (POA) on November 23, 2023, and the "Implementation Guide on Financial Reporting in Hyperinflation Economies" published by POA. According to this standard, financial statements prepared in the currency of a high inflationary economy are stated in terms of the purchasing power of that currency at the balance sheet date and comparative information of the previous period financial statements is also presented in the current measurement unit at the end of the reporting period for comparison purposes. Therefore, the Group has presented its consolidated financial statements as of December 31, 2022 based on the purchasing power as of December 31, 2023.

In accordance with the decision numbered 81/1820 dated December 28, 2023 by the Capital Markets Board of Turkey (CMB), it has been decided to apply inflation accounting by applying the provisions of TAS 29 starting from the annual financial reports of issuers subject to the financial reporting regulations applying Turkish Accounting/Financial Reporting Standards and capital market institutions for the fiscal periods ending December 31, 2023.

The adjustments made in accordance with TAS 29 were made using the adjustment coefficients derived from the Consumer Price Index ("CPI") published by the Turkish Statistical Institute ("TSI"). As of December 31, 2023, the indices and adjustment coefficients used in the adjustment of consolidated financial statements are as follows:

Date	Index	Correction Coefficient	Three-Year Compound Inflation Rate
31 December 2023	1,859.38	1,00000	268%
31 December 2022	1,128.45	1,64773	156%
31 December 2021	686.95	2,70672	74%

The main elements of the adjustment process carried out by the Group for financial reporting in hyperinflation economies are as follows:

- Consolidated financial statements for the current period prepared in Turkish Lira (TRY) are stated in terms of the purchasing power at the balance sheet date, and the amounts for previous reporting periods are also adjusted to reflect the purchasing power at the end of the reporting period.

- Monetary assets and liabilities are not adjusted as they are already stated in terms of the current purchasing power at the balance sheet date. When the inflation-adjusted values of non-monetary items exceed their recoverable amounts or net realizable values, the provisions of TAS 36 and TAS 2 are applied accordingly.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

- Non-monetary assets and liabilities, as well as equity items not stated in terms of the current purchasing power at the balance sheet date, are adjusted using the respective adjustment coefficients.

- All items in the comprehensive income statement, excluding those affecting non-monetary items in the balance sheet, have been indexed using coefficients calculated based on the periods in which income and expense accounts were initially recognized in the financial statements.

The impact of inflation on the Group's net monetary asset position for the current period is recorded in the consolidated income statement under the account of net monetary position loss.

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.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

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 31 December 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:

		31 December 2023		31 December 2022	
	Financial currency	Suffrage	Effective partnership rate	Suffrage	Effective partnership rate
Ford Romania SRL(Note3)	Romanian Leu	100.00	100.00	100.00	100.00
Ford Otosan Netherlands BV (Note35)	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.

Comparatives of prior periods' financial statements

The financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Group at 31 December 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 - 31 December 2023 have been provided with the comparative financial information, for the period between 1 January - 31 December 2022.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards

a. Standards, amendments, and interpretations applicable as of 31 December 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. This change has no impact on the financial position and performance of the Group.

- **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. This change has no impact on the financial position and performance of the Group.

- **Amendment to IAS 12 - International tax reform ;** The temporary exception is effective for December 2023 year ends and the disclosure requirements are effective for accounting periods beginning on or after 1 January 2023, with early application permitted. These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. This change has no impact on the financial position and performance of the Group.

- **IFRS 17, 'Insurance Contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which permited a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts. This change has no impact on the financial position and performance of the Group.

Additionally, in the letter dated 06.04.2023 sent by the Public Oversight, Accounting and Auditing Standards Authority (POA) to the Association of Insurance, Reinsurance and Pension Companies of Turkey, it was stated that the application of IFRS 17 in the consolidated and individual financial statements of insurance and reinsurance companies, pension companies, banks with investments in these companies, and other companies with investments in these companies, starting from 01.01.2024 would be appropriate. This change does not have an impact on the Group's financial position and performance.

a. Standards, amendments, and interpretations applicable as of 31 December 2023:

- **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. This change has no impact on the financial position and performance of the Group.

- **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. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. This change has no impact on the financial position and performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- **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. This change has no impact on the financial position and performance of the Group.

- **Amendments to IAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. This change has no impact on the financial position and performance of the Group.

- **IFRS S1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.This change has no impact on the financial position and performance of the Group.

- **IFRS S2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

According to Board Decision of Public Oversight, Accounting and Auditing Standards Authority (POA) published in the Official Gazette dated December 29, 2023, it has been announced that certain enterprises will be subject to mandatory sustainability reporting as of January 1, 2024. Within the scope of the "Board Decision on the Scope of Application of Turkey Sustainability Reporting Standards (TSRS) Implementation," dated January 5, 2024, businesses falling under the scope of sustainability reporting are identified. This change does not have an impact on the Group's financial position and performance.

2.3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 5).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Trade receivables, provision for impairment and expected credit losses

Trade receivables as a result of providing goods or services by the Group directly to a debtor are carried at amortized cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. Foreign exchange gain/loss and credit finance income of trade receivables are classified under "other operating income/expense".

The Group uses a provisioning matrix to measure the expected credit losses on trade receivables. Depending on the number of days the maturities of trade receivables are exceeded, certain maturity ratios are calculated, and these ratios are reviewed at each reporting period and revised where necessary. In the calculation of expected credit losses, the Group takes into account past credit loss experience as well as forecasts for the future. Expected credit losses are accounted for under "other income / expense from operating activities" in the income statement.

The Group measures the allowance for trade receivables at an amount equal to the "expected life-time credit losses" (except for realized impairment losses) where the trade receivables are not impaired for some reason. Expected credit losses are a weighted estimate of the likelihood of credit losses over the expected life of a financial instrument

The Group collects receivables arising from domestic vehicles and spare parts sales through the "Direct Debit System" (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Group's bank accounts at the due dates (Notes 8 and 27).

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory's annual production plan are not associated with inventories and are recognized as cost of sales (Note 10).

Trade payables

Trade payables are recognized at initial cost and subsequently measured at amortized cost using effective interest rate method (Notes 8 and 27). Foreign exchange gain/loss and credit finance charges of trade payables are classified under "other operating income/expense".

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	14,5- 30 years
Buildings	14,5- 36 years
Machinery and equipment	5- 25 years
Moulds and models	Project Lifetime
Furniture and fixtures	4- 14,5 years
Motor vehicles	9- 15 years

Land is not depreciated as it is deemed to have an indefinite useful life.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in income/expense from investing activities. Repair and maintenance expenses are charged to the statement of profit or loss as they are incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset (Note 11).

Intangible assets

Intangible assets comprise computer software, rights, leasehold improvements and development costs.

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period depending on the project's lifetime. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2 Research and development expenses (Note 12).

The estimated useful lifetimes of such assets are as follows:

Rights	3- 5 years
Capitalized improvement expenses	Project Lifetime
Other intangible assets	5 years
Customer contracts	22 years

Impairment of long-lived assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

Impairment losses are recognized in the statement of profit or loss. Impairment losses are recognized in the statement of profit or loss. Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Financial assets

Classification and Measurement

The Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though other comprehensive income, financial assets carried at fair value though profit of loss, Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

"Financial assets carried at amortized cost", assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost.

The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. The aforementioned assets are initially measured at fair values and measured at amortized cost using the effective interest rate method in subsequent reporting Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

"Financial assets carried at fair value through profit or loss", they consist of financial assets that are measured at amortized cost and whose fair value changes are reflected in other comprehensive income. Gains and losses arising from the valuation of such assets are recognized in the income statement.

"Financial assets carried at fair value through other comprehensive income", are the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on the related financial assets are recognized in other comprehensive income, except for impairment losses or gains or losses. If the assets whose fair value difference is recognised under consolidated other comprehensive income statement are sold, valuation differences classified under consolidated other comprehensive income statement are classified under "Retained Earnings/(Losses)"

The group, at initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument. If an entity makes the election, it shall recognize in profit or loss dividends from that investment.

Share premium

Share premium represents differences resulting from the sale of the Group's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable is recognized as an appropriation of profit in the period in which they are declared (Notes 18 and 30).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Taxes on income

The tax liability on profit or loss for the period includes current tax and deferred tax.

Current period income tax

Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of statement of financial position date.

Deferred tax

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilized or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liability is calculated on all taxable temporary differences whereas deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporarily differences can be utilized. Carrying values of deferred tax assets are decreased to the extent necessary if future taxable profits are not expected to be available to utilize deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 25).

Current and deferred tax

Current and deferred taxes except those which are either related to the items directly recognized in the equity as receivable or payable (which, in such cases, the deferred tax regarding the related items is also recognized directly in the equity) or those which result from the initial recognition of an enterprise merger are recognized as income or loss in the income statement.

Revenue recognition

The Group adopted which proposes a five-step model framework mentioned below for recognizing the revenue.

- Identification of customer contracts,
- Determination of performance obligations in contracts,
- Determination of transaction price in the contract
- Allocating the transaction price to the performance obligations in the contracts,
- Recognition of revenue when the performance obligations are fulfilled

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

The Group recognized revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Group can define the rights of each party regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Goods & services sales

Revenue comprises the invoiced value for the sale of goods and services. Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured, and it is probable that the future economic benefits associated with the transaction will flow to the entity.

For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. But if the Group makes a sales agreement with buyback commitment, which shall most likely be applied, the sales made in this scope are not recognized as revenue and monitored under "Other Non-Current Liabilities" (Note 32). Sales, which are subject to buyback commitment, are evaluated as operating lease and monitored as deferred income through allocating the difference between the price paid by the customers and their buyback price to leasing period (Note 31).

The revenue recognised on lease revenue for the periods over 1 year is recognized as "Long-term deferred revenue" (Note 31).

The vehicles with repurchase commitments are classified in tangible assets (Note 11). The vehicles are amortised during the repurchase commitment period. For export sales significant risk and rewards in foreign vehicle sales to Ford Motor Company are transferred to the buyer on FAS, "Final Assignment to Ship" terms. Revenue is recorded when the vehicles ready for sale are matched with ship shipments and invoices. Exported service sales are recorded when the service is delivered and the amount of revenue can be measured reliably.

Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on an accrual basis (Notes 19, 22).

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The Group is a principal if it controls a promised good or service before the Group transfers the good or service to a customer. When a Group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

The Group is an agent if the performance obligation is to act as an intermediary for the provision of goods or services by other parties and does not reflect the revenue for the performance obligation to the financial statements.

The Group pays customer premiums to its dealers based on their performance results. Amounts calculated as of the balance sheet date are recognized in other payables in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss.

The Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 2-3-4 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold.

Revenue from extended warranty and maintenance package

The Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty and maintenance package are determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, the Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

The Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. The Group delivers the control of services related to the sale of extended warranty and maintenance packages over time and it fulfills the performance obligation of those over time. Therefore, Group measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly.

Dividend and interest income

Dividend income from the stock investments are recorded when the stockholders become entitled to receive a dividend.

Interest income is realized on a time period basis and the accrued income is determined by taking into account the valid interest rate and the interest rate that is to be effective until its maturity date.

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the Central Bank of Turkey exchange rates prevailing at the statement of the financial position dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized under the other operating income/expenses and financial income/expense in the statement of profit or loss (Note 22, 23, 24 ve 28).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Financial instruments and financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. All trade receivables are due mainly from dealers and related parties. The Group has established effective control procedures over its dealers and the credit risk arising from transactions with such dealers is regularly monitored by management and the aggregate risk to any individual counterparty is limited. The Group covered its credit risk from domestic vehicle sales to dealers by setting credit limits for dealers through arranged banks and collects its trade receivables from banks at the due date through the use of Direct Debit System. The use of DDS for receivables from dealers is an effective way to decrease the credit risk.

Bank letters of collaterals received from dealers for the exceeding part of DDS limit, regarding domestic vehicle sales and spare part sales is another method in the management of the credit risk (Note 8).

Most of the foreign sales are made to Ford Motor Company and its subsidiaries. Conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company and its subsidiaries are collected in 14 days, Ford Romania SRL is 30 days for export vehicle sales regularly. Receivables from Ford Motor Company and its subsidiaries, except vehicle sales, are collected in 45 days in average. The collection of receivables resulting from export sales to customers other than Ford Motor Company is secured with letter of credit, letter of guarantee or cash payment.

Price risk

The Group is exposed to equity securities price risk because of investments classified on the statement of financial position as financial assets at fair value through other comprehensive income. The Group limits the financial assets at fair value through other comprehensive income in order to manage the price risk arising from investments in equity securities.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Group management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Group maintains a credit commitment amounting to EUR100 million and factoring agreement amounting to EUR120 million in case a requirement for use arises.

Interest rate risk

Management uses short-term interest bearing financial assets to manage the maturities of interest bearing assets and liabilities The Group makes limited use of interest rate swaps, to hedge its floating rate borrowings, if needed.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Capital risk management

The Groups's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the "net financial debt to earnings before interest tax and depreciation". This ratio is calculated as net financial debt divided by EBITD (earnings before interest tax and depreciation) of four quarters. Net financial debt is calculated as total short and long-term borrowings minus cash and cash equivalents. Group management, this ratio is expected not to exceed 3.5.

	31 December 2023	**31 December 2022**
Net financial debt	60,530,531	45,812,939
EBITDA (*)	50,729,839	34,630,127
Net financial debt / EBITDA (*)	**1.19**	**1.32**

(*) EBITDA (Earnings before tax depreciation and interest) covering the last four quarters). The EBITDA amount also includes the straight-line expenses of the fixed assets that the Group rented to Ford Motor Company under financial leasing method in accordance with TFRS 16 and classified from its tangible assets to other receivables from related parties.

Fair value of financial instruments

The Group measures derivatives and financial assets whose fair value changes reflected into other comprehensive income at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Financial assets

Foreign currency balances are translated into TRY at the exchange rates prevailing at the balance sheet date. These balances are estimated to be close to the book value. Certain financial assets, including cash and cash equivalents, are carried at cost and are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Financial liabilities

Bank borrowings are recorded over their fair value of which the transaction costs are discounted. In the following periods, they are evaluated and recognized with their discounted costs by using the effective rate of interest method. The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Cash flow hedge accounting

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Group has entered into swap transactions in order to manage its interest rate risk. Swap transactions are initially recognized at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. The fair value of interest swap contracts is determined by using valuation methods based on observable data in the market.

Derivative instruments are initially recognized at the transaction cost reflecting the fair value at the date of the contract is entered into and are subsequently measured at fair value. Derivative financial instruments are recognized as assets if the fair value is positive and as liabilities when the fair value is negative. The fair value differences of the Group are reflected in derivative financial instruments and consist of forward foreign currency purchase and sale contracts. Fair value is determined using valuation methods based on observable market data.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings (Note 7). With respect to assets which take long time to get ready for use and sale, borrowing costs related to production or construction are integrated to the cost of the asset. The borrowing costs include other costs incurred due to borrowing and interest.

Provision for employee benefits

a) Defined benefit plan

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees or reasons except for resignation and behaviours stated in labour law, calculated in accordance with the Turkish Labour Law (Note 16). According to the amendments on TAS 19 "Employee Benefits", the actuarial (gain)/loss of employee benefits are recognized under other comprehensive income.

b) Defined contribution plan

The Group is obliged to pay social insurance contributions to the Social Security Institution. No other obligation exists as long as the Group pays these premiums. These premiums are reflected to the personnel expenses when they are accrued (Note 16).

c) Other employee benefit

Long- term provisions for employee benefits" are composed of the unused vacation days accrued in the period incurred and if the impact is material, it is also discounted.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

Provisions for sales premium

Provision for dealer stock sales premium expenses is accounted based on the last approved sales premium programme (Note 14).

Warranty provisions

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization. The Group has reclassified warranty reserves to be expected to be realized in one year as current provision (Note 14).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred:

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured
- If the good will be sold or will be used within the Group,
- If there's a potential market or can be proved that it is used within the Group,
- If necessary technological, financial and other resources can be provided to complete the project.

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the project lifetime. Impairment test for the assets is performed annually within the recognition period of the development expenditures in progress (Note 12).

Related parties

Parties are considered related to the group (reporting entity) if;

(a) A person or close member of thats person's family is related to a reporting entity:

If that person,

(i) has control or joint control over the reporting entity,
(ii) has significant influence over the reporting entity or,
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following condition applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party,
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.,
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

The Group defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (Note 27).

Earnings per share

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 26).

Reporting of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group's operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment. Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity (Note 5).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the financial statements and treated as contingent assets or liabilities (Note 14).

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the statement of financial position date and the date when the statement of financial position is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the statement of financial position date, the Group makes the necessary corrections on the financial statements (Note 38).

Offsetting

Financial assets and liabilities are offset when there is a legal basis, intention to disclose net amount of related assets and liabilities or obtaining an asset that follows the settlement its liability.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Group has met all conditions required. Government grants and incentives regarding the capitalized projects, costs are recognized by netting from costs of property, plant and equipment and intangible assets. Incentives which are not subject to assets are shown as other income in the income statement (Note 34).

Leases

Group- As Lessor

If the Group transfers substantially all the risks and rewards of ownership of an underlying asset, it is classified as a finance lease. Whether a lease is a finance lease depends on the substance of the transaction rather than the form of the contract. At the commencement date of the lease, the Group recognizes a receivable equal to the net lease investment in the statement of financial position instead of the assets granted as finance leases. The implicit interest rate on the lease is used to measure the net lease investment. The Group recognizes financing income over the lease term on a basis that reflects a constant periodic rate of return on the net lease investment. The effective interest rate approach is utilised to measure subsequent recognition at amortised cost.

Group- As a Lessee

At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

- The contract includes an identified asset (identification of an asset in a clear or implicitly specified form in the contract),
- A capacity portion of an asset is an identified asset if it is physically distinct and represents substantially all of the capacity of the asset (the asset is not an identified asset if the vendor has a fundamental right to substitute the asset for the duration of its use and obtain an economic benefit from it),
- The Group has the right to obtain almost all of the economic benefits that will be derived from the use of the identified asset.
- The right to direct the use of the identified asset. The Group has the right to direct the use of an identified asset throughout the period of use only if either:

    a) The Group has the right to direct how and for what purpose the asset is used throughout the period of use
    b) The relevant decisions about how and for what purpose the asset is used are predetermined and:

        i. The Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions or
        ii. The Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

The Group recognizes right of use asset and lease liability at the start date of lease after evaluation of aforementioned criterias.

Right of use asset

At the commencement date, the Group shall measure the right-of-use asset at cost (Note 33). The cost of the right-of-use asset shall comprise:

a) The amount of the initial measurement of the lease liability
b) Any lease payments made at or before the commencement date, less any lease incentives received
c) Any initial direct costs incurred by the Group,
d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

To apply a cost model, the Group shall measure the right-of-use asset at cost:

a) Less any accumulated depreciation and any accumulated impairment losses and
b) Adjusted for any remeasurement of the lease liability.

The Group shall apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

The Group shall apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, the Group shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined incremental borrowing interest rate shall be used for discounting.

At the commencement date, Group's the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) Fixed payments, less any lease incentives receivable;
b) Variable lease payments that depend on an index or a rate, initially measured using the index or Rate as at the commencement date,
c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

After the commencement date, the Group shall measure the lease liability by:

a) Increasing the carrying amount to reflect interest on the lease liability,
b) Reducing the carrying amount to reflect the lease payments made and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. The Group reflects the remeasurement amount of the lease liability as an adjustment to the right-of-use asset in its consolidated financial statements.

Extension and early termination options

The lease liability is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options included in the contracts are composed of the options that are jointly applicable by the Group and the lessor.

The Group determines the lease term by the extension of the lease, if such extension and early termination options are at the Group's discretion and the use of the options is reasonably certain. If there is a significant change in the circumstances, the evaluation is reviewed by the Group

Variable lease payments

Lease payments arising from some of the Group's lease agreements consist of variable rent payments. These variable lease payments, which are not included in TFRS 16, are recorded as rent expense in the related period in the income statement.

Practical expedient

Contracts for short-term lease agreements with a rental period of less than 12 months and information technology equipment leases (mainly printers, laptops, mobile telephones, etc.), which are determined as low value by the Group, have been evaluated under the exception of the TFRS 16 Leases Standard and these payments are recognized as an expense in the period in which they are incurred.

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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 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 (Note 16).
(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 8).
(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 10).
(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 14).
(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 31 December 2023 and 31 December 2022 since presumptions that the Group will have taxable profit in the forthcoming periods are found to be sufficient (Note 25).
(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 11 and 12).
(h) The Group capitalizes ongoing development expenditures and evaluates whether there is an annual depreciation of these capitalized assets. As of 31 December 2023 and 31 December 2022, there is no impairment of capitalized development expenses (Note 12).

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 TRY13,223,416 (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 TRY475,648 (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.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

3. BUSINESS COMBINATIONS (Continued)

Contingent and deferred acquisition costs amounting to TRY10,209,090 (as of 31 December , 2023 shown as TRY10,660,273 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 2023, the total value calculated by the Group management according to the best estimates is TRY23,908,154.

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	13,699,064
Total contingent and deferred purchase price	10,209,090
Total purchase price	**23,908,154**
Cash and cash equivalents	545,088
Trade receivables	4,151,375
Other receivables	717,641
Inventories	6,531,795
Prepaid expenses	273,193
Other current assets	821,035
Property, plant and equipment (Note 11)	17,002,844
Right of use assets	58,759
Intangible assets (Note 12)	6,007,509
Trade payables and other payables	(10,316,535)
Deferred tax liability	(907,578)
Other non-current liabilities	(1,797,626)
Value of total identifiable net assets	**23,087,500**
Goodwill	820,654
Total purchase price	**23,908,154**

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

Total purchase price - cash	13,699,064
Cash and cash equivalents - acquired	(545,088)
Cash outflow from the acquisition (net)	**13,153,976**

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.

3. BUSINESS COMBINATIONS (Continued)

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. 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 TRY84,610,971 of revenue, (TRY566,707) of net profit and 1,412,012 EBITDA to the Group in the 2023 accounting period, excluding IFRS 3 adjustments.

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.

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 TRY6,007,509 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.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

3. BUSINESS COMBINATIONS (Continued)

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%). If these estimates had been negative by 10 basis points, Customer Contracts would have been TRY738,528 lower and goodwill higher by the same amount. At the same time, depreciation expense for the period of 31 December 2023 would have been TRY17,174 lower.

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 Groupare 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. CASH AND CASH EQUIVALENTS

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for foreign currency denominated time deposits is 1.96% (31 December 2022: 0.68%) and the weighted average interest rate for the TRY time deposits is 39.66% (31 December 2022: 20.88%).

	31 December 2023	**31 December 2022**
Banks – Foreign currency time deposits	8,802,956	7,876,561
Banks - TRY time deposits	5,403,197	7,067,228
Banks - TRY demand deposits	561,955	366,195
Banks - foreign currency demand deposits	425,681	1,347,944
Cash and cash equivalents in the cash flow statement	**15,193,789**	**16,657,928**
Interest income accrual	30,713	8,377
	15,224,502	**16,666,305**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

6. FINANCIAL INVESTMENTS

	31 December 2023		31 December 2022	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Financial assets at fair value through other comprehensive income				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	299,125	0.59	240,473
		299,125		**240,473**

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

7. FINANCIAL LIABILITIES

Short-term financial liabilities

Bank borrowings

	31 December 2023		31 December 2022	
	Effective interest rate (%)	Amount	Effective interest rate (%)	Amount
- TRY	44.97	6,437,873	21.18	9,067,171
- EUR	7.03	13,205,591	3.49	3,329,931
		19,643,464		**12,397,102**

Short-term portion of long-term financial liabilities

Bank borrowings

- TRY	47.35	2,157,305	-	-
- EUR	5.56	11,988,858	2.37	9,258,827
		14,146,163		**9,258,827**
Lease liabilities				
- TRY	39.47	93,548	25.34	68,377
- EUR	7.29	80,679	4.70	52,340
- USD	-	-	1.95	3,813
- Other	-	-	-	230
		174,227		**124,760**
		14,320,390		**9,383,587**
Total short-term financial liabilities		**33,963,854**		**21,780,689**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

7. FINANCIAL LIABILITIES (Continued)

Long-term financial liabilities

Bank borrowings

	31 December 2023		31 December 2022	
	Effective interest rate (%)	Amount	Effective interest rate (%)	Amount
- EUR	8.92	30,440,768	3.08	29,947,565
		30,440,768		**29,947,565**

Lease liabilities

	31 December 2023		31 December 2022	
	Effective interest rate (%)	Amount	Effective interest rate (%)	Amount
- TRY	46.73	376,251	25.63	147,025
- EUR	7.46	313,887	3.74	36,568
- USD	-	-	-	10,203
		690,138		**193,796**

Other long-term financial liabilities

	31 December 2023		31 December 2022	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.00	10,660,273	2.00	10,557,194
		10,660,273		**10,557,194**
Total long-term financial liabilities		**41,791,179**		**40,698,555**

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 31 December 2023.

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

Payment Period	31 December 2023	31 December 2022
2024	-	10,161,755
2025	13,459,347	7,135,814
2026	9,610,091	6,721,745
2027	3,355,507	2,489,692
2028	2,948,256	2,341,080
2029	568,615	574,875
2030	498,952	522,604
	30,440,768	**29,947,565**

The letters of bank guarantee given to financial institutions in connection with borrowings amounts to TRY1,967,760 (31 December 2022: TRY4,456,722) (Note 14).

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

7. FINANCIAL LIABILITIES (Continued)

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

Payment Period	**31 December 2023**	**31 December 2022**
2025	6,190,368	6,130,511
2028	4,469,905	4,426,683
	10,660,273	**10,557,194**

The movement of financial liabilities as of 31 December 2023 and 2022 is as follows:

	2023	**2022**
1 January	**51,922,050**	**51,579,871**
Cash inflows from borrowing	29,759,166	42,342,286
Cash outflows from borrowing	(18,445,446)	(34,567,093)
Cash outflows related to debt payments arising from lease agreements	(210,586)	(150,031)
Unrealised foreign exchange differences	24,814,227	14,283,775
Change in accrual of interest	1,136,846	301,652
New lease agreements/impact of contract changes	713,505	161,771
Monetary gain/(loss)	(24,595,002)	(22,030,181)
31 December	**65,094,760**	**51,922,050**

As disclosed on the Public Disclosure Platform, the Group has obtained a debt instrument issuance limit up to a total amount of EUR 500,000,000 or equivalent foreign currency amount with a validity date of September 20, 2024. Furthermore, the Group has obtained a debt instrument issuance limit up to a TL 8 billion in debt instruments denominated in Turkish Lira may be issued by the Capital Markets Board in one or more instances, in a variety of orders and maturities, within a year (the validity date is October 12, 2024). These instruments will be traded in the relevant market of Borsa Istanbul A.Ş., without a public offering in the domestic market, through allocation and/or sale to qualified investors, and in a manner that will not result in a public offering.

8. TRADE RECEIVABLES AND PAYABLES

	31 December 2023	**31 December 2022**
Short-term trade receivables		
Trade receivables	20,875,462	12,022,884
Doubtful receivables (*)	520,590	378,367
Less: provision for doubtful receivables	(520,590)	(378,367)
Less: unearned credit finance income	(543,494)	(167,722)
	20,331,968	**11,855,162**

(*) The portion of TRY370,968 of the doubtful receivables amount is related to the dealers involved in the fraud process on 2021.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

8. TRADE RECEIVABLES AND PAYABLES (Continued)

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 3.18% monthly effective interest rate (31 December 2022: 1.65%).

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

Long-term trade receivables	**31 December 2023**	**31 December 2022**
Deposits and guarantees given	16,691	2,775
Trade receivables	-	23,068
	16,691	**25,843**

Trade payables	**31 December 2023**	**31 December 2022**
Trade payables	43,286,973	42,500,610
Less: unearned credit finance expense	(571,127)	(290,966)
	42,715,846	**42,209,644**

The Group's average turnover of trade payables is 60 days (31 December 2022: 60 days) and discounted by 3.18% monthly effective interest rate (31 December 2022: 1.65%).

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

8. TRADE RECEIVABLES AND PAYABLES (Continued)

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

	Trade receivables		Other receivables		Deposit
31 December 2023	**Related party**	**Other**	**Related party**	**Other**	**in bank**
The maximum of credit risk exposed at the reporting date (Notes 5, 8, 9, 27)	25,257,720	20,348,659	11,069,769	252,126	15,193,789
- The maximum of credit risk covered by guarantees	5,133,809	20,348,659	-	-	-
Net book value of the financial assets that are neither overdue not impaired	24,794,398	20,066,728	11,069,769	252,126	15,193,789
Net book value of financial assets that are overdue but not impaired	463,322	281,931	-	-	-
- Amount of risk covered by guarantees	-	281,931	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	520,590	-	-	-
- Provision for impairment (-)	-	(520,590)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

8. TRADE RECEIVABLES AND PAYABLES (Continued)

	Trade receivables		Other receivables		Deposit
31 December 2022	**Related party**	**Other**	**Related party**	**Other**	**in bank**
The maximum of credit risk exposed at the reporting date (Notes 5, 8, 9, 27)	30,740,214	11,881,005	2,175,822	191,308	16,657,928
- The maximum of credit risk covered by guarantees	3,027,384	11,881,005	-	-	-
Net book value of the financial assets that are neither overdue not impaired	29,731,518	11,820,573	2,175,822	191,308	16,657,928
Net book value of financial assets that are overdue but not impaired	1,008,696	60,432	-	-	-
- Amount of risk covered by guarantees	-	60,432	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	378,367	-	-	-
- Provision for impairment (-)	-	(378,367)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

8. TRADE RECEIVABLES AND PAYABLES (Continued)

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

	Trade receivables	
31 December 2023	**Related party**	**Other**
1- 30 days overdue	214,093	223,413
1- 3 months overdue	75,253	9,397
3- 12 months overdue	171,899	35,329
1- 5 years overdue	2,077	13,792
	463,322	**281,931**
Risk covered by guarantees	-	281,931

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

	Trade receivables	
31 December 2022	**Related party**	**Other**
1- 30 days overdue	156,442	34,689
1- 3 months overdue	304,846	1,944
3- 12 months overdue	533,131	16,701
1- 5 years overdue	14,277	7,098
	1,008,696	**60,432**
Risk covered by guarantees	-	60,432

9. OTHER RECEIVABLES AND PAYABLES

Other receivables	**31 December 2023**	**31 December 2022**
Other miscellaneous receivables	252,126	191,308
	252,126	**191,308**

Other payables	**31 December 2023**	**31 December 2022**
Taxes and funds payable	488,734	414,096
Sales premium accruals	186,464	197,869
Other	328,376	479,139
	1,003,574	**1,091,104**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

10. INVENTORIES

	31 December 2023	31 December 2022
Raw materials	14,267,399	15,365,775
Finished goods	5,661,639	3,997,648
Import vehicles	3,740,863	19,132
Goods in transit	2,359,583	1,630,893
Vehicle spare parts	1,882,895	1,448,208
Spare parts	499,899	302,228
Other	993,648	551,414
	29,405,926	**23,315,298**
Less: provision for impairment of finished goods and vehicle spare parts	(53,637)	(40,306)
	29,352,289	**23,274,992**

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	**40,306**	**34,218**
Acquisitions	-	3,445
Change within the period	29,175	14,441
Exchange differences on translation	(3,258)	(99)
Monetary gain/(loss)	(12,587)	(11,699)
31 December	**53,637**	**40,306**

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 18).

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

11. PROPERTY, PLANT AND EQUIPMENT

1 January 2023	Land	Land improvements	Buildings	Machine and equipment	Models and moulds	Fixture and furniture	Vehicles	Constructions in progress	Total
Cost	510,539	3,447,899	16,254,240	43,927,882	32,112,975	5,277,293	112,764	7,859,171	109,502,763
Accumulated depreciation	-	(1,880,471)	(9,124,244)	(19,766,289)	(26,994,227)	(3,769,485)	(52,779)	-	(61,587,495)
Net book value	**510,539**	**1,567,428**	**7,129,996**	**24,161,593**	**5,118,748**	**1,507,808**	**59,985**	**7,859,171**	**47,915,268**
For the period ended 31 December 2023									
Opening net book value	510,539	1,567,428	7,129,996	24,161,593	5,118,748	1,507,808	59,985	7,859,171	47,915,268
Additions	107,625	85,794	357,653	5,038,479	9,443,921	1,174,751	32,007	10,503,230	26,743,460
Transfers	-	145,630	2,336,258	4,702,261	193,194	4,632	-	(7,445,414)	(63,439)
Disposals (*)	-	-	(15,169)	(6,989,777)	(6,646,425)	(445,998)	(8,929)	-	(14,106,298)
Exchange differences on translation	-	(12,542)	(61,070)	(154,666)	-	-	-	166,220	(62,058)
Depreciation charge	-	(74,151)	(438,030)	(2,947,753)	(895,931)	(303,636)	(10,687)	-	(4,670,188)
Disposals from accumulated depreciation	-	-	14,176	1,315,816	6,240	100,320	4,171	-	1,440,723
Closing net book value	**618,164**	**1,712,159**	**9,323,814**	**25,125,953**	**7,219,747**	**2,037,877**	**76,547**	**11,083,207**	**57,197,468**
31 December 2023									
Cost	618,164	3,666,781	18,871,912	46,524,179	35,103,665	6,010,678	135,842	11,083,207	122,014,428
Accumulated depreciation	-	(1,954,622)	(9,548,098)	(21,398,226)	(27,883,918)	(3,972,801)	(59,295)	-	(64,816,960)
Net book value	**618,164**	**1,712,159**	**9,323,814**	**25,125,953**	**7,219,747**	**2,037,877**	**76,547**	**11,083,207**	**57,197,468**

(*) The Group has classified certain fixed assets in the disposal group as other receivables from related parties by leasing specific fixed assets at Kocaeli and Craiova factories to Ford Motor Company under financial leasing according to TFRS 16.

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 31 December 2023 (31 December 2022:None).

There is no collateral, pledge or mortgage on tangible assets as of 31 December 2023 and 2022.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

1 January 2022	**Land**	**Land improvements**	**Buildings**	**Machine and equipment**	**Models and moulds**	**Fixture and furniture**	**Vehicles**	**Constructions in progress**	**Total**
Cost	503,002	2,491,975	12,631,905	33,213,829	30,672,267	5,128,153	111,724	2,317,746	87,070,601
Accumulated depreciation	-	(1,828,236)	(8,880,466)	(22,661,019)	(24,032,469)	(3,950,241)	(58,048)	-	(61,410,479)
Net book value	**503,002**	**663,739**	**3,751,439**	**10,552,810**	**6,639,798**	**1,177,912**	**53,676**	**2,317,746**	**25,660,122**
For the period ended 31 December 2022									
Opening net book value	503,002	663,739	3,751,439	10,552,810	6,639,798	1,177,912	53,676	2,317,746	25,660,122
Acquisitions	-	807,731	2,995,944	10,481,505	-	-	-	797,752	15,082,932
Additions	7,537	45,626	143,362	6,012,260	1,447,631	575,193	34,841	5,091,337	13,357,787
Transfers	-	2,210	101,894	(1,763,361)	2,844	3,352	-	(481,081)	(2,134,142)
Disposals	-	(13,226)	(34,210)	(5,220,191)	(9,767)	(429,405)	(33,801)	(5,907)	(5,746,507)
Exchange differences on translation	-	113,583	415,345	1,203,840	-	-	-	139,324	1,872,092
Depreciation charge	-	(63,062)	(275,499)	(2,279,934)	(2,969,841)	(245,529)	(9,031)	-	(5,842,896)
Disposals from accumulated depreciation	-	10,827	31,721	5,174,664	8,083	426,285	14,300	-	5,665,880
Closing net book value	**510,539**	**1,567,428**	**7,129,996**	**24,161,593**	**5,118,748**	**1,507,808**	**59,985**	**7,859,171**	**47,915,268**
31 December 2022									
Cost	510,539	3,447,899	16,254,240	43,927,882	32,112,975	5,277,293	112,764	7,859,171	109,502,763
Accumulated depreciation	-	(1,880,471)	(9,124,244)	(19,766,289)	(26,994,227)	(3,769,485)	(52,779)	-	(61,587,495)
Net book value	**510,539**	**1,567,428**	**7,129,996**	**24,161,593**	**5,118,748**	**1,507,808**	**59,985**	**7,859,171**	**47,915,268**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

12. INTANGIBLE ASSETS

1 January 2023	Rights	Development cost	Development cost in progress	Other	Total
Cost	1,263,139	9,962,284	3,690,075	6,108,092	21,023,590
Accumulated amortisation	(851,201)	(6,466,414)	-	(172,488)	(7,490,103)
Net book value	**411,938**	**3,495,870**	**3,690,075**	**5,935,604**	**13,533,487**
For the period ended 31 December 2023					
Opening net book value	411,938	3,495,870	3,690,075	5,935,604	13,533,487
Additions	148,792	1,932,294	3,171,699	832	5,253,617
Transfers	34,184	3,245,899	(3,272,784)	56,141	63,440
Disposals	(434)	(127)	-	-	(561)
Exchange differences on translation	-	281,836	-	8,858	290,694
Amortisation charge	(212,611)	(785,172)	-	(184,341)	(1,182,124)
Disposals from accumulated depreciation	375	127	-	-	502
Closing net book value	**382,244**	**8,170,727**	**3,588,990**	**5,817,094**	**17,959,055**
31 December 2023					
Cost	1,445,681	15,422,186	3,588,990	6,173,923	26,630,780
Accumulated amortisation	(1,063,437)	(7,251,459)	-	(356,829)	(8,671,725)
Net book value	**382,244**	**8,170,727**	**3,588,990**	**5,817,094**	**17,959,055**

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

The cost of the "Contracts with Customers", which is classified under "Other" by the Group and in Ford Romania SRL acquisition accounting, is TRY6,007,509 and the current period depreciation is TRY276,662.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

12. INTANGIBLE ASSETS (Continued)

1 January 2022	Rights	Development cost	Development cost in progress	Other	Total
Cost	1,077,258	8,956,109	2,470,596	36,328	12,540,291
Accumulated amortisation	(670,387)	(5,539,604)	-	(35,855)	(6,245,846)
Net book value	**406,871**	**3,416,505**	**2,470,596**	**473**	**6,294,445**
For the period ended 31 December 2022					
Opening net book value	406,871	3,416,505	2,470,596	473	6,294,445
Acquisitions	-	-	-	5,329,159	5,329,159
Additions	185,881	-	2,258,722	-	2,444,603
Transfers	-	1,006,175	(1,006,175)	-	-
Disposals	-	-	(33,068)	-	(33,068)
Exchange differences on translation	-	-	-	742,605	742,605
Amortisation charge	(180,814)	(926,810)	-	(136,633)	(1,244,257)
Disposals from accumulated depreciation	-	-	-	-	-
Closing net book value	**411,938**	**3,495,870**	**3,690,075**	**5,935,604**	**13,533,487**
31 December 2022					
Cost	1,263,139	9,962,284	3,690,075	6,108,092	21,023,590
Accumulated amortisation	(851,201)	(6,466,414)	-	(172,488)	(7,490,103)
Net book value	**411,938**	**3,495,870**	**3,690,075**	**5,935,604**	**13,533,487**

13. PREPAID EXPENSES

Short-term prepaid expenses	31 December 2023	31 December 2022
Advances given for inventories	1,577,013	1,433,257
Other prepaid expenses	346,224	579,533
	1,923,237	**2,012,790**

Long-term prepaid expenses	31 December 2023	31 December 2022
Advances given for investments (*)	13,272,985	12,435,980
Other prepaid expenses	127,562	190,964
	13,400,547	**12,626,944**

(*) Advances given for investments are related to the Group's new vehicle investments. TRY6,555,127 (31 December 2022: TRY9,263,532) is given to domestic vendors as advance payment on mould purchases and TRY6,717,858 (31 December 2022: TRY3,172,448) is the advance given for the new project investments.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

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

Short-term provisions

	31 December 2023	**31 December 2022**
Warranty expense provision	889,214	822,303
Provisions for sales premium (*)	341,176	45,911
Provisions for lawsuits	16,648	14,566
Other short-term provisions	26,731	66,166
	1,273,769	**948,946**

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

Long-term provisions

	31 December 2023	**31 December 2022**
Warranty expense provision	1,112,531	1,034,593
Provisions for lawsuits	175,743	193,971
Other long-term provisions	86,668	67,929
	1,374,942	**1,296,493**

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

	2023	**2022**
1 January	**208,537**	**237,073**
Acquisition	-	5,835
Paid during the period	(28,312)	(32,780)
Additions during the period	94,143	88,468
Exchange differences on translation	5,622	929
Monetary gains/(losses)	(87,599)	(90,988)
31 December	**192,391**	**208,537**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

14. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	2023	**2022**
1 January	**1,856,896**	**1,749,199**
Paid during the period	(1,394,873)	(1,158,430)
Additions during the period (Note 20)	2,779,558	2,431,552
Monetary gains/(losses)	(1,239,836)	(1,165,425)
31 December	**2,001,745**	**1,856,896**

Letters of guarantee and letters of credit	**31 December 2023**	**31 December 2022**
Letters of guarantee given to financial institutions due to bank loans	1,967,760	4,456,722
Letters of guarantee given to customs	330,258	336,031
Letters of guarantees given to other parties	327,296	505,727
	2,625,314	**5,298,480**

Letters of guarantee given

	31 December 2023		**31 December 2022**	
	Original currency	**TRY amount**	**Original currency**	**TRY amount**
TRY	322,491	322,491	4,345,301	4,345,301
EURO	68,996	2,247,469	29,018	953,179
Romanian Leu	8,500	55,346	-	-
		2,625,306		**5,298,480**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

14. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

Collaterals, pledges and mortgages given by the Group	**31 December 2023**	**31 December 2022**
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	2,617,552	5,286,015
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 (*)	7,762	12,465
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	-	-
	2,625,314	**5,298,480**

(*) 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.

Letters of guarantee taken

	31 December 2023		**31 December 2022**	
	Original currency	**TRY amount**	**Original amount**	**TRY amount**
TRY	5,858,043	5,858,043	5,370,652	5,370,652
EUR	212,029	6,906,611	151,941	4,990,857
USD	1,469	43,245	1,158	35,678
Romanian Leu	-	-	8,500	56,110
		12,807,899		**10,453,297**

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 31 December 2023 and 31 December 2022.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

15. COMMITMENTS

None.

16. EMPLOYEE BENEFITS

Liabilities for employee benefit obligations

	31 December 2023	31 December 2022
Salaries and social charges payable	2,070,618	675,513
Income tax withholdings payable	1,344,162	835,437
Social security premiums payable	582,802	516,946
Other	45,264	41,135
	4,042,846	**2,069,031**

Long-term provision for employee benefits

	31 December 2023	31 December 2022
Provision for employment termination benefits	1,525,738	2,846,215
Provision for unused vacation pay liability	317,308	268,384
	1,843,046	**3,114,599**

Provision for employee benefits:

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY23,489.83 for each year of service as of 31 December 2023 (31 December 2022: Full TRY15,371.40).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

16. EMPLOYEE BENEFITS (Continued)

TFRS requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans, accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2023	31 December 2022
Net discount rate (%)	2.90	0.55
Turnover rate to estimate the probability of retirement (%)	94.56	95.22

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employee benefits once a year, the maximum amount of full TRY35,058.58 which was effective as of 1 January 2024 (1 January 2023: Full TRY19,982.83) has been used in the calculations.

Movements in the provision for employee benefits during the year are as follows:

	2023	2022
1 January	**2,846,215**	**1,331,522**
Acquisition	-	66,189
Interest cost	233,669	212,529
Current year service cost	195,361	79,109
Paid during the period	(628,197)	(83,587)
Actuarial gains	(114,963)	1,800,783
Exchange differences on translation	57,664	4,667
Monetary gain/(loss)	(1,064,011)	(564,997)
31 December	**1,525,738**	**2,846,215**

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 31 December 2023 is below:

	Net discount rate		Turnover rate related to the probability of retirement	
Sensitivity level	**0.5% base decrease**	**0.5% base increase**	**0.5% base decrease**	**0.5% base increase**
Rate (%)	(2,4)	(3,4)	94,1	95,1
Change in provision for employee benefits	105,810	(96,709)	(34,974)	36,557

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

17. OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
VAT to be deducted (*)	7,590,952	5,618,097
Prepaid taxes and withholding	139,143	93,402
Other	540,126	342,863
	8,270,221	**6,054,362**

(*) VAT to be deducted includes export VAT receivables related to November and December 2022. VAT return for November amounting to TRY1,327,810 has been collected in January 2023.

18. EQUITY

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

Shareholders	Share group	31 December 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		**5,820,922**		**5,820,922**	
Inflation adjusted paid in capital		**6,171,832**		**6,171,832**	

According to the articles of association, half of the members to be elected to the Board of Directors are selected from among the candidates nominated by the B group and the other half by the C group shareholders. The General Assembly is authorized to determine the number of the members of the Board of Directors and to elect the members. One of the candidates nominated by the B and C group shareholders must have the independent qualifications defined in the CMB regulations.

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

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

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

18. EQUITY (Continued)

In accordance with CMB Financial Reporting Standards, the Group classified the above mentioned reserves under "Restricted reserves", the amount of restricted reserves is TRY5,882,436 as of 31 December 2023 (31 December 2022: TRY 5,364,241)

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

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

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

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February, 2014. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on year-end financial statements of the 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 company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In accordance with the Ordinary General Assembly Meeting dated as of March 9, 2023, the Group decided to distribute cash dividends totaling 6,592,837 TL, equivalent to gross 18.79 Turkish Liras (net 16.91 Turkish Liras) per full TRYshare from the profit of the year 2022. This represented a gross rate of 1.879% (net 1.691%) per share. The dividend payment was made in March 2023. Additionally, in accordance with the Extraordinary General Assembly Meeting dated as of October 26, 2023, the Group decided to distribute cash dividends totaling 11,312,941 TL, equivalent to gross 32.24 Turkish Liras (net 29.01 Turkish Liras) per full TRYshare from the profit of the year 2023. This represented a gross rate of 3.224% (net 2.901%) per share. The dividend payment was made in November 2023.(Note: In March 2022, cash dividends totaling 10,054,264 TL, equivalent to gross 28.65 Turkish Liras (net 25.79 Turkish Liras) per full TRYshare, representing a gross rate of 2.865% (net 2.579%) per share were distributed. In November 2022, cash dividends totaling 3,334,758 TL, equivalent to gross 9.50 Turkish Liras (net 8.55 Turkish Liras) per full TRYshare, representing a gross rate of 950% (net 855%) per share were distributed.)

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

18. EQUITY (Continued)

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

	31 December 2023	**31 December 2022**
Issued capital	350,910	350,910
Inflation adjustments on capital	5,820,922	5,820,922
Share premium	8	8
Gains from financial assets measured at fair value through other comprehensive income	112,776	100,105
Losses on cash flow hedge	(18,700,475)	(9,982,397)
Losses on remeasurements of defined benefit plans	(1,335,671)	(1,419,229)
Exchange differences on translation	(617,602)	44,536
Restricted reserves	***5,882,436***	***5,364,241***
- Legal reserves	5,882,436	5,364,241
Retained earnings (*)	***32,438,572***	***23,132,618***
- Inflation adjustment to equity	24,631,219	18,503,532
- Extraordinary reserves	7,807,353	4,629,086
Net income for the period	**49,055,669**	**27,729,927**
Total equity	**73,007,545**	**51,141,641**

The adjusted values of the items shown above with their historical values and the equity inflation adjustment differences as of the end of 2003 are as follows as of 31 December 2023 and 31 December 2022:

31 December 2023	**Historical values**	**Adjusted values**	**Equity inflation adjustment differences**
Issued capital	350,910	6,171,832	5,820,922
Legal reserves	1,720,112	5,882,436	4,162,324
Extraordinary reserves	7,807,353	32,437,349	24,629,996
Share premium	8	1,087	1,079
Other reserves	-	136	136
	9,878,383	**44,492,840**	**34,614,457**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

18. EQUITY (Continued)

31 December 2022	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	6,171,832	5,820,922
Legal reserves	1,420,763	5,364,241	3,943,478
Extraordinary reserves	4,629,086	23,131,395	18,502,309
Share premium	8	1,087	1,079
Other reserves	-	136	136
	6,400,767	**34,668,691**	**28,267,874**

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 31 December 2023 and 31 December 2022. As of 31 December 2023, fair value change amounting to TRY12,671 net of deferred tax, (31 December 2022: TRY100,105) 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	**(11,256,985)**	**(8,852,238)**
Gains/(losses) from financial assets measured at fair value through other comprehensive income	12,671	100,105
Actuarial gains/(losses)	83,558	(1,419,229)
Gains/(losses) on cash flow hedges	(8,718,078)	(1,344,623)
Exchange differences on translation	(662,138)	259,000
31 December	**(20,540,972)**	**(11,256,985)**

19. REVENUE AND COST OF SALES

	2023	2022
Export sales (*)	301,627,630	251,011,128
Domestic sales	118,096,911	75,927,129
Other sales	2,463,724	2,113,638
Less: discounts	(10,282,672)	(6,495,444)
	411,905,593	**322,556,451**

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

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

19. REVENUE AND COST OF SALES (Continued)

Units of vehicle sales

	2023			2022		
	Domestic sales	**Export sales**	**Total sales**	**Domestic sales**	**Export sales**	**Total sales**
Puma	6,760	176,890	183,650	1,583	74,241	75,824
Transit	29,034	148,445	177,479	21,395	116,068	137,463
Custom	5,902	139,353	145,255	5,354	149,319	154,673
Courier	36,502	19,884	56,386	39,403	24,476	63,879
Other Passenger vehicles	25,248	21	25,269	4,509	-	4,509
Ford Trucks (Truck)	11,699	7,384	19,083	8,957	7,585	16,542
Ranger	1,744	-	1,744	956	6	962
New Transit Connect	561	6	567	372	-	372
Ecosport	8	99	107	2,113	19,116	21,229
Rakun	124	-	124	268	-	268
	117,582	**492,082**	**609,664**	**84,910**	**390,811**	**475,721**

Summaries of cost of production as of 31 December 2023 and 2022 are as follows:

	2023	**2022**
Cost of raw material	(243,357,295)	(206,008,573)
Production overhead costs	(24,544,518)	(19,909,872)
Amortization expenses (Notes 11, 12 and 33)	(5,775,237)	(6,937,982)
Changes in finished goods	4,892,663	1,699,074
Total production cost	**(268,784,387)**	**(231,157,353)**
Cost of trade goods sold	(87,873,296)	(54,800,189)
Total cost of sales	**(356,657,683)**	**(285,957,542)**

20. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

Research and development expenses	**2023**	**2022**
Project costs	(2,566,667)	(1,133,307)
Personnel expenses	(2,250,852)	(1,289,958)
Mechanization expenses	(304,156)	(254,639)
Depreciation and amortization expenses (Notes 11, 12 and 33)	(57,282)	(57,724)
Other	(129,926)	(115,665)
	(5,308,883)	**(2,851,293)**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

20. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (Continued)

Marketing expenses	**2023**	**2022**
Warranty expenses (Note 14)	(2,779,558)	(2,431,552)
Vehicle transportation expenses	(1,281,624)	(837,367)
Personnel expenses	(972,378)	(768,926)
Advertising expenses	(529,273)	(412,074)
Spare parts transportation and packaging expenses	(270,589)	(285,809)
Export expenses	(236,289)	(244,948)
Mechanization expenses	(137,211)	(113,788)
Depreciation and amortization expenses (Notes 11, 12 and 33)	(37,057)	(56,995)
Dealer and service development expenses	(26,610)	(15,651)
Other	(593,316)	(79,055)
	(6,863,905)	**(5,246,165)**

General administrative expenses	**2023**	**2022**
Personnel expenses	(3,094,611)	(1,678,662)
Grants and donations	(825,984)	(565,320)
Mechanization expenses	(740,260)	(352,135)
Legal, consulting and auditing expenses	(437,936)	(401,113)
New project administrative expenses	(409,296)	(224,641)
Depreciation and amortization expenses (Notes 11, 12 and 33)	(195,125)	(143,106)
Organization expenses	(108,207)	(69,936)
Transportation and travel expenses	(96,630)	(92,128)
Duties, taxes and levies expenses	(77,763)	(48,869)
Repair, maintenance and energy expenses	(58,320)	(64,855)
Other	(385,357)	(75,084)
	(6,429,489)	**(3,715,849)**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

21. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 31 December 2023 and 2022 is as follows:

	2023	**2022**
Raw material cost	(243,357,295)	(206,008,573)
Cost of trade goods sold	(87,873,296)	(54,800,189)
Financial expenses	(29,924,998)	(21,411,810)
Personnel expenses	(20,343,400)	(12,087,139)
Other operational expenses	(11,994,972)	(7,817,936)
Other production overhead costs	(10,518,960)	(11,560,279)
Other expenses from operating activities	(8,482,467)	(3,991,431)
Depreciation and amortization expenses	(6,064,701)	(7,195,807)
Changes in inventories	4,892,663	1,699,074
Expenses from investing activities	(74,075)	(67,028)
Total expenses	**(413,741,501)**	**(323,241,118)**

22. OTHER OPERATING INCOME/(EXPENSES)

Other operating income	**2023**	**2022**
Foreign exchange gains related to trade receivables and payables	10,778,949	4,421,114
Financial income from forward sales	4,010,617	1,472,421
Price difference and claim recovery	179,640	44,007
Rent income	111,823	61,500
Commission income	35,705	49,309
License income	31,600	73,013
Provisions no longer required	7,260	23,209
Other	698,081	332,346
	15,853,675	**6,476,919**

Other operating expenses	**2023**	**2022**
Unearned financial expense	(5,055,329)	(2,594,690)
Foreign exchange losses related to trade receivables and payables	(2,645,630)	(1,311,454)
Other	(781,508)	(85,287)
	(8,482,467)	**(3,991,431)**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

23. FINANCIAL INCOME

	2023	2022
Foreign exchange gains	11,589,631	11,736,398
Interest income	3,277,477	1,238,078
Other	110,573	335,661
	14,977,681	**13,310,137**

24. FINANCIAL EXPENSES

	2023	2022
Foreign exchange losses	(23,738,143)	(19,423,355)
Interest expenses	(5,641,892)	(1,959,951)
Other	(544,964)	(28,504)
	(29,924,999)	**(21,411,810)**

25. 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 31 December 2023 is 25% (31 December 2022: 23%). The corporate tax rate for the fiscal year 31 December 2023 is 16% in Romania (31 December 2022: 16%). 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.

25. TAX ASSETS AND LIABILITIES (Continued)

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. Similarly, the Romanian tax legislation allows deducting the financial losses shown on the declaration from the corporate income for the period, provided that it does not exceed 7 years.

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

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

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

As of 31 December 2023 the Group utilised R&D incentive exemption amounting of TRY4,342,655 (31 December 2022: TRY5,549,517) in return for the legal tax.

As of the reporting date, TRY4,541,034 (31 December 2022: TRY4,541,034) under the Large-Scale Investment Incentive Certificate, completed and investment in progress, TRY 11,114,581 (31 December 2022: TRY9,840,941) within the scope of Priority Investment Incentive Certificates and TRY23,923,617 (31 December 2022: TRY11,223,182) within the scope of Project Based State Aid investment expenditure was made.

The Group utilized discounted corporate taxation amounting to TRY7,104,894 (31 December 2022: TRY 5,322,758) 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 31 December 2023, the tax advantage amounting to TRY12,041,072 (31 December 2022: TRY7,144,570) 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 31 December 2023, deferred tax income amounting to TRY4,896,502 (current period effect of 1 January-31 December 2023) has occurred in the consolidated profit or loss statement for the period 1 January - 31 December 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 31 December 2023, the Group has 17.7 Billion TRY of investment incentive assets. As a result of the estimations it has prepared, the Group has accounted for 12 billion TRY as a deferred tax asset for the relevant period.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

25. TAX ASSETS AND LIABILITIES (Continued)

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

	31 December 2023	31 December 2022
0-5 year	10,775,141	6,683,610
5-10 year	1,265,931	460,961

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.

In the sensitivity analysis carried out as of 31 December 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 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Current year corporate tax expense	(2,739,929)	(216,612)
Prepaid tax and withholding	1,855,745	405,321
Monetary gain / (loss)	810,374	61,379
Current tax related assets/(liabilities)	**(73,810)**	**250,088**
Deferred tax assets	13,013,365	4,886,703
Deferred tax liabilities	(934,123)	(935,612)
Net deferred tax asset	**12,079,242**	**3,951,091**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

25. TAX ASSETS AND LIABILITIES (Continued)

The taxation on income for the periods ended 31 December 2023 and 2022 are as follows.

	2023	**2022**
Current year corporate tax expense	(2,739,929)	(216,612)
Current year tax effect of cash flow hedge (*)	(4,134,428)	(1,249,187)
Other deferred tax	8,501,693	3,748,655
Deferred tax income	4,367,265	2,499,468
Continuing operations tax (income)/(expense)	**1,627,336**	**2,282,856**

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

	31 December 2023	**31 December 2022**
Income before tax	47,428,333	25,447,071
Effective tax rate	%25	%23
Current year tax expense	(11,857,083)	(5,852,826)
Research and development deductions	1,085,664	1,276,389
Investment incentive exemption	14,809,957	10,028,994
Monetary gain / (loss)	(3,457,965)	(2,713,094)
Effect of inflation accounting according to TPL (*)	5,087,735	-
Additional tax impact due to earthquake (**)	(2,629,881)	-
Other	(1,411,091)	(456,607)
	1,627,336	**2,282,856**

(*) It consists of the effect of adjustments related to inflation accounting in accordance with the Communiqué No: 32415 (2nd Repeated) of the Tax Procedure Law dated 30 December 2023.

(*) The amount accrued by the Company for the relevant tax in addition to the 2023 corporate tax is TRY2,629,881 thousand. The first installment of the tax was paid in May 2023 and the second installment was paid in August 2023.

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.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

25. TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative Temporary differences		**Deferred tax assets/(liabilities)**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Deferred tax assets				
Investment incentive tax asset (Note:34)	(27,317,091)	(23,365,843)	12,041,072	7,144,570
Expense accruals and other provisions	(4,815,833)	(3,794,948)	1,321,394	740,587
Employee benefits provision	(1,525,738)	(2,846,215)	376,762	567,408
Warranty expense provision	(2,001,745)	(1,856,896)	500,436	371,379
Inventories	(563,023)	100,501	142,729	(21,258)
Accumulated losses	(1,476,396)	(1,847,522)	244,198	295,608
	(37,699,826)	**(33,610,923)**	**14,626,591**	**9,098,294**
Deferred tax liabilities				
Tangible and intangible assets	3,145,707	26,160,384	(91,496)	(4,902,075)
Income accruals and other	10,415,367	1,147,018	(2,455,853)	(245,128)
	13,561,074	**27,307,402**	**(2,547,349)**	**(5,147,203)**
Net deferred tax asset			**12,079,242**	**3,951,091**

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

	2023	**2022**
1 January	**3,951,091**	**1,655,955**
Charged to statement of profit or loss as income/(expense)	4,367,265	2,499,468
Acquisitions (Note 3)	-	(907,578)
Charged to comprehensive income statement as income/(expense)	4,112,871	797,748
Exchange differences on translation	(351,985)	(94,502)
1 January	**12,079,242**	**3,951,091**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

26. EARNINGS PER SHARE

	2023	2022
Net profit for the year (TRY)	49,055,669	27,729,927
Weighted average number of shares with nominal	35,091,000,000	35,091,000.000
Earnings per share with nominal value of Kr 1 each	**139.80 Kr**	**79,02 Kr**

27. RELATED PARTY DISCLOSURES

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

The related party balances at 31 December 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

	31 December 2023	31 December 2022
Due from shareholders		
Ford Motor Company and subsidiaries	20,881,759	26,813,095
	20,881,759	**26,813,095**
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	4,473,373	3,960,184
Other	36,430	22,472
	4,509,803	**3,982,656**
Less: Unearned credit finance income	(133,842)	(55,537)
	25,257,720	**30,740,214**

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

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

27. RELATED PARTY DISCLOSURES (Continued)

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. 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 30 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 8, 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 (*)

	31 December 2023	31 December 2022
Due from shareholders		
Ford Motor Company and subsidiaries	1,194,171	275,853
	1,194,171	**275,853**

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

	31 December 2023	31 December 2022
Due from shareholders		
Ford Motor Company and subsidiaries	9,875,598	1,899,969
	9,875,598	**1,899,969**

(*) 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 Kocaeli and Craiova factory to Ford Motor Company in accordance with TFRS 16.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

27. RELATED PARTY DISCLOSURES (Continued)

b) Payables to related parties

i) Trade payables to related parties

	31 December 2023	31 December 2022
Due to shareholders		
Ford Motor Company and subsidiaries	7,495,467	5,833,325
	7,495,467	**5,833,325**
Due to group companies (*)		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,020,745	747,931
Ram Dış Ticaret A.Ş.	546,830	180,097
Ark İnşaat A.Ş.	196,550	267,731
Setur Servis Turistik A.Ş.	136,707	53,297
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	78,429	81,881
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	72,170	55,830
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	62,236	45,075
Ram Sigorta Aracılık Hizmetleri A.Ş.	58,898	16,151
INGAGE Dijital Pazarlama Hizmetleri	38,677	40,977
Opet Petrolcülük A.Ş.	35,098	32,719
Divan Turizm İşletmeleri A.Ş.	30,451	8,970
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	10,241	10,176
Other	117,061	107,636
	2,404,093	**1,648,471**
Less: Unearned credit finance expense	(50,365)	(18,566)
	9,849,195	**7,463,230**

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

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

27. RELATED PARTY DISCLOSURES (Continued)

ii) Other payables to related parties

	31 December 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş.	345,211	-
Koç Holding A.Ş.	155,285	113,649
Koç Finansman A.Ş.	125,121	6,914
	625,617	**120,563**

c) Sales to related parties

	2023	2022
Ford Motor Company (*)	282,567,666	237,806,955
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	26,830,732	17,437,952
Other	78	8,923
	309,398,476	**255,253,830**
Less: Unearned credit finance income	(999,808)	(369,975)
	308,398,668	**254,883,855**

(*) 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..

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

27. RELATED PARTY DISCLOSURES (Continued)

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

	2023			
	Material	**Service**	**Sabit assets**	**Total**
Domestic purchases				
Zer Merkezi HizmeTRYer ve Ticaret A.Ş.(*)	286,508	4,188,997	5,016	4,480,521
Ark İnşaat Sanayi ve Ticaret A.Ş(**)	-	-	1,491,403	1,491,403
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	825,206	-	825,206
Ram Dış Ticaret A.Ş.	687,186	-	-	687,186
Ram Sigorta Aracılık Hizmeleri A.Ş.	-	365,981	-	365,981
Setur Servis Turistik A.Ş.	-	294,418	-	294,418
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	196,941	78,117	275,058
Koç Holding A.Ş. (***)	-	251,187	-	251,187
Koç Sistem Bilgi ve İletişim Hizmeleri A.Ş.	-	32,879	202,314	235,193
Opet Petrolcülük A.Ş.	220,673	-	-	220,673
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	180,030	-	-	180,030
Ingage Dijital Pazarlama A.Ş.	-	122,272	-	122,272
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	41,093	-	-	41,093
Koçtaş Yapı Marketleri Ticaret A.Ş.	31,527	-	417	31,944
Other	15,338	174,103	90,206	279,647
	1,462,355	**6,451,984**	**1,867,473**	**9,781,812**
Less: Unearned credit finance expense	(101,591)	-	-	(101,591)
	1,360,764	**6,451,984**	**1,867,473**	**9,680,221**

	2022			
	Material	**Service**	**Sabit assets**	**Total**
Yurtiçi alımlar				
Zer Merkezi HizmeTRYer ve Ticaret A.Ş. (*)	271,788	3,441,103	1,312	3,714,203
Ark İnşaat Sanayi ve Ticaret A.Ş (**)	-	-	2,138,627	2,138,627
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	1,252,426	-	1,252,426
Ram Dış Ticaret A.Ş.	1,159,976	-	-	1,159,976
Koç Sistem Bilgi ve İletişim Hizmeleri A.Ş.	-	411,405	160,290	571,695
Opet Petrolcülük A.Ş.	273,261	-	-	273,261
Koç Holding A.Ş. (***)	-	233,180	-	233,180
Setur Servis Turistik A.Ş.	-	212,153	-	212,153
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	163,840	-	-	163,840
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	149,157	-	149,157
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	124,427	14,752	139,179
Ingage Dijital Pazarlama A.Ş.	-	86,217	-	86,217
Koçtaş Yapı MarkeTRYeri Ticaret A.Ş.	44,334	-	68	44,402
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	32,581	-	-	32,581
Other	450	144,775	162,150	307,375
	1,946,230	**6,054,843**	**2,477,199**	**10,478,272**
Less: Unearned credit finance expense	(51,988)	-	-	(51,988)
	1,894,242	**6,054,843**	**2,477,199**	**10,426,284**

(*) The Group's central purchasing function from Zer Merkezi Hizmetleri ve Ticaret A.Ş. operates mainly for service purchases for the group.
(**) The Group's purchases from Ark İnşaat are related to the mechanical, civil and electrical works related to the new project investments of Kocaeli Plants.
(***) 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.

Material, vehicle and service purchases from abroad

	2023	**2022**
Ford Motor Group and subsidiaries	125,366,668	137,203,096

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

27. RELATED PARTY DISCLOSURES (Continued)

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

	2023	2022
	2,025,001	1,487,567

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

	2023	2022
	31,599	74,606

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

	2023	2022
	453,003	485,851

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

Deposits in related banks	**31 December 2023**	**31 December 2022**
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	3,256,065	6,213,522
- TRY time deposits	1,000,713	121,069
- TRY demand deposits	221,347	158,629
- Foreign currency demand deposits	43,576	6,588
	4,521,701	**6,499,808**

ı) Related bank loans

	31 December 2023	**31 December 2022**
Yapı ve Kredi Bankası A.Ş.	-	673,241
	-	**673,241**

i) Other long-term payables

	31 December 2023	**31 December 2022**
Ford Motor Company and its subsidiaries (Note 7)	10,660,273	10,557,194
	10,660,273	**10,557,194**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

27. RELATED PARTY DISCLOSURES (Continued)

j) Commission income

	2023	2022
Yapı ve Kredi Bankası A.Ş.	29,591	36,228
Koç Finansman A.Ş.	6,137	12,838
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	182	-
	35,910	**49,066**

k) Commission expense

	2023	2022
Yapı ve Kredi Bankası A.Ş.	527,596	125,050
Koç Finansman A.Ş.	263,246	117,739
	790,842	**242,789**

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

	2023	2022
Yapı ve Kredi Bankası A.Ş.	324,436	127,489

m) Dividend income

	2023	2022
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	9,034

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 manage.

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 with the purchasing power at 2023 is TRY 369,710 (31 December 2022: TRY 238,593). All of this amount consists of short-term benefits.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 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:

31 December 2023

	TRY equivalent (Functional currency)	**USD**	**EUR**	**Other**
1. Trade receivables	28,115,158	9,716	854,336	2
2. Monetary financials assets (including cash and cash equivalents)	9,198,054	1,547	279,850	4,691
3. Other	4,436,890	-	136,186	20
4. Current assets (1 + 2 + 3)	**41,750,102**	**11,263**	**1,270,372**	**4,713**
5. Monetary financial assets	1,754,790	-	53,871	-
6. Non-current assets (5)	**1,754,790**	**-**	**53,871**	**-**
7. Total assets (4 + 6)	**43,504,892**	**11,263**	**1,324,243**	**4,713**
8. Trade payables	19,512,949	83,157	493,652	26,933
9. Financial liabilities (*)	25,275,130	-	775,932	-
10. Other monetary liabilities	361,919	126	10,996	-
11. Short-term liabilities (8 + 9 + 10)	**45,149,998**	**83,283**	**1,280,580**	**26,933**
12. Financial liabilities (*)	30,754,655	-	944,150	-
13. Other	13,453,428	205	412,827	-
14. Long-term liabilities (12+13)	**44,208,083**	**205**	**1,356,977**	**-**
15. Total liabilities (11 + 14)	**89,358,081**	**83,488**	**2,637,557**	**26,933**
16. Net foreign currency (liabilities)/assets position (7 - 15)	**(45,853,189)**	**(72,225)**	**(1,313,314)**	**(22,220)**
17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	**(36,836,651)**	**(72,020)**	**(1,036,673)**	**(22,240)**

(*) 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 TRY36,341,915 as of 31 December 2022 (31 December 2022: TRY21,090,392). As of 31 December 2023, the Group has a total of TRY5,345,503 (31 December 2022: TRY760,240) of the product to be issued.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	25,769,509	4,073	780,573	115
2. Monetary financials assets (including cash and cash equivalents)	9,149,019	4,694	273,452	9,049
3. Other	2,375,193	11,182	61,837	7
4. Current assets (1 + 2 + 3)	**37,293,721**	**19,949**	**1,115,862**	**9,171**
5. Monetary financial assets	2,329,819	-	70,929	-
6. Non-current assets (5)	**2,329,819**	**-**	**70,929**	**-**
7. Total assets (4 + 6)	**39,623,540**	**19,949**	**1,186,791**	**9,171**
8. Trade payables	15,906,701	111,871	350,744	46,622
9. Financial liabilities (*)	12,645,138	124	384,844	-
10. Other monetary liabilities	312,001	-	9,467	28
11. Short-term liabilities (8 + 9 + 10)	**28,863,840**	**111,995**	**745,055**	**46,650**
12. Financial liabilities (*)	29,994,336	331	912,833	-
13. Other	10,557,194	-	321,402	-
14. Long-term liabilities (12+13)	**40,551,530**	**331**	**1,234,235**	**-**
15. Total liabilities (11 + 14)	**69,415,370**	**112,326**	**1,979,290**	**46,650**
16. Net foreign currency (liabilities)/assets position (7 - 15)	**(29,791,830)**	**(92,377)**	**(792,499)**	**(37,479)**
17. Net monetary foreign (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	**(21,609,829)**	**(103,559)**	**(532,934)**	**(37,486)**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

28. 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.

31 December 2023

	Profit/(loss) before taxation	
Appreciation/depreciation in foreign currency	**(Increase by 10 (%)**	**Decrease by 10 (%)**
Change in USD against TRY		
USD net assets/(liabilities)	(212,617)	212,617
USD net hedged amount	-	-
USD net- gain/(loss)	**(212,617)**	**212,617**
Change in EUR against TRY		
EUR net assets/(liabilities)	(4,277,976)	4,277,976
EUR net hedged amount	3,634,191	(3,634,191)
EUR net- gain/(loss)	**(643,785)**	**643,785**
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(94,724)	94,724
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	**(94,724)**	**94,724**

31 December 2022

	Profit/(loss) before taxation	
Appreciation/depreciation in foreign currency	Increase by 10 (%)	Decrease by 10 (%)
Change in USD against TRY		
USD net assets/(liabilities)	(284,612)	284,612
USD net hedged amount	-	-
USD net- gain/(loss)	**(284,612)**	**284,612**
Change in EUR against TRY		
EUR net assets/(liabilities)	(2,603,145)	2,603,145
EUR net hedged amount	3,475,127	(3,475,127)
EUR net- gain/(loss)	**871,982**	**(871,982)**
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(91,426)	91,426
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	**(91,426)**	**91,426**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the year ended 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Total export amount	219,086,831	218,917,885
Total import amount	150,722,654	130,449,167

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.

Interest rate risk

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

	31 December 2023	31 December 2022
Fixed interest rate financial instruments		
Financial assets	14,206,153	14,943,789
Financial liabilities	40,637,254	35,430,762
Floating interest rate financial instruments		
Financial liabilities	35,117,779	27,048,482

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 TRY 92,886 at 31 December 2023 (31 December 2022: TRY 33,956) due to higher/lower interest expense.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

31 December 2023	**Book value**	**Total contractual cash outflow**	**3 months**	**3 - 12 months**	**1 - 5 years**	**5 years**
Non-derivative financial instruments						
Financial liabilities	64,230,395	73,168,859	5,499,127	31,914,768	34,125,714	1,629,250
Other long-term borrowings	10,660,273	11,283,124	-	-	11,283,124	-
Lease liabilities	864,365	1,369,379	86,302	258,905	953,792	70,380
Trade payables						
- Related party	9,849,195	9,899,560	9,899,560	-	-	-
- Other	42,715,846	43,286,971	43,286,971	-	-	-
Other liabilities						
- Related party	625,617	625,617	625,617	-	-	-
- Other	1,003,574	1,003,574	1,003,574	-	-	-
Derivative financial liabilities						
Derivative financial instruments	163,193	163,193	-	163,193	-	-

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022	Book value	Total contractual cash outflow	3 months	3 - 12 months	1 - 5 years	5 years
Non-derivative financial instruments						
Financial liabilities	51,603,494	57,515,245	1,808,020	21,384,047	29,133,185	5,189,994
Other long-term borrowings	10,557,194	11,398,327	-	-	6,437,997	4,960,330
Lease liabilities	318,556	437,275	27,558	82,675	304,568	22,473
Trade payables						
- Related party	7,463,230	7,481,798	7,481,798	-	-	-
- Other	42,209,644	42,500,610	42,500,610	-	-	-
Other liabilities						
- Related party	120,563	120,563	120,563	-	-	-
- Other	1,091,104	1,091,104	1,091,104	-	-	-
Derivative financial liabilities						
Derivative financial instruments	202,066	202,066	-	-	202,066	-

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

28. 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 31 December 2023 and 31 December 2022, the Group's hierarchy table for its assets and liabilities recorded at fair value are as follows:

31 December 2023

	Level 1 (*)	**Level 2 (**)**	**Level 3**
Assets at fair value			
Derivative financial assets	-	386,173	-
Financial assets at fair value through OCI - Otokar	299,125	-	-
Total assets	**299,125**	**386,173**	-
Liabilities at fair value			
Derivative financial liabilities	-	163,193	-
Total liabilities	-	**163,193**	-

31 December 2022

	Level 1 (*)	**Level 2 (**)**	**Level 3**
Assets at fair value			
Derivative financial assets	-	630,614	-
Financial assets at fair value through OCI - Otokar	240,473	-	-
Total assets	**240,473**	**630,614**	-
Liabilities at fair value			
Derivative financial liabilities	-	202,066	-
Total liabilities	-	**202,066**	-

(*) 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).

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

29. 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.

As of 31 December 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 31 December 2023. The fair value of the said swap transaction as of 31 December 2023 is TRY113,164 and it is shown under long-term liabilities in the statement of financial position.

As of 31 December 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 31 December 2023. As of 31 December 2023, the fair value of the said swap transaction is TRY50,029 and is presented under non-current assets in the statement of financial position.

Derivative financial instruments

	31 December 2023	**31 December 2022**
Derivative financial liabilities	163,193	202,066
	163,193	**202,066**

As of 31 December 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 31 December 2023. The fair value of the related swap transaction as of 31 December 2023 is TRY355,823 and is presented under non-current assets in the financial position statement.

As of 31 December 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 31 December 2023. The fair value of the related swap transaction as of 31 December 2023 is TRY 19,578 and is presented under non-current assets in the financial position statement.

	31 December 2023	**31 December 2022**
Derivative financial assets	386,173	630,614
	386,173	**630,614**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

29. CASH FLOW HEDGE OPERATIONS (Continued)

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 November 2030 with long-term financial borrowings.

	31 December 2023	**31 December 2022**
Cash flow hedge reserve		
Amount recognized in other comprehensive income	19,095,744	7,830,790
Amount recycled from other comprehensive income to statement of profit or (loss)	(6,243,238)	(6,037,960)
	12,852,506	**1,792,830**

30. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	2023	**2022**
Income from investing activities		
Foreign exchange gain (*)	2,864,608	-
Gain on sale of property, plant and equipment	9,523	28,032
Dividend income	-	9,034
	2,874,131	**37,066**

	2023	**2022**
Expense from investing activities		
Loss on sale of property, plant and equipment	(74,075)	(67,028)
	(74,075)	**(67,028)**

(*) The Group's receivables consist of valuations arising from financial leasing arrangements with Ford Motor Company under TFRS 16.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

31. DEFERRED INCOME

	31 December 2023	31 December 2022
Short-term deferred revenue (*)	443,555	215,676
Advances received	141,840	101,619
	585,395	**317,295**

(*) TRY 318,513 of short-term deferred revenue is from the sales of extended warranty and maintenance packages.

	31 December 2023	31 December 2022
Advances received	2,777,088	-
Other non-current liabilities (*)	982,007	908,708
	3,759,095	**908,708**

(*) TRY 714,824 of long-term deferred revenue is from the sales of extended warranty and maintenance packages.

32. OTHER NON-CURRENT LIABILITIES

	31 December 2023	31 December 2022
Other non-current liabilities (*)	-	8,962
	-	**8,962**

(*) The Group makes a part of its fleet truck with buyback commitments and sales made within this scope are followed under "Other Non-Current Liabilities". The buyback commitments are 3 years on average

33. RIGHT OF USE ASSETS

The right of use assets and expenses of depreciation and amortization as of 31 December 2022 and 2021 are as follows:

	Buildings	Machinery and equipments	Vehicles	Total
As of 1 January 2023	92,961	94,241	143,135	330,337
For the period ended 31 December 2023				
Additions	210,833	459,683	216,240	886,756
Disposals	-	(2,464)	-	(2,464)
Exchange differences on translation	-	(26,641)	-	(26,641)
Period depreciation and amortization expenses	(6,186)	(103,128)	(103,075)	(212,389)
As of 31 December 2023	**297,608**	**421,691**	**256,300**	**975,599**

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

33. RIGHT OF USE ASSETS (Continued)

	Buildings	Machinery and equipments	Vehicles	Total
As of 1 January 2022	16,875	72,471	96,548	185,894
For the period ended 31 December 2022				
Acquisitions (Note 3)	-	52,124	-	52,124
Additions	108,460	8,796	77,338	194,594
Disposals	-	(527)	-	(527)
Exchange differences on translation	-	6,906	-	6,906
Period depreciation and amortization expenses	(32,374)	(45,529)	(30,751)	(108,654)
As of 31 December 2022	**92,961**	**94,241**	**143,135**	**330,337**

34. GOVERNMENT INCENTIVES AND GRANTS

It is realized with incentives within the scope of "Decisions of the Council of Ministers on State Aids in Investments".

The investment projects for which the Group has completed their investment processes and continue to benefit from the deserved investment contribution amounts are as follows;

- An investment of TRY4,541,034 has been made between 2010 and 2013 for the Transit and Transit Custom model investments at Kocaeli Gölcük Plant. The investment contribution rate of this project is 30%.

- An investment of TRY 7,386,032 has been made between 2013 and 2017 at Kocaeli Gölcük Plant for Transit expenditures. The investment contribution rate of this project is 50%..

- Investment expenditure of TRY5,074,057 was made between 2013 and 2016 for the new model Transit Courier investment, which started production with the establishment of the Yeniköy Plant in Kocaeli. The investment contribution rate of this project is 40%.

- In the Eskişehir Plant, an investment of TRY588,717 was made between 2013 and 2019 for the new 6- and 4- cylinder engine production was invested. The investment contribution rates of these projects are 40%..

- An investment of TRY2,235,669 was made between 2014 and 2019 for the E6 emission truck manufacturing expansion investment at the Eskişehir Plant. The investment contribution rate of this project is 40%..

- Between 2016 and 2021, an investment of TRY6,724,489 was made for the renovation and factory modernization investments made at the Gölcük and Yeniköy Plants for the Transit, Transit Courier and Transit Custom models, which are still being produced at the Kocaeli Plants. The investment contribution rate of this project is 40%.

34. GOVERNMENT INCENTIVES AND GRANTS (Continued)

The Group's project which has ongoing investment process and continues to benefit from the investment contribution is as follows;

- Renewal investments of machinery and equipment used for the manufacturing and assembly of F-Trucks (trucks, tractors), Transit and Transit Custom vehicles manufactured in Eskişehir Factories, Brake Disc and Front Layout that will be started to be produced for use in Transit vehicles. An investment incentive certificate amounting to TRY500,640 was obtained on

  30 March 2020 for machinery and equipment investments to be made locally to manufacture the gearbox of F-Trucks, which is a product in the heavy commercial vehicle segment, as well as line installation investments for its complex manufacturing. The contribution rate of this project to investment is 40%..

- Project Based Incentive in total amounting to TRY20,501,206 for product diversification and expansion investments covering the production of new generation commercial vehicles and batteries at Kocaeli Plants was published in the Official Gazette with the Presidential Decision dated 04.12.2020 and numbered 3273. The contribution rate to the investment to be utilized for this project is 100%.

As of the balance sheet period, the Group has associated the reduced corporate tax advantage it has obtained regarding to its 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, the group has a well-deserved investment incentive asset of TRY 17,7billion for 2023. The Group has estimated this amount as TRY12 billion as a deferred tax asset for the related period as a result of the estimations it has prepared.

35. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND AFFILIATED COMPANIES

Gembox Teknoloji Girişimleri A.Ş was established with 100% Ford Otosan capital in order to carry out research and development, consultancy, engineering and incubation activities, and to invest in companies established in these fields and initiatives carried out.

Ford Otosan Netherlands BV was established with 100% Ford Otosan capital in order to centrally manage the Group's Ford Trucks export market structures.

Rakun Mobilite A.Ş. was established with 100% Ford Otosan capital to develop and sell products, technologies and solutions in the field of mobility.

(Amounts are expressed in thousands of Turkish Lira ("TRY"), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

35. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND AFFILIATED COMPANIES (Continued)

Investments in subsidiaries as of 31 December 2023 and 31 December 2022 are as follows:

31 December 2023

	Ownership rate (%)	**Amount**
Investment in subsidiaries		
Gembox Teknoloji Girişimleri Anonim Şirketi	100	60,234
Rakun Mobilite A.Ş.	100	65,203
		125,437

31 December 2022

	Ownership rate (%)	**Amount**
Investment in subsidiaries		
Gembox Teknoloji Girişimleri Anonim Şirketi	100	60,234
Rakun Mobilite A.Ş.	100	5,833
		66,067

These investments are carried at cost and are not included in the scope of consolidation since their financial statements do not have a significant effect on the financial statements of the Group. Ford Otosan Netherlands BV, a 100% subsidiary of Ford Otosan, has been included in the scope of consolidation as of 2022, since it acquired Ford Romania SRL as of July 1st.

36. ASSETS ARISING FROM CUSTOMER CONTRACTS

	31 December 2023	**31 December 2022**
Contract assets arising from sales of goods and services	1,132,678	-
	1,132,678	**-**

(Amounts are expressed in thousands of Turkish Lira (“TRY”), unless otherwise stated, with the purchasing power of the Turkish Lira as of 31 December 2023.)

37. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITORS

The explanation regarding the fees for the services rendered by the independent audit firms, which was prepared pursuant to the POA's Board Decision published in the Official Gazette on March 30, 2021, and the preparation principles of which were based on the letter of the POA dated August 19, 2021 are as follows:

	2023(*)	**2022(*)**
Independent audit fees for the reporting period	3,758	4,942
Fees for tax advisory services	3,208	2,099
Fee for other assurance services	-	53
Fees for services other than independent auditing	227	105
	7,193	**7,199**

(*) The fees above have been determined by including the statutory audit and other related service fees of all subsidiaries.

38. SUBSEQUENT EVENTS

There are no disclosures that arise from the balance sheet date to the reporting date.

…………………