



Ford Otosan A.Ş.

Ford Otosan First Quarter 2026 Financial Results Conference Call

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Conductors:

Mrs. Gül Ertuğ Gerişkovan, Chief Financial Officer

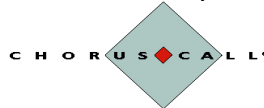
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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Maria your Chorus Call operator. Welcome and thank you for joining the Ford Otosan A.Ş. Conference Call and Live Webcast to present and discuss the 1Q 2026 Earnings Results.

At this time, I would like to turn the conference over to Ms. Gul Ertuğ Gerişkovan, CFO, Mrs. Bahar Efeoğlu Açar, Head of IR & Mr. Unal Arslan, Corporate Finance Leader.

Mrs. Ertuğ Gerişkovan, you may now proceed.

ERTUG G: Thank you. Good afternoon, everyone, and thank you for joining us for our First Quarter 2026 results call. Today, I will start with a brief overview of the quarter, highlights essentially from the domestic and export performance. Then my team will provide further details in their subsequent markets and financial section. Then we will touch on a key strategic development for our company since we last met. And finally, 2026 guidance before we open it up for the questions.

So here now on the first page, I would like to say that despite a very challenging macro environment and intensified competition, Ford Otosan maintained resilient export volumes and sustained leadership in commercial vehicles in Turkiye, while profitability was significantly pressured by vehicle mix, including higher EV penetration in exports that also was a factor for the export part of the business.

Sticky inflation and costs associated with that inflation, also later in the end of February, early March, we had an emerging Middle East conflict. And when all of those

things came on top of each other, we witnessed a widening gap between EUR/TRY appreciation and inflation. Unfortunately, these were challenging for us.

But in terms of growth physicals, the First Quarter was again a period where we were able to fulfil our key product program launches and production-related objectives. Due to the more challenging operating environment, weaker domestic demand, it led to margin compression in the quarter unfortunately.

Overall, I'd like to say exports remained resilient, broadly flat year-on-year, supported by the new product ramp-up on the partner new derivatives and Puma Gen-E with strong positioning for Europe. Domestic performance was weaker with 18% decline in unit sales, reflecting softer demand and a very intensified competition.

From a market positioning perspective, we maintained our commercial vehicle leadership while the ranking in the overall market was we came in number 5, highlighting the divergence between the passenger car and CV dynamics in Turkiye.

Given that Focus, our vehicle, our brand nameplate, which used to be a volume seller for us is going away as earlier announced in Ford's passenger vehicle portfolio, and our preference of profitability over share, we believe it is understandable that we didn't choose to engage in fierce price competition to buy market share.

Looking into our balance sheet, our balance sheet remains strong and disciplined. The cash generation,

free cash flow was very successful. Later, Unal will talk more about that one. The net debt over EBITDA is at 1.5x, broadly stable versus year-end.

The EV penetration in our overall production increased to 19.1%, which is strategically a positive, but also it has a near-term margin implication as expected and as we were talking about this with you in our earlier gatherings.

Overall, our capacity utilization improved to 73%, Romania weighing in more in this aspect. And overall, we are seeing a mix and macro-driven margin compression. Even though they are mostly external, we are taking tactical and strategic measures against them, which I will mention later in the presentation.

But for now, let me leave the word to Bahar so that she can give further details on the market developments. Thank you. Bahar, stage is yours.

EFEUGLU B:

Thank you, Gul Hanım. Welcome all. Thank you for joining us today. Let me proceed with the key highlights in the domestic market. After hitting an all-time high level of 1.4 million units in '25, the market contracted by 4% in the First Quarter of this year. It was in fact up 2% in the first two months, but demand softened in March as macro expectations and the geopolitical outlook worsened.

Also this year, Ramadan falling in February and March had an impact on demand. It is important to mention that availability and competition in the market increased a lot during this period, which made pricing

tougher. If we look at the segment breakdown, volumes declined across segments.

However, the light commercial vehicle segment outperformed with a 13% year-over-year increase and its share in total market exceeded 11% as you can also see this shift on this slide. This was supported by improved vehicle availability and demand shift from passenger to LCV segment, because passenger cars prices moved above TRY2 million and this makes harder to access financing.

In this challenging market environment, our retail sales declined by 20% and reached to almost 19,000 units level. As a result, our market share was 6.9% and we ranked number 5. This result mainly reflected weaker passenger car sales after discontinuation of our Focus model, as also Gul Hanım mentioned a bit.

However, excluding Focus volumes, we see a slight decrease of 3% versus 29%. In the MCV segment, new model introductions, intensified competition, and delays in public procurement amid weaker macroeconomic expectations weighed on both market and our volumes. However, the availability of lower tax 4x2 pickup options supported the demand in this segment.

As for Ford Otosan, the absence of a 4x2 variant in our Ranger lineup has constrained our ability to capture this demand. Despite these factors, we continued to lead the total commercial vehicle segment with a 24.4% market share.

Now turning to the export performance. In this period, the European Union automotive market showed a mild pickup with both passenger and commercial vehicle markets recording year-over-year growth, although dynamics varied by country and segment. Passenger car volumes increased by 4% year-over-year, supported by a later quarter acceleration and revised tax incentives across key European markets.

However, on the commercial vehicle side, growth of almost 3% was largely driven by a rebound from a weak base, with the heavy commercial vehicle segment expanding by 10% following a sharp contraction over the past two years.

In contrast, the van segment, our core focus area, saw only a limited increase of around 1%, which was mainly driven by limited fleet renewals and deterioration in expectations of small business owners and e-commerce customers.

As a reminder, the van market was down by 9% year-over-year in Full Year '25. Against this backdrop and fragmented market conditions, Ford maintained its undisputed leadership in the European commercial vehicle market with a 16.2% market share.

As for Ford Otosan, we continue to be the main contributor to this performance by producing around 80% of Ford commercial vehicle sales in Europe. We are also proud to produce 16% of Ford's global vehicle sales during this period.

As I mentioned in the previous slide, we see mixed performance across our main export markets.

Especially in the van segment, the registrations in the UK, Germany, and Italy declined by 4%, 9%, and 2%, respectively. On this slide, the pie chart shows that these three markets together make up around half of our export units, which constrained our performance.

That's all from my side. Now I will hand it over to Gul Hanım to share recent developments with you. Gul Hanım, you are on mute.

ERTUG G:

Sorry, I was on mute speaking to myself, so I hope you can hear me right now. So now getting back to a little bit of strategy, we talked about the challenging environment and in March, we announced our intentions for the acquisition of 100% of Koç Finansman, subject to approvals through BDDK, the banking authority, and the Competition Board.

We see this development as a very important strategic asset and a value creation step. Because looking into the domestic market, in fact our competitors operating in different segments in domestic market had such an arm, such a financing arm that we didn't have.

Now walking into this structural value creation step. We would like to enable deeper control over the customer value chain not just the end customer but also the dealer body we are serving them through.

Stronger positioning in financing-driven demand. Expansion into used vehicle financing and several other tailored products. And a more integrated ecosystem model. We see this as a very strategic asset. And you should interpret this as a vertical integration that will enhance our existing auto business synergies

regarding the margin volume, customer lifetime value leverage as well as creating inorganic growth and creating additional financial benefit to our company.

So with that, I will leave it here. Maybe just a word of caution so that you can model, you can interpret it correctly. The acquisition-related financing doesn't show up in our capital spending. And we are careful on this one. I will just leave it here because this, although the SPA, the share purchase agreement is in place. We are very careful with the process until the necessary authorization is in place.

We will be leaving the information sharing at this level, but we are really looking into this strategic action as a very important enabler while we are operating in this challenging environment. So let me leave the word to Unal so that we look into further detail for the financials.

ARSLAN U:

Thank you Gul Hanım. Good afternoon everyone. This is Unal Arslan, Corporate Finance Leader. Thank you for joining us today. I'll take you through our First Quarter 2026 Financial Results which we released yesterday as all you know and provide some context on the key drivers and near-term considerations.

Starting with the revenue, we delivered TRY192 billion. A 9% decline versus the index prior year base. Exports accounted for 84% of our revenue and volumes were broadly stable quarter-on-year. The roughly 5% decline in export revenue in TRY terms was driven primarily by the gap between domestic inflation and

the EUR/TRY move as Gul Hanım already mentioned in the beginning.

Year-on-year, the TRY depreciated by 25% against the Euro versus 31% consumer price index. This differential is the central factor behind the pressure on our export revenue and I'll talk about this one kind of a lot today.

Domestic revenue was down by 22%. About 18% of that decrease was volume-related and the remainder reflects tighter pricing headroom versus inflation due to lower exchange rate pass-through and increased competitive intensity and an unfavourable mix unfortunately.

Looking at the gross profit, our gross profit was TRY13.3 billion, down by 27% year-on-year. As highlighted on the slide, the key driver was the relatively limited Euro appreciation versus the Turkish lira during the quarter this time, which is only 1% against a 10% inflation in the same period.

For context, Euro appreciation in the First Quarter of last year was 11% again along with a 10% inflation. This divergence between FX and inflation continued to weigh on competitiveness in the domestic market, increasing the relative attractiveness of imports and limiting pricing flexibility.

Our operating profit declined 51% to TRY4.9 billion, reflecting the more pronounced impact of the exchange environment. Despite an 8% reduction in operating expenses, our net FX gain from operations, which is primarily linked to the export business, decreased by

almost 90% and that was a meaningful headwind in the quarter one of this year.

Our adjusted EBITDA was TRY11.7 billion. That's also down by 28% versus quarter one of 2025. The decline mirrors the movement in gross profit and is less pronounced than the reduction in operating profit mainly due to higher depreciation and amortization in 2026.

At the bottom line, PBT and PAT declined by 34% and 35% respectively. The impact was more contained than at operating profit supported by lower net interest expense and a higher monetary gain versus the First Quarter of 2025.

IFRS tax expense totalled TRY2.5 billion, approximately TRY1 billion lower year-on-year. The deferred tax charge primarily reflects, as I tried to explain in our previous webcast as well, widening temporary differences between local statutory accounts and IFRS, especially following the removal of inflation adjustment from local books.

If we look at the margins on the next page, consistent with the profitability trends I just discussed, our margins were down by approximately 1.7 percentage points versus the prior year quarter. The primary drivers were the unfavourable FX inflation dynamics and the weaker profitability in the domestic market.

Also on a per vehicle basis, EBITDA and PBT in Euro terms declined in line with the overall profitability performance I tried to explain. On the next page, in fact we have covered the reconciliation to adjusted

EBITDA in our prior webcast so I'll keep this section very brief. The main reconciling items continue to be the embedded lease impact and other operating income and expenses.

Next slide summarizes the year-on-year EBITDA bridge. Our EBITDA decreased by as I mentioned in the first slide TRY4.6 billion and we delivered operating expense savings through the actions we put in place. However, the two dominant headwinds that I mentioned were the FX environment and the contraction in the domestic profitability.

If we move to next page, in fact this slide brings together the macroeconomic variables that have been most influential on our results. From quarter one of 2025 as we can see here to this quarter, consumer price index increased by 31%, while the Euro appreciated by 25% against the Turkish lira.

For like-for-like comparison under inflation accounting, we index our financials including revenue and profit of course by the 31% CPI. Given that more than 80% of our revenue is generated from exports and is effectively Euro linked, the FX inflation gap can translate into an underlying 5% to 6% pressure on Turkish lira outcomes all else equal.

Within the quarter, the divergence was even more pronounced. The Euro appreciated by only 1%, while CPI rose by 10%. CPI was also 10% in the same quarter last year, but the Euro appreciated by 11%, a materially more supportive level.

Over the long term though, we would typically expect currency depreciation to broadly track inflation. However, Q1 was meaningfully below that relationship. As a result, the FX inflation mix remains a critical determinant of export profitability and we continue to monitor developments closely.

Following quarter end, the Euro appreciated by more than 3% in a single month and by more than 4% to date. So that seems favourable to us, but we will look at how sustainable that movement is. Recent geopolitical developments are adding complexity to the outlook for inflation and interest rates.

That said, we have been operating in a challenging macro environment for some time not only this year. And we believe our performance and financial discipline demonstrate that we are managing the conditions effectively with disciplined execution especially tight cost control, active working capital management. And a clear focus on liquidity while staying agile as global and local conditions evolve.

Switching to the next slide. In fact, we have already discussed volumes, Bahar Hanım already mentioned. And this slide summarizes the key movements. Domestic sales were down 18%, primarily reflecting the withdrawal of Focus from our passenger car portfolio. And export volumes were flat supported by the strong performance of Puma. Overall, exports represented 87% of total volume, up from 85% in quarter one of last year.

In the next slide, we have covered the key income statement drivers so I'll now turn to the balance sheet and cash flow where our financial discipline is most visible. In the balance sheet slide. We see that we maintained a resilient balance sheet and strong liquidity. Financial debt is lower year-on-year, even after a meaningful dividend payment in the First Quarter this time.

Again for context, last year the first dividend we paid was in the Second Quarter and at a lower level. The next page is new for this webcast and reflects our commitment to transparency with additional detail on performance drivers. Leverage remains stable at 1.55 times net debt to adjusted EBITDA. Despite the pressure on profitability as I mentioned, the adverse macro and geopolitical backdrop and the relatively high dividend outflow, we kept leverage at a prudent level.

Working capital discipline is an area where we have made tangible progress. And we are sustaining that approach as we can see in First Quarter financials. Inventories are somewhat elevated, partly due to seasonality and certain one-off effects we are managing closely. Even so, working capital requirement as a percentage of sales remains around 5.5%.

On cash flow, on next page, we see that our operating cash generation was lower year-on-year and we completed the dividend payment. Nonetheless, we ended the quarter with a solid cash position and a healthy net debt profile, as I mentioned.

Looking at the financial indicators, our return on equity and return on invested capital are modestly lower, reflecting the profitability dynamics we discussed. Importantly, our working capital management remains disciplined and we delivered a further one-day improvement in the cash conversion cycle as you can see here. We also continue to manage our net FX position tightly in line with our targeted risk appetite.

With that, I will hand the call back to Mrs. Gul Ertuğ to walk you through our 2026 guidance. Thank you for your time. Gul Hanim, you are on mute.

ERTUG G:

Sorry, second time I was on mute, so I hope you can hear me this time. Unal, thanks very much for the comprehensive analysis. Like you explained, especially with the updated macro assumptions, particularly the inflation dynamics and the FX behavior, and later towards the end of the quarter what we saw in the oil price impact, we looked into our guidance and we wanted to touch on a single area to revise our outlook.

Currently, even if the Middle East conflict is continuing, currently in the order banks, we do not see a very pronounced change yet. However, we are looking into our analysis and sensitivity analysis. Due to the mostly the Euro behavior, FX behavior and the cost behavior, in fact we have now updated our revenue growth to be flat versus the previous high single-digit guidance.

Having said this though, because of the discipline we continue to deploy and the projections we foresee for the rest of the year, the EBITDA margin guidance still remains at 7% to 8%, indicating gradual normalization

throughout the year. For the rest of the line item elements, the retail sales in Turkiye, the export wholesales, the export production, and overall our investment levels are pretty much contact.

As I explained just a few minutes ago, we will be having the acquisition of the Koçfinans, but the action, the payment regarding that one is not appearing as a capital investment. So that I believe that concludes our overall view for the year. Having said this, I think now it's a good time to get into the question-and-answer session. Thank you very much.

OPERATOR: The first question is from the line of Hanzade Kılıçkiran with J.P. Morgan, please go ahead.

KILICKIRAN H: Hi, Gul Hanım, Unal, Bey, thank you for the presentation. I have two questions related to your margin performance. You have kept your margin guidance unchanged despite Q1 is tracking below your guidance, and you seem to be more concerned about the general outlook in the sector. So what will be the main driver of the expansion in the remainder of the year versus Q1 so that you can meet your, I mean, guidance?

And second, I would like to gather your opinion on aluminum challenges, where European peers have started to feel the impact. So where do you secure your aluminum? Do you expect any disruption in supply and could this lead to lower EV production because I think EV cars have higher aluminum content compared to ICE? Thank you.

ERTUG G: Hi, Hanzade Hanım. Thanks very much for your two questions. Let me start with the first one. You were questioning if the current Q1 level of margin is like adjusted EBITDA is 6.1, how do you make up for it and later in the year, how do you expect it to improve?

For that one, in fact, in the presentation I mentioned the strategic part of our combating strategies, but there is also tactical part of our combating strategies, especially with regards to the cost management.

The financial management, balance sheet management, the income statement management we try to accomplish prudently, that also is together with Ford Motor Company's involvement also, we are working on a full-blown and very comprehensive cost attack study, affecting, in fact, you could say, all parts of the income statement.

And we have important high confidence weighted roadmap that we expect to materialize during the rest of the year. In general, as a cyclical comment, we can say that in the auto business, the Fourth Quarter is from a volumetric perspective, it's the strongest quarter and usually the First Quarter starts with a slow action.

As Bahar explained, also this year there was the Ramadan effect, several other one-time actions falling into this quarter. We believe we have plans in place to make it much better normalized over the course of the year.

We do not just base this on the macro, I should highlight that one, because so far what we have seen

especially from the economics management, we are seeing in the first 3 Months unfortunately the inflation realization was much larger than what we were forecasting while we were doing the budget. Also we were expecting a little bit more normalization between the gap of Euro appreciation and inflation movement. This didn't realize.

But we are hearing the plans from Mehmet Şimşek, the explanations from Central Bank, and we understand that with a moderate scenario of Middle East impact everybody hoping for, we think the Central Bank reserves, FX reserves will be enough to maintain the current operation that they are pursuing, which means for an exporter this unfavorable area will continue a little bit more.

But as the prudent company, we are putting in more cost reduction measures. Some of them come in place as resourcing actions, which were initiated in the earlier year, and some of them come in as further automation where it makes more sense. So we are approaching this in a holistic manner.

Also later in the year, there will be from our Turkiye-related business areas, the national sales business area, Ford Turkiye and Ford Trucks operations, they have their plans to have a better mix management.

With -- currently, of course, I cannot give a certain date for the closing of the Koçfinans acquisition, but at least internally we are working our plans towards a first of July closing for the Second Half. If that materializes, if

we can make it happen, increased synergy effect coming from Koçfinans will support us, boost us.

And with the combined effect of all of these actions, we target, we think we will be keeping our EBITDA margin at its original intended target level. So I hope this explains your first question. Your second question was about aluminum, right?

KILICKIRAN H: Yes.

ERTUG G: In fact, I believe this aluminum issue was a little bit more heightened for the North America case. There were two important suppliers where they suffered from a significant fire issue. But thanks to our supply chain, thanks to our structure, we weren't affected by this.

Through our strong supply chain management, also in conjunction with Ford, we are keeping a very careful eye on our supply base. Currently, what is being signaled to us is there is no direct commodity-related problem. No aluminum, no nothing else. You might recall on an earlier call we were talking about the next-period chip crisis, but it is taken under control.

And from an availability, material availability perspective, we do not see an issue. However, because of this Hormuz conflict, the oil prices going up and several other price-related actions coming into the picture, we are more cautious around the cost side of the supply chain. As we stand today in our supply chain forums and in our risk forums, there is not an identified aluminium or steel-related risk which is in our consideration right now.

KILICKIRAN H: Gul Hanim, so you don't supply or your suppliers doesn't supply aluminium from the MENA region, right?

ERTUG G: As far as I know, no. I wouldn't know the entire region, the supplier location supplier by supplier, but as a holistic plan and we are very careful on the risk analysis, especially after this Middle East conflict came up, but we do not have a commodity-related risk which considers us currently. In fact, that is another reason why you see that the volumetric guidance we provided in our guidance is just staying where it is.

KILICKIRAN H: Okay, because aluminium prices have been already inflated significantly with the reduction of over 2 million supply, and I think BMW has already seen some issue in Europe. So that's the reason I really wonder if this is going to have a general impact in production for the overall auto sector because I think that's a key element in production, right? But you sound confident...

ERTUG G: Yes, I can give you some overall commodity basket-related information because in the auto business, like many of those things are like you explained, they are very important. The aluminium, the helium that goes into the production of the chips, those there are certain commodities that are now under radar, very carefully tracked.

But there are also some other commodities which, maybe unintuitively in this period, which came in with a better price level. So when you manage it as a combined basket, we had some headwinds on some, but they were partially offset with some others.

That's why I'm saying from a material, like commodity material availability perspective, currently we don't see an issue. But overall the cost of it, the overall world-related, the Middle East-related crisis, of course it's going to affect everybody, the cost we are careful of. But from availability and from production continuity perspective, we do not have a big red flag to call out.

KILICKIRAN H: All right, that's very clear. Thank you very much Gul Hanım.

ERTUG G: You're welcome.

OPERATOR: The next question is from the line of Cemal Demirtas with Ata Invest. Please go ahead.

DEMIRTAS C: Thank you for the presentation. My question is related to the current legislation in the parliament regarding the cuts in corporate taxes. We know that you have some investment incentives, but could you make some comment on that issue from your perspective?

And when I look at from the historical perspective, Gul Hanım, you know your strength is in the commercial side and maybe strategically you are away from the passenger side, but is it part of your strategy to be smaller and smaller in the passenger car side, or is it related to some other factors?

I just want to understand that from maybe longer-term perspective. We know that your direction on that side, but at least you had a bigger, higher market share in the past. And now you are importing, always it was the case, but should we expect this to continue for the

future to stay not very big expectation from the passenger car side? Thank you very much.

ERTUG G: Okay, thanks very much. So you have two questions. One of them, the first one is regarding the latest legislation that has been issued. And to be perfectly honest with you, in fact we are reading it, trying to make sense out of it and understand how it will affect us fully.

So I believe currently, I will give the word to Unal if he wants to say something else, but I would say currently we are in the phase to understand what it will mean to us. It might have an implication, but so far since it is not very solidly on the table, ready to be declared, I would prefer not to answer the question at this point in time.

But it is out there and we are looking into it with our own tax teams, also getting some support from like Koc Holding, also our audit and consultancy companies. Out of that one, as we understand what the impact will be, of course we will be calling that one out.

Unal, would you like to say anything else?

ARSLAN U: Very briefly you explained very well. But Cemal Bey, what I can say is you already mentioned that we have incentives and our incentives vary of course, but mostly the incentives that we already have on hand are mostly related to the corporate tax reduction.

So our effective tax rate is very low in the local books. It's even close to 1%. You can see it from published tax financials as well. So what we can say is the current

legislation change will not have a significant impact on our corporate tax payment.

What we are trying to assess is, as Gul Hanım mentioned, this may have some impact on the deferred tax assets calculation, so for IFRS books only of course, which is a non-cash adjustment. So we are trying to assess that one, but for now it's not clear since the legislation has not been passed yet and the details are not there.

ERTUG G:

Thank you Unal, thanks very much. For the second part of the question, it was about our vehicle mix, the passenger vehicle versus commercial vehicle. You are right Cemal Bey, our key strength and the undisputed leadership is in the commercial vehicle area.

But in Turkey, in the local market where our distributor rights exist and where we operate in an entrepreneurial manner, especially for the dealer body, having traffic into their facilities, especially in a market where the majority of the market consists of passenger vehicle, this is also important.

So we always try to strike a balance between like, yes, we want to exist there, we want to support our overall volumes, we want to support the dealer body and also the spare parts and services revenue plus as the connectivity of the vehicle and the value-added services increase, more and more recurring revenues coming out of that. We want to exist in that segment.

But while doing so, we also want to remain profitable. That's why while there was very intensified competition

in this period, we didn't want to engage it any further because that would hurt our margins.

Looking into Ford Motor Company's product portfolio, because you know our vehicles and services, everything is Ford-branded, now looking into the passenger vehicle portfolio of Ford in the cycle plan, with their earlier announcements, Ford announced a partnership with Renault, which is going to come into the market, which is going to introduce two new vehicles, passenger vehicles, mostly EV, these are expected to be EV electric vehicles into the market.

As we understand, this partnership is in fact targeting to have affordability and competitiveness at the same time. So once this plan comes into fruition in Turkey market, we will also have the chance to introduce these vehicles.

Over here, what we are trying to do is our key strength and key power resides in commercial vehicle, but we also see within the market there is significant passenger vehicle, so to the extent possible as our vehicle product portfolio supports, of course we would like to benefit from that.

But if it doesn't, then overall in striking the balance into the overall portfolio, we would favour commercial vehicles and especially in the Ford Pro business, the up-fitting, bodybuilder, services, value-added services coming together with it to support the overall business. I hope this shed some light to your thinking. I hope I was clear.

DEMIRTAS C: Yeah, thank you very much Gul Hanım. And the last question, you know, I know that the giving a guidance on EBITDA has been always difficult, but nowadays it's unbelievably difficult. I total understand you. And in that sense, when we look at the quarterly movements, for instance in First Quarter we have 10% Q-o-Q increase inflation.

And your monetary gain increases, but it has in reality, it has some impact on your margins. So it's getting from monetary gain side, but you are giving up from the margins in terms of TFRS or inflation accounting standards.

I would like to ask if you give any sense that when we compare with historical values, the numbers, where do we stand? Does the inflation accounting have some additional pressure on the margins in the quarterly sense? I don't know if I am clear.

So like in one sentence, one question, what was the effect of inflation accounting on your margins? And in if you are making some guidance giving some guidance in for each quarter you are assuming some inflation. So now maybe it's over your number. And if it was realized as you expected, what could have been the margin at least in terms of basis point any colour on that? Thank you.

ERTUG G: I think I understood your question, but I'm not sure if we have a readily available answer to that. You are, if I understood you correctly, you are asking like this. When you start the year, you had a month-by-month

inflation assumption for the 12 months. You had also a EUR/TRY walk also.

And like at least looking into the first three months and now in fact first four months I would say because April inflation also got announced, it's 4.18%. So if those values were just the same when we were targeting, when we were putting the target for the year, if they were the same, what would the results look like? I think you are asking this.

DEMIRTAS C: Yes, definitely this. I know it's difficult, but at least some technical effect.

ERTUG G: At least I'm happy I understood the question, but I don't think we have the ready answer to that. Any appropriation, like if you can make a comment, please do so.

ARSLAN U: Cemal Bey, in fact that's what we consider as well of course during our analysis. But you are asking kind of a scenario analysis. Definitely as you mentioned, the inflation accounting impact on, I mean, we write monetary gain of course from our assets and not only assets, from our inventories. I mean the cost of goods sold is being inflated because of the indexation, that's what you mean.

And definitely that has a big impact on our margins, starting from gross profit margin, EBITDA margin, operating margin, but then it's offset in the PBT level. It's hard to assess or give a basis point equivalent of the impact versus our base scenario, but it would be our because this is not the only change in the First Quarter of the year as we all know.

There are lots of other changes that we witness, we encounter. So it's hard to look at this one ceteris paribus. However, I would say that just to give a flavour, I think if all else constant and just the inflation expectations was in line, I think our margins would be maybe 1 percentage points higher. I think the impact would be around there. That's what I can say right now, a very high-level flavour.

DEMIRTAS C: Okay, thank you. Thank you, helpful.

ARSLAN U: But you know, the only thing I would also add here, maybe you already know that, but our EBITDA margin does not include the monetary gain impact there, I mean coming from even the cost of goods sold amount. I know that some companies are adding this back in the EBITDA calculation as well. We don't.

Therefore our EBITDA is under pressure with that calculation. The monetary gain increase, but EBITDA decrease due to higher inflation. But just a note, previously before inflation accounting, EBITDA was a metric to kind of assess the cash generation level along with the cash flow, but after inflation accounting this is not the case. So that monetary gain is there, but the cost of goods sold, inflated cost of goods sold, the inflation accounting impact is a non-cash impact. We should note that as well.

DEMIRTAS C: Yes, thank you Unal.

OPERATOR: We have a follow-up question from Hanzade Kilickiran with J.P. Morgan. Please go ahead.

KILICKIRAN H: Unal, maybe it could be easy for us to see the impact. Is it possible to share the pre-inflation EBITDA margin and how it was progress on a year-on-year basis?

ARSLAN U: Unfortunately no, Hanzade. Pre-inflation you are asking without inflation, that's unfortunately that's not possible. As you know this is regulatory and we don't even calculate any without inflation financials and it's not by regulation right to calculate and share anything about that one. Sorry for that.

KILICKIRAN H: All right, okay, thank you.

OPERATOR: Ladies and Gentlemen, there are no further questions at this time. I will now turn the conference over to Mrs. Gul Ertuğ for any closing comments. Thank you.

ERTUG G: Thanks very much for your attention. I believe now this concludes our call. So until next time, please take good care of yourselves and hopefully next time when we come together, we will be in pure peace mode. Take care, bye-bye.