



## Ford Otosan A.Ş.

### Ford Otosan Third Quarter 2025 Financial Results Conference Call

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**Conductors:**

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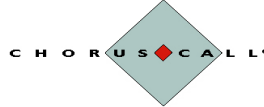
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Conference Call Conducted by Chorus Call Hellas



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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Konstantinos 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 Third Quarter 2025 Financial Results.

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

Mrs. Ertuğ Gerişkovan, you may now proceed.

ERTUG G: Thank you very much. Good afternoon and greetings to all of you dear investor community. Welcome to our 9 Month '25 Financial Results actual presentation.

I will start giving some of the key messages, the highlights. Then together with my team we will execute the flow of the presentation. At the end of the presentation, I will update you with our guidance.

Then we will have our Q&A session and hopefully we will conclude a very nice webcast call with you all. So let me start with the highlights. We have concluded quite a successful quarter in our operations.

On this key summary page you see in fact our performance on the domestic, export, the profitability level, the cash level and some data regarding our production and capacity utilization. Let me start with the domestic performance. We are witnessing quite a strong industry in Turkey for year 2025.

As of the 9-month period we are in the third position in the domestic market with an overall market share of 8%. We are continuing the undisputed leader position in the commercial vehicle space market with 27.5% of share. Our domestic volumes increased by 7% and our revenues are down by 6%.

Then Unal takes you through the detailed financial section later in the presentation. He will also mention about special things that we need to pay attention to. I'm sure all of you are aware we are conducting the hyperinflationary accounting principles.

That revaluation has an impact on this result. On the export performance we have sold almost 450,000 export units. Our volumes are up by 13% and revenues are up by 12%.

This is mostly thanks to the acceleration of the ramp-up of in one-ton vehicles, in the commercial vehicle in Turkey. During this period in terms of profitability we have improved our adjusted EBITDA margin. We are reaching 8.1% and on a per unit basis we are reaching EUR1,832.

This has been successful and this has been mostly due to a fixed impact on the short-term euro receivables. During this period, thanks to the team, thanks to all operations of our plant, I would proudly say that we have done quite significant optimization, very good management on cash generation, working capital, leverage.

Thanks to that, the net cash obtained out of the operating activities reached EUR1.5 billion. Our leverage, the covenant multiplier that we follow on, has reached 1.7

times, which is the net debt over adjusted EBITDA. This has shown a significant improvement. I'm sure you have had the chance to follow our latest news about our distribution of the second tranche of our dividends.

Later, following our extraordinary General Assembly, it will be distributed in the month of December. As we progress in our launches, some of you who attended our earlier talks will remember we were talking about several important launches, also falling into year 2025. Most of the key events, most of the key actions have been completed in 2024, but we had some small carry-on parts for those launches also in 2025.

I'm happy to say that we are proceeding with them in a healthy manner. And now, in fact, through our product portfolio, the electrification of our product portfolio, including the partner, that has been mostly complete. And out of that, we thought it would be helpful to give the proportion of our electric units in our production to you.

Now, we see that from 2024, the value was 5.5% in our overall production mix. Now, the total portion of EVs reached 15.8%. Within this period, within this quarter, our capacity utilization has been 73% combined. This is 69% in Turkey and 82% in Romania.

It shows a slight reduction versus our gathering last time, but in terms of the seasonality, in terms of thinking of the plant shutdowns falling into this quarter, this is something normal and something expected.

So far, our launches, our operating pattern has moved in the way that we have anticipated. During our calls and meetings together with you, in fact, starting from the September timeframe, we had mentioned that especially in the export markets, we are seeing some signs of demand reduction.

That has materialized. I will speak more about that later in the guidance level. And maybe some of you, I'm sure you are curious about some of the developments in the globe, as well as Turkey, regarding some geopolitical actions and possibly the relationship between US, China, whether or not there are any chip issues.

Let me just touch on that one very quickly before you ask the question. In fact, currently, we are managing our situation in quite a healthy manner. We do not have a visibility problem right at this point in time.

In the late developments, in the late discussions, in fact, we heard that there is a positive development over there. And hopefully, day after day, as we follow along with the developments, we will just conclude that there is nothing to interfere into our production as we see it. That's why I would say we have completed quite a healthy quarter.

And on the next following page, I will not move into the details of the values over here. But as you see, as we deliver on our commitments, as we increase our volumes, in fact, our significance both for Turkey production and also Turkey exports, plus our existence in the Ford world, both through Turkey production and Romania, it is increasing its significance. And whatever happens in the geopolitical

environment or the macroeconomic environment, we are happy to say that we are continuing to deliver on our commitments.

So having said this, to go into the further details of some of the market developments and also the financial details, first I will give the floor to Bahar, then we will follow with Ünal. Bahar, please.

AGAR B:

Thank you, Gül Hanım. Hello, everyone. Thank you all for being with us today. Gül Hanım has also touched on the key developments in the domestic market, but let me elaborate in detail. Over the nine-month period, the Turkey automotive market grew by 9% and approached a level of almost 1 million units. When we look at the segment breakdown, excluding heavy trucks, all segments showed growth and contributed to this increase.

Recently, October figures were also released, and this upward trend has continued with a further 10% rise. This strong performance can be attributed to several factors, which are intensified pricing competition, rising volatility in macroeconomic expectations of the end customers, and also front-loaded demand driven by hikes in the special consumption tax.

Looking at Ford Otosan's domestic sales performance, we see that our total volumes increased by 2% and reaching 76,000 units. This allows us to maintain our position as the third-largest player in the overall market with around 8% share.

One reason for the modest growth is that we do not benefit from the special consumption tax exemptions, as the scope of this regulation requires minimum 40% of local production in passenger cars. However, our light commercial vehicle on the LCV side, our sales were boosted by stronger availability of the Courier model, resulting in a 24% year-on-year growth.

This performance enabled us to maintain our undisputed leadership in the total commercial vehicle segment with almost 28% share. All-in-all, we made upward revisions in both the industry and our retail sales guidance since we anticipate better-than-expected demand for the Full Year.

Now let me continue with the export performance. In the first nine months of the year, while the passenger car market saw a slight increase, as you can see from this slide, the commercial vehicle market experienced a 9% contraction compared to last year's high base.

This weak performance was driven by ongoing uncertainties in the region on several ways, actually. Having said that, consumer demand continues to be suppressed by the macroeconomic concerns, a lack of business confidence, and regulatory uncertainties in Europe.

Additionally, certain operational frictions in the broader supply ecosystem have quite led to the challenges facing the sector. In this environment, Ford Motor Company demonstrated an outstanding performance and maintained its leadership in the CV segment with a record market share of 17.7%, so up 2.4 points.

Ford Pro's value-added services accelerated sales of our renewed custom and courier models, along with their EV derivatives, played a key role in this achievement. At Ford Otosan, we continue to contribute this success by producing 80% of Ford Pro's commercial vehicle sales and 41% of the passenger vehicle sales in Europe.

Here, I would also like to note that from the manufacturer's perspective, the CO2 regulation which came into effect earlier this year is expected to impact future sales. As a reminder, it will assess OEM's average EV sales performance over the three-year period from 2025 to 2028.

If manufacturers fail to meet the one-fifth criterion specified in the regulation, they will face substantial fines per vehicle. In light of this, OEMs have expressed concerns to the European Commission, and they suggested that the pace of adoption has been slower than initially anticipated. Consequently, while Ford's current undisputed market leadership as a single nameplate is notable, we will see how these regulatory pressures evolve and reshape industrial dynamics.

While this is the case for EU, U.K. has introduced some incentives for EV vehicles in the beginning of this year, and Ford is the first manufacturer to receive the highest grant. And we are proud to share that Puma and Courier was among those products, thanks to our proven and strong sustainable production capabilities.

From Ford Otosan's standpoint, as we have consistently emphasized, our fully flexible and efficient production

capabilities position us to adapt rapidly if this transition accelerates. As Gül Hanım mentioned, currently our EV production accounts for 16% of the total.

So last but not least, I would like to highlight our strength in geographical diversification, which helps us mitigate market risks across our operations. As shown in this graph, and destinations of our exports are well-balanced, even though all of our export sales to Ford are denominated in euros.

That's all from my side. Now I leave the floor to Ünal Bey to share our financial highlights in the nine-month period. Thank you all for listening.

ARSLAN U:

Okay. Thanks, Bahar. Hello. And welcome all for our nine-month financial results webcast. I'll go through our financials for the first nine months of 2025. However, before going into details, I can say that the results we have announced are pretty much in line. In fact, even better than our plans and expectations, as Gül Hanım also mentioned.

I first want to start with a brief macroeconomic indicators movement impact, which I talked about in some of our previous webcasts as well, to be able to interpret comparisons with previous years' same period results better.

As you'll also see in the coming slides, in the last 12 months, inflation is 33%, whereas Turkish Lira depreciation against euro is 28%. Because we have inflation accounting, as we all know, we indexed for nine months results with

inflation, but because more than 80% of our revenue comes from exports, our export revenue and profits do not grow as much as inflation other than the physical changes like volume and price, of course, but that price is not applicable to us, because of our business model that caused last markup.

If we return to the slide, as can be seen on the first box, 81% of our revenue comes from export sales, which increased by 12% versus the same period of the last year. And our export sales volume is close to 446,000 units, which is 13% higher.

Our domestic wholesale volume for the first nine months is also higher by 7%, with almost 81,000 units. However, domestic revenue is down by 6%. And basically that's because of two main reasons, one of which is being the mix of the sales, like lower heavy trucks and higher LCV and MCVs. And the second reason is the harsh competition in the Turkey domestic market that we discussed, which did not allow better pricing, especially for passenger car segments.

Our profitability is good and aligned with our strategy in the MCV segment, but diminished in the passenger car and LCV segment compared to previous years because of the reasons we discussed.

Our EBITDA is for TRY46.9 billion, which is 9% higher than previous year. And EBITDA excluding other items is TRY41.2 billion, similar to the same period of previous year.

During the first nine months of 2025, there were a number of challenges around repressing our EBITDA performance, such as inflationary pressure, strong cost, very competitive pricing environment, especially in Turkey, but also in international markets for our heavy truck business and unfavorable sales and industry mix.

On top of Ford Otosan's success in overcoming those challenges, a comparably favorable euro-TL movement versus the same period of the previous year, the first nine months, helped us achieve a good level of EBITDA.

If we look at operating profit, we see a modest 2% decrease to TRY30 billion. We continue to keep our operating expense under control as we did in the first half of the year by keeping them at the same level as the previous year's same period, but with increased production, sales, and revenue. On top of that, a significant increase in net FX income from operations exchange income helped us to offset the drawback in gross profit.

When we come to the PBT and PAT though, decreases versus the same period of last year are 23% and 35%, respectively. Our net interest expense is lower compared to last year by almost TRY4 billion, but increased net exchange loss of almost TRY8 billion more than offset that improvement. Part of that FX loss comes from the cash flow hedge releases due to investment debt repayments within the first nine months of this year.

Most probably, as you are familiar, we are implementing a cash flow hedge mechanism to our long-term euro-based investment loans, matching their payments with our euro-

based investment recoveries from our sales to Ford Motor Company and book FX gains or losses of those loans into the equity rather than income statement when they are incurred, and then transfer them from equity to income statement when we pay the loans installments.

We had relatively high investment loan payments during this period and that's why we see a relatively high level of cash flow hedge releases as well. And besides that, although we continue to have monetary gain because of our high monetary liability position, as you can also remember from our previous calls in the balance sheet, it's significantly lower by TRY12.9 billion versus indexed amount of last year, which is TRY22.4 billion.

That's mainly because of lower inflation, I mean, the CPI, Consumer Price Index, in the first nine months of this year, which is 25% last year, it was 36%.

Our IFRS tax increase versus prior period from TRY1.7 billion to TRY5.1 billion. And first part of that increase is related to current period legal tax expenses. Current period tax expense have increased by TRY1.2 billion, basically because of global minimum tax as the pillar to impact. Because by the end of September last year, we did not have this tax in our accruals because the legislation was not there with details.

And the second part is related to the deferred tax laws and an additional TRY2.2 billion increase is coming from here. As we also discussed in a couple of previous quarter calls, this mainly comes from temporary differences in two books, textbook, and IFRS book.

There always had been temporary differences between those books previously, but regarding the inflation accounting, we can say that and also see that the volatility in the amount and direction of the difference has increased significantly.

That's mainly because textbooks are indexed with PPI rather than CPI under inflation accounting, whereas IFRS books are indexed with CPI. And because we have huge tangible and intangible assets, that indexation difference may be significantly different in two books.

And increasing cash flow hedge reserves in the equity because of euro strengthening against Turkish lira in the first 9 months of this year also creates a deferred tax liability and temporary differences in two books.

On top of those, although we continue our investment subject to incentives, which continue to derive a good level of deferred tax income, from here we write, you know, good news. These were not enough to offset the deferred tax expenses that I told coming from temporary differences.

If we move to next page, our 9 months EBITDA margin is 8.1%, which is slightly better than the same period of last year. Operating margin is 5.2%, down by 0.5 points, and PBT margin is 4.7%, down by 2 percentage points.

Although challenges in terms of intense competition in the Turkey domestic market continues, we managed to record better EBITDA margin and slightly lower operating margin. But due to increased FX burden, as I explained, our PBT

margin is lower. Our EBITDA per vehicle is realized better than last year as EUR1,832, which was EUR1,805 last year.

In the next slide, we see the reconciliation of adjusted EBITDA and adjusted EBITDA excluding other items, which aims to make adjusting items clearer. And I want to thank you all specifically for giving consensus this quarter to this important financial metric.

And we'll appreciate if you continue to include this metric in your consensus in the future as well. This page reconciles operating profit of TRY30 billion that we see in our financial reports to first EBITDA before adjustments of TRY36.7 billion, which is basically called as analyst EBITDA.

Then adjusted EBITDA excluding other items of TRY41.2 billion by adjusting straight line expenses related to embedded lease, which we discussed in our previous call as well again. And then adjusting other income and expenses from operating activities to reach adjusted EBITDA of TRY46.9 billion.

You can see this reconciliation in the future as well, both in our earnings presentation as here and also within the full financial report under footnote number two.

Although we explained the adjusted element of embedded lease in our previous meetings, I just want to mention it very briefly. It's basically coming from new one-ton vehicle investments in Turkey and Puma investments in Craiova.

And these assets are classified under other receivables due from related parties in current and non-current assets in the balance sheet. The total amount of these assets in Q3

balance sheet is around TRY25 billion. And embedded lease amount added back to the calculation of EBITDA for this period is amounting to TRY4.5 billion.

Here we see the EBITDA bridge versus the same period of last year. Our EBITDA is for TRY46.9 billion this period, up by TRY3.9 billion versus the same period of last year.

In summary, although we see a worsening coming from gross profit, we more than offset this worsening by good management of operating expenses and achieve better EBITDA with the significant contribution of exchange impact driven by export business.

So if we move to next page, please. The cost dynamics page. We see the movement of macroeconomic drivers of the results we discussed. Comparably strong euro appreciation against Turkish Lira of 32% during the first 9 months of this year, which was 17% during the same period of last year, helped us achieve better profits and profitability in the export business.

However, as I explained in the first slide, lower inflation led to lower monetary gain and also higher inflation than euro appreciation during the last 12 months. It's 33% and 28%, respectively. Made the comparison unfavorable because of the higher indexation than euro movement.

We see a decreasing trend in both annual inflation and interest rates, which will help ease the cost pressure and improve Turkey domestic market potential in terms of pricing.

And in the next slide, we see the breakdown of our sales volume by vehicles. As I mentioned before, our total domestic sales increased by 7% versus the same period of last year, especially with the increased performance in Courier and one-ton sales.

Likewise, our export sales increased by 13%, thanks to the increase in one-ton sales of 46%, especially with the introduction of partner sales. 85% of our total sales in terms of sales volume comes from exports.

And in the next slide, if we come to the summary income statement, we see the summary view of our income statement, each element of which I talked about in the previous slides. I will elaborate a little bit more on lower capital spending due to better capex management and calendarization of the spending in the next slide.

Our end of period cash and cash equivalents rose to TRY54.5 billion, thanks to the huge contribution of TRY71.1 billion of net cash coming from operating activities, which is 170% higher. As I mentioned several times in our previous calls, we focused on working capital management intensely and created more than TRY18 billion of cash out of this performance, which was negative TRY12 billion during the same period of last year.

And another major focus area of ours is the efficient capital spending and along with the calendarization of capex, this efficiency allowed us to increase cash level and pay more debts than disbursements, contributing to our cash increase.

And if we move to the financial indicators page, after realizing all the actions to improve working capital and cash, we see that our gross financial debt decreased slightly by 2%, but our net financial debt decreased by 23% to TRY97.8 billion from TRY127.2 billion.

As a result, with the improvement in EBITDA as well, our covenant improved significantly from 2.38x by the end of last year to 1.7x, well below 2x. Just a note, which is included in footnote two of our financial statements set is that the EBITDA used in this calculation is the last four quarters period, a rolling EBITDA.

If we look at the net working capital cycle, as I mentioned in the previous slide, we improved significantly from net 28 days to 19 days by 9 days in the first 9 months of this year, and we will continue our focus on net working capital.

Return on equity is 24.7, decreased by around 11 points parallel to the equity increase and net income decrease. Debt ratio improved from 64.7% to 62.9%, and capex over sales is 2.9%, and our net FX position is stable within the desired levels. Thanks for listening.

Now I will leave the word to Gül Hanım again for 2025 guidance.

ERTUG G: Thank you very much, Ünal. So to conclude our presentation, let's look at our future projection for the remainder of the year. As we spoke about the industry, seeing the dynamics, in fact, we have increased our industry expectations for this year to 1.3 to 1.4 million

units, and out of this, our retail domestic volume expectation also we increased it to 110 to 120K brackets.

For the export volume, in fact, due to the reasons that my colleagues explained earlier, out of Turkey, the sales out of Turkey, we see a reduction over there, mostly due to the effect we saw in the Europe, also to the -- for trucks related contraction. The wholesale out of Turkey has been reduced to 390K to 420K brackets.

For the Romania case, we are keeping our expectations constant. And in fact, with this swap, I would call this as - - like some of the expectation moving out of the export markets into the domestic. In fact, overall, our wholesale expectation is not changing. We are keeping at the level of 700K to 760K brackets.

So of course, consequently, as we look into the development, the reflection of this into the production, we see the effects bringing the Turkey volumes slightly below. For the capex investment, the overall guidance, overall total capex investment, we brought it down to EUR450 to EUR550 million brackets.

For the general investments, you might remember on our earlier calls, earlier discussions, there is a piece in our operations where we always keep to keep the maintenance and the operating activities, the healthy maintenance of the overall plants, our four plants intact.

We have kept that level where it is in its original place. But for the product-related investment, seeing the market dynamics, seeing the adoption curve in certain changes,

and having in fact completed most of our electrification-related investments in place, some of the other, I would call, discretionary investments, we have deferred.

In some of them, of course, seeing the cost issues and cost pressing from all sides, thanks to our team's innovative and very efficient view, some of this reduction is due to actual savings, but some of it has been deferred into outer years.

Out of this, we have kept our revenue growth expectation at the same level, high single digits, and our adjusted EBITDA margin for the overall year, we still expect 7% to 8%. And as Unal rightly pointed out, in fact, in the last report, in the last quarter, we are seeing improvements.

Even if the cost pressures and demand pressures were pressing a lot, we have been successfully delivering a better profitability at this end. I'm not saying anything at this point in time regarding the 2026, it would be too early, we are currently working on our plans for that.

So it will come as usual, when we declare the final actuals for the entire year, you will be getting that information then. So, with this information, I would say, this would pretty much conclude our presentation, I believe now it's the time for questions and answers.

OPERATOR: The first question comes from the line of Bystrova Evgeniya with Barclays. Please go ahead.

BYSTROVA E: Yes, hello, thank you very much for the presentation, just a few quick questions. So, first of all, on your working capital, I think in Q3 there was an outflow on working capital and I know you've been progressing well this year

throughout nine months, but I just want to understand what happened in Q3 specifically.

Also, my second question is regarding your capex outlook beyond 2025. Could you please summarize what are maybe the key models that you're planning to launch or invest in beyond 2025? And finally, if you could please provide any color regarding potential bond issuance or coming to the market or any other liquidity needs that you might have to address next year, that would be very helpful? Thank you.

ERTUG G: Okay, thank you. So, you have three questions. One is regarding working capital. The last one regarding euro bonds. I will ask the working capital and I'm sorry, I missed the second one, but for the working capital piece, Ünal, would you like to take that one?

ARSLAN U: Yes, Gül. In fact, not specifically for Q3, Evgeniya, but as I said, starting from beginning of this year, we are intensely focusing on that issue. In fact, always, that was a very important issue, the networking capital level for the cash management.

But in the last couple of years, especially because of lots of launches, including EV vehicles and partner volumes in our new plant, etcetera, that kind of hurt our working capital, mostly coming from the inventory side.

But this year, although our launches continue, we focused on this area and especially from inventory, but not only that one, both receivable and payable side. Of course, we

have terms, but the market has some problems in terms of suppliers, dealers, everything.

What I can say is we are trying to manage those very closely and keep our payment and receivable terms as they are, collect receivables on time and inventory levels very lean. So these are the areas that we are focusing and what we managed very well in Q3 as well, and that's how we created that good news.

ERTUG G:

Thank you very much. I picked the second question. It was regarding the later capex. Currently, in fact, we are still concluding our plan. So in that regard, I cannot give a very concrete number, but looking into our cycle plan and the generic flow, we could say that now we are with the partner and with the electrification, with all of those capacity enhancements.

In fact, we have concluded a very heavy capex period. So from this point of time till forward, it would be wise to expect some tapering down, some coming down on the capex projection. Like I said, in looking into this projection, this guidance, some of the product-related investments, we are looking into our plans.

We have deliberately moved them out, but the discretionary choice on them still continues. So looking into the demand profile of the industry, both in Turkey in export markets, out of Romania and Turkey production, we have the ability to play around with that one.

I wouldn't give a full definitive number to that, but I would say as the big investment period now has approached

almost its end, you could expect some reduction in the outer years. The definitive expectation will be ready once our 26 related projections and planning has been over.

Your last question was about accessing Eurobond markets. I believe this is also in connection with what we will be doing in the short term, in the longer term. Now that we have accessed the Eurobond markets and we had very successful Eurobond issuance, we had the chance to diversify our funding, the borrowing opportunities.

We could get into the market, but at this point in time, I'm not necessarily declaring a possible time point. What I can say is depending on our plans, on our opex, capex needs and the cash flow needs, that is an area we are proactively looking into. I hope this answers your question.

BYSTROVA E: Yes, thank you. Thank you very much for all the details. That's very clear. Thank you.

ERTUG G: You are welcome.

OPERATOR: The next question comes from a line of Uz Aytunç with AK Invest. Please go ahead.

UZ A: Hi, I have five questions if possible. My first question is are there any new models left to introduce in 2026? And my second question is we expect price competition in the domestic market to continue in the Fourth Quarter 25 and 2026.

My third question is you just said EV production comprise approximately 16% of your sales mix, what is the EV sales percentage in your mix that you should reach to comply

with the European Eurobond regulations. And if you're currently below this level, how do you plan to reach there?

Do you plan to increase EV sales in the future or maybe increase the total sales volume? The fourth question is one explained gross margin in your annual issues. You have been fighting increasing EV share, creating the cost pressure in the first couple of quarters.

As far as I know, you have been operating with the cost-to-worth markup method for exports. So is there a specific reason why you couldn't reflect these costs to Europe? And my last question is in your other operating income segment, there is a TRY471 million for adjustment income. The same item with a large number was also in the previous quarter. So is this going to be a recurring one in the future? And also, can you explain why there is such an adjustment? Thank you.

ERTUG G: Thank you very much for your comprehensive list of questions. I tried to take notes and I will try to answer in order. And for the last one, again, I will ask for your help for that one. It looks a little bit more detailed. So you are saying new models intro in 2026. In fact, the key transformation for the electrification and model introductions, I would say we are approaching the end.

Of course, there are some carryover product launches that we are continuing to do, but these are not something of the significance of the size we had declared earlier. In that regard, you can think that for an automotive cycle, the automotive development, innovation, necessary changes to reflect into the regulatory environment that you operate,

like the regulatory needs are for trucks is working on and for the export markets, Euro 7 related changes. These will come, but from the big investments that we have issued, I would say it is pretty much done.

However, thinking of the -- again, referring maybe to the guidance page on the product-related investments over there, even if we say we have done the big investments, the 320 million, 400 million, those numbers are not coming down, because now we are operating in four plants. All of our vehicles, the product lineup has been refreshed. It's very new.

However, due to regulatory requirements, due to certain model enhancements, attribute enhancements, they will continue. And to what level, to what size you will be seeing, you will be getting it in the next call, not this point in time.

But as a maybe quick answer, I should say that since electrification of all units, even including our Ford trucks, you haven't seen that in the market too much, but we are approaching the end of this year, and looking into the next year, you will be seeing examples of it. We have concluded our model mix.

Your second question was regarding the price competition. In Turkey, you are right. There is significant price competition in effect, especially the major industry make-up, the big segment is the passenger vehicle segment. That's where the industry is growing. And the heavy price competition is happening over there.

Like we know the cost pressures, even if the inflation is now coming down, when compared to the '24 levels, it is at a lower level, but still at significant levels. Unfortunately, inflation is coming down with a slower pace. And while this is happening, this year towards 2025, through the course of the year, the euro appreciation was better than last year.

That's why there was some, that gap, that difficulty we faced in 2024 was slightly less, but it was still there. And the FX was pretty much under control. That gave some advantage to the import vehicles and the pricing in Turkey and with the availability, the large amount of availability, this was quite difficult.

We foresee, and also let's not forget, within the vehicle mix, we have seen increasing amount of EVs also, in order to create room in the market, within the special consumption tax records. In fact, all OEMs, all distributors, everybody just joined in this competition. I'm expecting this to continue.

In fact, this is pretty much the reason why we are seeing some constraint level on the margins. Because you said the majority of our business where we are doing export operations, it is contract manufacturer, it is pretty much cost plus markup.

Over there, the sales, the transfer pricing is based on a formulation, agreed on a vehicle-by-vehicle sales contract, and where you are seeing the entrepreneurial result for the margins is Turkish domestic market and Ford Trucks operations.

For both the Turkish industry and also in the Ford Trucks, we have seen competition, heavy competition, which would limit our ability for the pricing. And since the inflation-related movement is going on in a slow pace, I'm expecting that pressure to continue for some more time.

For the EV sales and compliance, let me try to give my perspective on that one. In fact, for the analysis on what Ford Otosan does, we are not prone to any compliance issue. In our export sales, we are selling our units to Ford Motor Company, and Ford Motor Company is distributing that in its national sales countries.

The carbon dioxide regulations, PPM regulations, of course, it requires for a total of EV sales. It puts the pressure on the ICE sales if you are not selling enough EV vehicles. And currently, in fact, from a readiness perspective, the plant is ready. However, the demand side of the equation is not there.

What I mean by this, the European regulations, they have placed significant expectation on the OEMs, and all of the OEMs try to make themselves ready for this. And now that we are saying we have completed our product lineup, in fact, we are ready.

However, when it comes to the incentive packages and the overall readiness of the market from a charging network perspective, the range anxiety that people live, all of that is a package. The demand side support is lagging a little bit behind.

When Bahar explained the UK good news, our vehicles, Puma, Courier, they are eligible for the utmost incentive to be received in that market, and we are happy to see, in fact, its impact in the demand and order book generation. We are supporting our partner, Ford Motor Company, to the extent possible.

However, since the demand for the ICE is further ahead than the overall sales reached on the EV level, and the regulatory environment is kicking in already, that's why Ford Motor Company is facing compliance-related costs. These are -- for clarity, I should say, these costs are their costs. It's not directly our costs.

However, since now they are seeing this dynamic, they need to optimize their plans, they need to optimize the programming. It is having an impact on our vehicle programming and the model allocations. But for Ford Otosan perspective, for Ford Otosan per se, we are not seeing a compliance issue.

For the case of Ford Trucks, starting with next year and following years, as the Vector regulation and several other regulations come into play, that is also going to be something that we need to pay attention to. But over here we are saying that almost 90% of our business is export and with Ford Motor Company. I just wanted to highlight this one.

For your other remark regarding the cost-plus markup, in our business with Ford Motor Company, we are executing cost-plus markup in everywhere. And in fact, all of these costs have been passed on to Ford. So maybe over there,

maybe we made a mistake in explaining or you had a different understanding, but I have to correct that.

The economics-related costs through CPI, ethics, the market dynamics, the processing costs, the investments we do and the investment recoveries we deploy on our transfer price, as they are explained and they are listed in our contracts, they make up of the transfer price build-up and this is passed on to Ford Motor Company.

There is nothing born left at Ford Otosan, so you should interpret this as in the very interim period, in the short-term period, while all of the contracts are in place, there is not a risk to run the business and reflect these costs. In fact, the risk-bearer is mostly Ford Motor Company, but seeing that the CPI and the macroeconomic conditions in Turkey, what happens to ethics, what happens to interest expenses, they are thinking, hey, is this really moving in the right direction?

And we, as being a very strong partner of Ford Motor Company for very long standing years, since the relationship started in 20 -- 1928, we have placed onto the table that, yes, there are certain cost pressures happening in Turkey for the moment, that's correct, but our benefits -- the benefits we bring to the table, in this partnership, is not just through cost.

It's through quality, it's through relationship, it's through our engineering abilities, our innovation, and both in manufacturing engineering and labor and overhead launch-related activities, the efficiencies we bring onto the table.

So for this regard, I think, we are taking the most advantageous part of the contract manufacturer and the cost-plus methodology. While we are doing so, yes, we have the cost headwinds and there are the margins, the pricing, but they are under real strain. For that, what we do in an increasing way is to even further increase our cost management and the cost management muscles.

This also includes where applicable, where necessary, further resourcing actions and further automation actions, like in the earlier sessions, maybe some of the automation, if the analysis, the IRR analysis, maybe it wasn't turning out to be feasible, but now with the changing conditions, if they are, we take those actions. I hope this explains your worry. If I missed a point or if I misunderstood your comment, please ask one more.

As I took the note, your last question was about, you were asking that income recurring in the file -- is this going to be something recurring or is this going to be just applicable to this year? TRY471 millions, you said, but what was the point you made? Can you please repeat that so that we answer correctly?

UZ A: So, there is basically a number, it is called, I don't know if it's Turkish one, but it's something like corporate tax correction, right? It was in the Second Quarter of '25.

ERTUG G: Corporate tax...

UZ A: Corporate tax correction, something like that. In order of anything, it's not...

ERTUG G: Tax correction.

Uz A: Exactly. It was also in the Second Quarter of '25. It was in the Third Quarter of '25, it was TRY471 million.

ARSLAN U: Okay. Okay. Okay. Yes. This is, let me answer that question, Gül Hanım, if you allow. I mean, this is about, we have -- as I mentioned, we have a huge amount of investment incentives, which we are utilizing in our corporate tax payments, but the law also -- tax law also allows us to utilize that tax incentive to offset some, not all, but some of the other tax payments.

These are, I mean, tax payments other than, SCT, special consumption tax, and other than VAT, but all other taxes, like income tax of the employees, etcetera, you can just offset those, but the utilization term is a little bit different than corporate tax utilization. That's why we see that income, and it depends on, to answer your question, what I can say is, it may continue, of course, I mean, we can utilize because we have that incentive, but it has some advantages and disadvantages.

When you utilize it different than corporate tax incentive, sorry, corporate tax utilization, different than that, it is deleted two times of the utilization rate from your incentive stock. However, it's happening immediately. So, the short answer to your question is, it may continue, but depending on our tax optimization.

Uz A: I see. Thank you, but I have a follow-up just to clarify.

ARSLAN U: Yes, please.

UZ A: Increasing EV share, creating cost pressure, etcetera, that's a question. So, increasing EV share, it's creating cost pressure in the domestic market. Am I right?

ARSLAN U: So, increasing EV sales.

UZ A: Increasing EV sales.

ERTUG G: Export markets the EV sales are mostly important for the export markets because this compliance thing we have mentioned, the carbon dioxide and particle related, emission related, regulatory pressures are happening in export markets.

AYTUNÇ UZ: I see. Thank you. Thanks. Thank you for the answers.

GUL ERTUG: You're welcome.

OPERATOR: Ladies and gentlemen, there are no further audio questions at this time and we will now move on to our webcast question. The first webcast question comes from Gustavo Campos with Jeffries "could you please explain why EBITDA per vehicle dropped to 17.05 quarter-over-quarter and do you expect this to continue to decline or some recovery with more Turkish sales? Thank you.

ERTUG G: I think both Ünal and I tried to explain this in our detailed work, but with a framework approach, I will try to reiterate. The overall combined EBITDA margin we calculate, it's a blended average of our contract manufacturing business and the entrepreneurial business. The contract manufacturing business is mostly formula driven, in line with our agreements in place, cost plus markup and within those, the actual costs are recovered.

The investment recoveries are guaranteed. They are in place, but pretty much you should think of it in this manner. Since the risk reward scheme over there is like the risks are mostly associated with the Ford Motor Company.

You should expect that the profit element over there is pretty much lower than the entrepreneurial business and that is following a pattern. The benefit in that one is the volume, that's the growth. However, other than that, the margin makeup is pretty much known as a formula.

What affects the blended piece is what you obtain out of the entrepreneurial piece and in this period because of the heavy competition that we have faced in the Turkish domestic markets and also the contraction in demand for trucks, we have seen some headwinds and this had an impact on our blended average.

However, with the very good utilization of our cost management, the opex management, running the capexes in line with the needs, we have managed to keep our adjusted EBITDA at a healthy level and we expect these pressures, the pricing-related and cost-related pressures to continue for some time.

As the amount in our product mix, the exports, the BEVs, as they increase, we should be seeing this effect and until the pricing-related pressures are managed, this would be pretty much the blended average. But since all this explanation is already within our guidance and in our business model, we are not necessarily reading this as a negative signal.

We are reading this as we are progressing as planned, in line with our operations. That's why we said when we opened our talk, we said that this quarter, we have ended pretty much in line with our expectations or even slightly better than the expectations, because we have managed certain volatility and even some geopolitical pressures we have managed.

Thanks to our operations, thanks to our place, we are not prone to any tariff-related issues because we are operating in Turkey, Romania, one is the Customs Union, the other one is the European Union, our key markets are Europe, so we are protected on that end. And luckily these escalations have come to a reasonable level, we hope to stay at that level, but as all OEMs, I think we are witnessing that the world is mostly different than what it was in earlier times.

So, we believe we had very good management over this, we are delivering on our commitments, and we will continue to do so. The Q4, within this Q4, in fact the capacity utilization, the final ramp-up, and usually seasonally or historically, especially the month of December, has been quite a significant month in our operations always. We expect a similar view to materialize.

During my speech I had mentioned about a possible, like one week ago we were talking about an issue, could there be a supply chain-related problem in our operations, and we have managed to run it in a successful way. Also thanks to the, again, geopolitical developments in a positive way, that has also moved away, that's why we have protected

our plans intact. I believe we will be delivering on our promise, and we will be concluding it as a successful year.

OPERATOR: Thank you. The next webcast question comes from Kutluhan Murat Bulut with Azimut Portfoy, and I "Hello, thanks for the call. Could you please clarify the reasons behind the significant decline in trade payables this quarter, which has also negatively impacted the NWC? Do you expect the situation to improve in the coming quarters? Thank you.

ARSLAN U: Let me take this question. Murad Bey, I think, I mean looking at this period's financials, which are compared to the previous year end, our trade payables are not low, but I think, I assume the question is asked quarter over quarter, which is versus first half financials and balance sheet, we see a decrease in the trade payables. There is not a specific reason for that. In fact, there is one reason.

As a company, a simple reason. We pay our local suppliers in a specific day of each week. And depending on the, 30th of September, which day it is, this quarter and balance sheet amount may change significantly because our weekly payments are, as you can imagine, we are a very big company is significantly high, more than TRY7 billion-TRY8 billion.

So, this quarter end, this Third Quarter end, of course, this is coincidence, but it was a Tuesday. So, it's just after the payment of the weekly suppliers. Very simple reason. But other than that, there is no specific reason. So, this may depend only to your, I mean, to answer your question, whether this will improve or not. Of course, I mean, the

payment terms are there, and we will continue it like that. It will just depend on the payment date or the month and date.

OPERATOR: Thank you. Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to Mr. Ertug Geriskovan for any closing comments. Thank you.

ERTUG G: Thank you very much. Thanks for the time and interest in our webcast. So, if there are anything that you would like to understand further, if any further clarification is needed, we will be at your service. You know where to reach us at. And thank you. Until next time, take very good care of yourselves. Have a good day and bye-bye.