

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH
OF CONSOLIDATED FINANCIAL STATEMENTS
AT 1 JANUARY - 31 MARCH 2024
TOGETHER WITH AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

CONTENTS	PAGE
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	1-2
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS.....	3
CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME	4
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	6
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	7-51
NOTE 1 ORGANIZATION AND NATURE OF THE OPERATIONS.....	7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS.....	7-14
NOTE 3 SEGMENT REPORTING.....	15
NOTE 4 FINANCIAL INVESTMENTS.....	15
NOTE 5 FINANCIAL LIABILITIES.....	15-17
NOTE 6 TRADE RECEIVABLES AND PAYABLES.....	18-21
NOTE 7 INVENTORIES.....	21-22
NOTE 8 PROPERTY, PLANT AND EQUIPMENT.....	22-23
NOTE 9 INTANGIBLE ASSETS.....	23
NOTE 10 PREPAID EXPENSES.....	24
NOTE 11 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	24-26
NOTE 12 COMMITMENTS.....	27
NOTE 13 EQUITY.....	27-28
NOTE 14 REVENUE AND COST OF SALES.....	28-29
NOTE 15 EXPENSES BY NATURE.....	30
NOTE 16 OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES.....	30
NOTE 17 FINANCIAL INCOME.....	31
NOTE 18 FINANCIAL EXPENSES.....	31
NOTE 19 TAX ASSETS AND LIABILITIES.....	31-34
NOTE 20 EARNINGS PER SHARE.....	35
NOTE 21 RELATED PARTY DISCLOSURES.....	35-41
NOTE 22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	42-49
NOTE 23 CASH FLOW HEDGE OPERATIONS.....	49-50
NOTE 24 SUBSEQUENT EVENTS.....	51

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF CONDENSED CONSOLIDATED FINANCIAL POSITION AS AT 31 MARCH 2024 AND 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

	Notes	Current period not-audited 31 March 2024	Previous period audited 31 December 2023
Assets			
Current assets		135,947,303	118,480,552
Cash and cash equivalents		26,019,168	17,517,921
Trade receivables			
- Due from related parties	21	44,950,848	29,062,543
- Due from third parties	6	13,728,162	23,394,776
Other receivables			
- Due from related parties	21	1,484,760	1,374,061
- Due from third parties		257,211	290,106
Assets arising from customer contracts		831,131	1,303,305
Inventories	7	35,877,036	33,773,918
Prepaid expenses	10	2,383,571	2,212,953
Other current assets		10,311,540	9,516,047
Derivative financial instruments	22,23	11,747	34,922
Current period tax related assets	19	92,129	-
Non-current assets		129,258,007	131,216,415
Financial investments	4	327,597	344,185
Trade receivables			
- Due from third parties	6	14,566	19,205
Other receivables			
- Due from related parties	21	10,688,032	11,363,258
Property, plant and equipment	8	66,118,496	65,813,695
Intangible assets			
- Other intangible assets	9	17,332,171	20,664,407
- Goodwill		875,853	942,442
Right of use assets		1,177,748	1,122,563
Prepaid expenses	10	17,381,982	15,419,205
Deferred tax assets	19	14,751,250	14,973,698
Investments in subsidiaries, joint ventures and affiliated companies		154,225	144,333
Derivative financial instruments	22,23	436,087	409,424
Total Assets		265,205,310	249,696,967

Summary consolidated financial statements for the period ended 1 January - 31 March 2024 were approved for issue by the Board of Directors on 21 May 2024.

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

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF CONDENSED CONSOLIDATED FINANCIAL POSITION AS AT 31 MARCH 2024 AND 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

	Notes	Current period not-audited 31 March 2024	Previous period audited 31 December 2023
Liabilities			
Current liabilities		117,446,584	108,314,238
Short-term borrowings			
- Bank borrowings	5	19,869,203	22,602,555
Short-term portion of long-term borrowings			
- Bank borrowings	5	19,637,692	16,277,141
- Lease liabilities	5	312,610	200,473
Trade payables			
- Due to related parties	21	10,488,975	11,332,878
- Due to third parties	6	56,769,873	49,150,561
Other payables			
- Due to related parties	21	4,055	719,860
- Due to third parties		2,778,835	1,154,752
Deferred income		2,697,238	673,579
Short-term provisions			
- Other short-term provisions	11	1,417,745	1,465,650
Employee benefit liabilities		3,359,477	4,651,860
Current tax liabilities	19	88,681	84,929
Derivative financial liabilities	22,23	22,200	-
Non-current liabilities		57,844,572	57,377,327
Long-term borrowings			
- Bank borrowings	5	37,090,356	35,026,365
- Lease liabilities	5	840,725	794,100
- Other long-term borrowings	5	11,445,428	12,266,137
Long-term provisions			
- Provision for employment termination benefits		2,342,173	2,120,682
- Other long-term provisions	11	1,583,142	1,582,063
Deferred income		3,184,112	4,325,365
Deferred tax liability	19	1,269,021	1,074,839
Derivative financial liabilities	22,23	89,615	187,776
Equity		13	84,005,402
Paid-in capital		350,910	350,910
Inflation adjustments on capital		6,750,647	6,750,647
Share premium		8	8
Other comprehensive income/(loss)			
not to be reclassified under profit or loss			
- Losses on remeasurements of defined benefit plans		(1,837,844)	(1,536,876)
Other comprehensive income/(loss) to be reclassified under profit or loss			
- Gains from financial assets measured at fair value through other comprehensive income		129,765	129,765
- Losses on cash flow hedges		(22,467,449)	(21,517,515)
- Exchange differences on translation		(2,524,016)	(710,638)
Restricted reserves		6,768,566	6,768,566
Retained earnings		93,770,535	37,325,120
Net profit for the period		8,973,032	56,445,415
Total liabilities and equity		265,205,310	249,696,967

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

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF CONDENSED CONSOLIDATED PROFIT OR LOSS FOR THE PERIODS ENDED 31 MARCH 2024 AND 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

	Notes	Current period not - audited 1 January - 31 March 2024	Previous period not - audited 1 January - 31 March 2023
Continuing operations			
Revenue	14	124,187,833	113,625,443
Cost of sales (-)	14	(110,971,708)	(99,583,953)
Gross profit		13,216,125	14,041,490
Marketing expenses (-)		(1,930,002)	(1,372,278)
General administrative expenses (-)		(1,951,380)	(1,506,987)
Research and development expenses (-)		(1,349,032)	(1,414,230)
Other income from operating activities	16	3,676,529	1,930,356
Other expenses from operating activities (-)	16	(2,773,086)	(1,809,399)
Profit from operating activities		8,889,154	9,868,952
Income from investing activities		690,226	76
Expenses from investing activities (-)		-	(2,726)
Operating income before financial income/(expense)		9,579,380	9,866,302
Financial income	17	2,681,705	2,870,750
Financial expenses (-)	18	(6,802,085)	(5,112,946)
Monetary gain (loss)		4,430,213	2,624,650
Profit from continuing operations before tax		9,889,213	10,248,756
Tax income/(expense) from continuing operations		(916,181)	(2,092,808)
Tax expenses for the period (-)	19	(101,084)	(3,101,274)
Deferred tax income	19	(815,097)	1,008,466
Profit for the period		8,973,032	8,155,948
Earnings per share with a nominal value Kr		25.57 Kr	23.24 Kr

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

FORD OTOMOTİV SANAYİ A.Ş.**STATEMENT OF CONDENSED CONSOLIDATED OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 MARCH 2024 AND 2023**

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

	Current period not - audited 1 January - 31 March 2024	Previous period not - audited 1 January - 31 March 2023
	Notes	
Profit for the period	8,973,032	8,155,948
Other comprehensive income/(expense)		
Other comprehensive income not to be reclassified to profit or loss		
(Losses)/gains on remeasurements of defined benefit plans	(401,288)	222,242
Other comprehensive income taxes not to be reclassified to profit or loss		
Taxes relating to remeasurements of defined benefit plans	100,320	(44,449)
Other comprehensive income to be reclassified to profit or loss		
Gains/(losses) from financial assets measured at fair value through other comprehensive income	-	(74,310)
Other comprehensive income/(expense) relating to cash flow hedges	23 (1,308,989)	(43,715)
Exchange differences on translation	(1,813,378)	(1,839,582)
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	-	3,716
Taxes relating to cash flow hedges	23 359,055	9,601
Other comprehensive expense	(3,064,280)	(1,766,497)
Total comprehensive income	5,908,752	6,389,451

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

FORD OTOMOTİV SANAYİ A.Ş.

SUMMARY CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 31 MARCH 2024 AND 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

	Paid-in capital	Inflation adjustments on capital	Share premium	Other comprehensive income not to be reclassified in profit or loss	Other comprehensive income to be reclassified to profit or loss	Cash flow hedge reserve	Foreign exchange risk differences	Restricted reserves	Accumulated profit		
				Gains/(losses) on remeasurement defined benefit plans	Gain/(losses) from financial assets measured at fair value through comprehensive income				Retained earnings	Net profit	Total equity
Balances at 1 January 2023	350,910	6,750,647	8	(1,633,022)	115,185	(11,486,145)	51,245	6,172,274	26,617,196	31,907,163	58,845,461
Profit for the period	-	-	-	-	-	-	-	-	-	8,155,948	8,155,948
Other comprehensive income/(loss)	-	-	-	177,793	(70,594)	(34,114)	(1,839,582)	-	-	-	(1,766,497)
Total comprehensive income	-	-	-	177,793	(70,594)	(34,114)	(1,839,582)	-	-	8,155,948	6,389,451
Transfers	-	-	-	-	-	-	-	-	31,907,163	(31,907,163)	-
Dividends	-	-	-	-	-	-	-	839,597	(9,265,143)	-	(8,425,546)
BBalances at 31 March 2023	350,910	6,750,647	8	(1,455,229)	44,591	(11,520,259)	(1,788,337)	7,011,871	49,259,216	8,155,948	56,809,366
Balances at 1 January 2024	350,910	6,750,647	8	(1,536,876)	129,765	(21,517,515)	(710,638)	6,768,566	37,325,120	56,445,415	84,005,402
Profit for the period	-	-	-	-	-	-	-	-	-	8,973,032	8,973,032
Other comprehensive income/(loss)	-	-	-	(300,968)	-	(949,934)	(1,813,378)	-	-	-	(3,064,280)
Total comprehensive income	-	-	-	(300,968)	-	(949,934)	(1,813,378)	-	-	8,973,032	5,908,752
Transfers	-	-	-	-	-	-	-	-	56,445,415	(56,445,415)	-
Balances at 31 March 2024	350,910	6,750,647	8	(1,837,844)	129,765	(22,467,449)	(2,524,016)	6,768,566	93,770,535	8,973,032	89,914,154

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

FORD OTOMOTİV SANAYİ A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS 31 MARCH 2024 AND 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

	Notes	Current period not-audited 31 March 2024	Previous period not-audited 31 March 2023
Cash flows generated from/(used in) operating activities		10,739,243	22,526,550
Net profit for the period		8,973,032	8,155,948
Adjustments to reconcile profit or loss		2,194,681	1,774,699
Adjustments for depreciation and amortisation expense	8, 9	2,107,606	2,145,897
Adjustments for impairment loss of inventories	7	224,310	(25,647)
Adjustments for provisions related with employee benefits		(1,004,932)	409,797
Adjustments for lawsuit and/or penalty provisions	11	34,181	46,180
Adjustments for warranty provisions	11	612,356	367,195
Adjustments for other provisions		126,030	32,556
Adjustments for interest income	17	(831,085)	(573,074)
Adjustments for interest expense	18	2,461,916	1,234,018
Adjustments for tax expenses	19	961,571	1,078,076
Adjustments for unearned financing income	16	(1,575,585)	(613,326)
Adjustments for deferred financing expense	16	2,169,338	1,152,954
Adjustments for loss on sales of property, plant and equipment		-	2,581
Unrealized foreign currency translation differences	16	677,579	233,612
Other adjustments for which cash effects are investing or financing cash flow		2,093,267	3,109,914
Adjustments for monetary gain (loss)		(5,861,871)	(6,826,034)
Changes in working capital		1,260,533	13,876,636
Decrease/(increase) in trade receivable		(5,909,865)	6,413,671
(Increase)/decrease in inventories		(2,327,428)	(3,213,269)
(Increase)/decrease in prepaid expenses		(144,534)	688,023
Increase/(decrease) in trade payable		6,843,450	8,094,545
(Increase)/decrease in other assets		1,356,562	1,817,949
Increase/(decrease) in other liabilities		1,442,348	75,717
Cash flows generated from operations		12,428,246	23,807,283
Interest paid		(2,476,525)	(1,059,299)
Interest received		1,507,544	514,327
Payments related with provisions for employee benefits		(75,022)	(380,273)
Payments related with other provisions		(471,057)	(323,224)
Taxes paid		(173,943)	(32,264)
Cash flows used in investing activities		(6,709,340)	(4,561,300)
Proceeds from sales of property, plant and equipment		35,037	78,044
Purchase of property, plant and equipment		(3,953,987)	(2,970,060)
Purchase of intangible assets		(791,637)	(1,422,030)
Cash advances given and payables		(1,988,861)	(190,745)
Cash outflows from capital increase/share purchase of subsidiaries		(9,892)	(56,509)
Cash flows (used in)/generated from financing activities		6,617,919	1,025,938
Proceeds from borrowings	5	13,288,569	11,573,539
Cash outflows related to borrowings	5	(6,031,524)	(1,633,711)
Dividends paid		-	(8,425,546)
Interest paid		(1,206,152)	(989,889)
Interest received		632,218	545,374
Cash outflows on debt payments from leasing agreements	5	(65,192)	(43,829)
Net (decrease)/increase in cash and cash equivalents before the effect of currency translation differences		10,647,822	18,991,188
Monetary (loss) on cash and cash equivalents		(2,368,554)	(2,365,087)
Effect of foreign currency translation differences on cash and cash equivalents		23,112	34,027
Net (decrease)/increase in cash and cash equivalents		8,302,380	16,660,128
Cash and cash equivalents at the beginning of the period		17,487,208	19,162,802
Cash and cash equivalents at the end of the period		25,789,588	35,822,930

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

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 Company is listed on the Borsa İstanbul (“BİST”) where 17.89% of its shares are currently quoted. The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

In its Kocaeli compound, the Company 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 Company with Ford Otosan Netherlands BV in the Netherlands.

Additionally, the Company 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:

	<u>Average</u>		<u>Period-end</u>	
	2024 March	2023 March	2024 March	2023 December
Hourly	18,657	16,150	18,857	18,363
Salaried	5,081	4,775	5,077	5,338
	23,738	20,925	23,934	23,701

As of 31 March 2024, research and development operations which are also subject to service export is conducted with 2,315 employees (31 December 2023: 2,298).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The Company 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.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

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. TAS 29 is applied to the financial statements, including the interim condensed consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

Financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish lira and, as a result, are expressed in terms of purchasing power of Turkish lira as of March 31, 2024 as per TAS 29.

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 March 31, 2024, the indices and correction coefficients used in the correction of interim condensed consolidated financial statements are as follows:

Date	Correction Index	Coefficient	Three Year Compound Inflation Rate
31 March 2024	2,139.47	1,00000	309%
31 December 2023	1,859.38	1,15064	268%
31 March 2023	1,269.75	1,68495	182%

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.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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 gain/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”). Interim condensed 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/IFRS 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) Interim condensed 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/IFRS, 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.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

- (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.

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

As of 31 March 2024 and 31 December 2023, Ford Otomotiv San. A.Ş.'s direct and indirect voting rights and effective shareholding ratios (%) and functional currencies according to the countries of operation are shown below:

	Functional currency	31 March 2024		31 December 2023	
		Suffrage	Effective partnership rate	Suffrage	Effective partnership rate
Ford Romania SRL	RON	100.00	100.00	100.00	100.00
Ford Otosan Netherlands BV	EUR	100.00	100.00	100.00	100.00

- (d) Financial assets at fair value through other comprehensive income for which the Group has less than 20% of the total voting rights or for which the Group has no significant influence and which have quoted market prices in active markets and whose fair value can be reliably calculated. are reflected in the consolidated financial statements at their fair values.

Going concern

The interim condensed consolidated financial statements of the Group are prepared on the basis of a going concern assumption.

Comparatives of prior periods' financial statements

The interim condensed consolidated 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 Company at 31 March 2024 has been provided with the comparative financial information of 31 December 2023 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 March 2024 have been provided with the comparative financial information, for the period between 1 January - 31 March 2023.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of March 31, 2024 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2024 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of January 1, 2024 are as follows:

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In March 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity’s right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date. The amendments also clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments must be applied retrospectively in accordance with TAS 8. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16. The amendments did not have a significant impact on the financial position or performance of the Group.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 The new standards, amendments and interpretations (Continued)

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments did not have a significant impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2025 with the announcement made by the POA. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 The new standards, amendments and interpretations (Continued)

iii) The amendments which are effective immediately upon issuance

Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. The amendments did not have a significant impact on the financial position or performance of the Group.

iv) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 21 and IFRS 18 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments and new Standard are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 18 – The new Standard for Presentation and Disclosure in Financial Statements

In April 2024, IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards, such as IAS 7, IAS 8 and IAS 34. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies

Condensed consolidated financial statements for the interim period ended 31 March 2024 have been prepared in accordance with TAS 34 for the preparation of interim financial statements. Significant accounting policies used in the preparation of the condensed consolidated financial statements are consistent with the accounting policies detailed in the solo financial statements as of 31 December 2023, excluding business combinations and goodwill. Therefore, the interim consolidated financial statements should be evaluated together with the financial statements for the year ended 31 December 2023.

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 benefits.
- (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 6).
- (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 Company should allocate provisions for inventory impairment (Note 7).
- (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 Company’s Legal Counsellor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.
- (e) In calculation of the warranty provision, the Company 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 11).
- (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 March 2024 and 31 December 2023 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 19).
- (g) The Company 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 8 and 9).
- (h) The company capitalizes ongoing development expenditures and evaluates whether there is an annual depreciation of these capitalized assets. As of 31 March 2024 and 31 December 2023, there is no impairment of capitalized development expenses (Note 9).

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

3. SEGMENT REPORTING

The Group, has primary operation of manufacturing, assembling, importing and selling motor vehicles and spare parts. The Company’s operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Group structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Group are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

4. FINANCIAL INVESTMENTS

	31 March 2024		31 December 2023	
	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	327,597	0.59	344,185
		327,597		344,185

(*) The Company’s shareholding in Otokar was stated at market value on 31 March 2024 and 31 December 2023 which is assumed to approximate its fair value.

5. FINANCIAL LIABILITIES

Short-term financial liabilities

Bank borrowings

	31 March 2024		31 December 2023	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- TRY	46.92	7,410,512	44.97	7,407,674
- EUR	7.24	12,458,691	7.03	15,194,881
		19,869,203		22,602,555

Short-term portion of long-term financial liabilities

Bank borrowings

	31 March 2024		31 December 2023	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- TRY	47.35	2,410,345	47.35	2,482,281
- EUR	5.56	17,227,347	5.56	13,794,860
		19,637,692		16,277,141

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

5. FINANCIAL LIABILITIES (Continued)

Lease liabilities

	31 March 2024		31 December 2023	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- TRY	42.47	135,362	39.47	107,641
- EUR	7.39	177,248	7.29	92,832
		312,610		200,473
		19,950,302		16,477,614
Total short-term financial liabilities		39,819,505		39,080,169

Long-term financial liabilities

Bank borrowings

	31 March 2024		31 December 2023	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	6.49	37,090,356	6.23	35,026,365
		37,090,356		35,026,365

Lease liabilities

	31 March 2024		31 December 2023	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- TRY	47.31	374,085	46.73	432,929
- EUR	7.48	466,640	7.46	361,171
		840,725		794,100

Other long-term financial liabilities

	31 March 2024		31 December 2023	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.00	11,445,428	2.00	12,266,137
		11,445,428		12,266,137
Total long-term financial liabilities		49,376,509		48,086,602

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

5. FINANCIAL LIABILITIES (Continued)

The amount classified under other long-term payables consists of the 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 March 2024.

The payment schedules of long-term bank borrowings as of 31 March 2024 and 31 December 2023 are as follows:

Payment period	31 March 2024	31 December 2023
2025	11,553,415	15,486,863
2026	15,301,293	11,057,755
2027	4,224,868	3,860,981
2028	3,707,876	3,392,381
2029	1,056,723	654,271
2030	920,742	574,114
2031	325,439	-
	37,090,356	35,026,365

The letters of bank guarantee given to financial institutions in connection with borrowings amounts to TRY 2,343,061 (31 December 2023: TRY 2,264,183) (Note 11).

The payment schedules of other long-term bank borrowings as of 31 March 2024 and 31 December 2023 are as follows:

Payment period	31 March 2024	31 December 2023
2025	6,646,304	7,122,885
2028	4,799,124	5,143,251
	11,445,428	12,266,136

The movement of financial liabilities in the three - month periods ending on 31 March 2024 and 2023 are as follows:

	2024	2023
1 January	74,900,635	59,684,572
Cash inflows from borrowing	13,288,569	11,573,539
Cash outflows from borrowing	(6,031,524)	(1,633,711)
Cash outflows related to debt payments arising from lease agreements	(65,192)	(43,829)
Unrealised foreign exchange differences	4,222,965	2,097,849
Change in accrual of interest	1,346,514	553,541
New lease agreements/impact of contract changes	268,512	50,080
Monetary gain / (loss)	(10,179,893)	(6,642,002)
31 March	77,750,586	65,640,039

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

6. TRADE RECEIVABLES AND PAYABLES

	31 March 2024	31 December 2023
Short-term trade receivables		
Trade receivables	14,090,739	24,020,142
Doubtful receivables (*)	520,601	599,012
Less: expected credit losses	(520,601)	(599,012)
Less: unrealized finance income from credit sale	(362,577)	(625,366)
	13,728,162	23,394,776

(*) The portion of TRY 225,139 of the doubtful receivables amount is related to the dealers involved in the fraud process on 2021.

The average turnover of receivables related to vehicle sales to domestic distributors is 30 days (31 December 2023: 30 days), domestic sales of spare parts turnover is 70 days (31 December 2023: 70 days) and discounted by 4.03% monthly effective interest rate (31 December 2023: 3.11%).

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

	31 March 2024	31 December 2023
Long-term trade receivables		
Deposits and guarantees given	14,566	19,205
	14,566	19,205

	31 March 2024	31 December 2023
Trade payables		
Trade payables	57,484,897	49,807,723
Less: unearned credit finance expense	(715,024)	(657,162)
	56,769,873	49,150,561

The Group’s average turnover of trade payables is 60 days (31 December 2023: 60 days) and discounted by 4.03% monthly effective interest rate (31 December 2023: 3.11%).

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

6. TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Group to credit risk as of 31 March 2024 and 31 December 2023 is as follows:

31 March 2024	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Note 6 and 21)	44,950,848	13,742,728	12,172,792	257,211	25,789,588
- The maximum of credit risk covered by guarantees	4,336,994	13,532,857	-	-	-
Net book value of the financial assets that are neither overdue not impaired	44,061,891	13,275,071	12,172,792	257,211	25,789,588
Net book value of the financial assets that are overdue but not impaired	888,957	467,657	-	-	-
- Amount of risk covered by guarantees	-	467,657	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	520,601	-	-	-
- Provision for impairment (-)	-	(520,601)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

6. TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2023	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Note 6 and 21)	29,062,543	23,413,981	12,737,319	290,106	17,487,208
- The maximum of credit risk covered by guarantees	5,907,166	23,413,981	-	-	-
Net book value of the financial assets that	28,529,426	23,089,580	12,737,319	290,106	17,487,208
Net book value of financial assets that are overdue but not impaired	533,117	324,402	-	-	-
- Amount of risk covered by guarantees	-	324,402	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	599,012	-	-	-
- Provision for impairment (-)	-	(599,012)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

6. TRADE RECEIVABLES AND PAYABLES (Continued)

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

31 March 2024	Trade receivables	
	Related party	Other
1 - 30 days overdue	558,764	345,180
1 - 3 months overdue	157,493	47,185
3 - 12 months overdue	163,513	60,119
1 - 5 years overdue	9,187	15,173
	888,957	467,657
Risk covered by guarantees	-	467,657

The Group’s overdue related party receivables are related to the long-term engineering service charges and spare parts exports to Ford Motor Company.

31 December 2023	Trade receivables	
	Related party	Other
1 - 30 days overdue	246,344	257,068
1 - 3 months overdue	86,589	10,813
3 - 12 months overdue	197,794	40,651
1 - 5 years overdue	2,390	15,870
	533,117	324,402
Risk covered by guarantees	-	324,402

7. INVENTORIES

	31 March 2024	31 December 2023
Raw materials	14,336,335	16,416,640
Finished goods	10,647,636	6,514,508
Goods in transit	4,274,960	2,715,031
Import vehicles	3,504,724	4,304,387
Vehicle spare parts	1,830,014	2,166,534
Spare parts	574,203	575,204
Other inventories	995,191	1,143,331
	36,163,063	33,835,635
Less: provision for impairment of finished goods and vehicle spare parts	(286,027)	(61,717)
	35,877,036	33,773,918

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

7. INVENTORIES (Continued)

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

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

	2024	2023
1 January	61,717	46,378
Change within the period	232,390	(5,281)
Exchange differences on translation	(104)	(980)
Monetary gain/(loss)	(7,976)	(4,047)
31 March	286,027	36,070

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 13).

8. PROPERTY, PLANT AND EQUIPMENT

	2024	2023
As of January 1		
Cost	140,394,681	125,998,259
Accumulated depreciation	(74,580,987)	(70,865,035)
Net book value	65,813,694	55,133,224
Net book value at the beginning of the period	65,813,694	55,133,224
Additions	3,953,987	2,970,060
Disposals (*)	(2,397,649)	(666,744)
Transfers	1,694,071	407
Exchange differences on translation	(1,481,365)	(1,233,889)
Current depreciation charge	(1,499,279)	(1,726,791)
Disposals from accumulated depreciation	35,037	586,119
Closing net book value	66,118,496	55,062,386
As of 31 March		
Cost	144,561,374	127,734,837
Accumulated depreciation	(78,442,878)	(72,672,451)
Net book value	66,118,496	55,062,386

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group compared the borrowing cost of investment loans in foreign currency to the market loan interest denominated in TRY.

According to the cumulative method within the scope of TAS 23, there is no interest expense capitalized for the period ending as of 31 March 2024 (31 December 2023: None).

There is no collateral, pledge or mortgage on tangible assets as of 31 March 2024 and 2023.

9. INTANGIBLE ASSETS

	2024	2023
As of January 1		
Cost	30,642,441	24,190,584
Accumulated depreciation	(9,978,034)	(8,618,412)
Net book value	20,664,407	15,572,172
Net book value at the beginning of the period	20,664,407	15,572,172
Additions	791,637	1,422,437
Transfers	(1,694,071)	(407)
Exchange differences on translation	(1,920,184)	(770,179)
Current depreciation charge	(509,618)	(346,444)
Closing net book value	17,332,171	15,877,579
As of 31 March		
Cost	30,451,655	25,613,021
Accumulated depreciation	(13,119,484)	(9,735,442)
Net book value	17,332,171	15,877,579

There are no fully depreciated intangible assets as of 31 March 2024, there is no capitalized interest cost and foreign exchange difference in accordance with TAS 23 (31 December 2023: None).

The cost of the “Contracts with Customers”, which is classified under “Other” by the Group and in Ford Romania SRL acquisition accounting, is TRY 6,912,480 and the current period depreciation is TRY 74,985.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

10. PREPAID EXPENSES

	31 March 2024	31 December 2023
Short-term prepaid expenses		
Advances given for inventories	2,015,448	1,814,574
Other prepaid expenses	368,123	398,379
	2,383,571	2,212,953
Long-term prepaid expenses		
Advances given for investments (*)	17,261,289	15,272,427
Other prepaid expenses	120,693	146,778
	17,381,982	15,419,205

(*) Advances given for investments are related to the Group’s new vehicle investments. TRY 4,297,946 (31 December 2023: TRY 7,542,567) is given to domestic vendors as mould advances and TRY 12,963,343 (31 December 2023: TRY 7,729,811) is the advance given for the new project investments.

11. PROVISION, CONTINGENT ASSETS AND LIABILITIES

The Group recognizes 2, 3 and 4 years of warranty provision for the vehicles sold by dealers for malfunctions described in the sales agreements. Warranty expense provision is estimated by considering vehicles under warranty as of the balance sheet date and warranty claims of vehicles sold in previous years on a model basis.

Short-term provisions

	31 March 2024	31 December 2023
Warranty expense provision	876,596	1,023,165
Provisions for sales premium (*)	518,601	392,571
Provisions for lawsuits	2,438	19,156
Other short-term provisions	20,110	30,758
	1,417,745	1,465,650

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

Long-term provisions

	31 March 2024	31 December 2023
Warranty expense provision	1,279,667	1,280,123
Provisions for lawsuits	210,915	202,217
Other long-term provisions	92,560	99,723
	1,583,142	1,582,063

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

11. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	2024	2023
1 January	221,373	239,950
Paid during the period	(13,219)	(12,751)
Additions during the period	34,181	46,180
Exchange differences on translation	1,297	489
Monetary gain/(loss)	(30,279)	(28,040)
31 March	213,353	245,829

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

	2024	2023
1 January	2,303,288	2,136,614
Paid during the period	(457,838)	(310,473)
Additions during the period	612,356	367,195
Monetary gain/(loss)	(301,543)	(239,210)
31 March	2,156,263	1,954,126

Letters of guarantee and letters of credit	31 March 2024	31 December 2023
Letters of guarantee given to financial institutions due to bank loans	2,343,061	2,264,183
Letters of guarantee given to customs	352,544	380,008
Letters of guarantees given to other parties	335,255	376,591
	3,030,860	3,020,782

Letters of guarantee given

	<u>31 March 2024</u>		<u>31 December 2023</u>	
	Original currency	TRY amount	Original currency	TRY amount
TRY	329,814	329,814	322,491	371,071
EUR	68,996	2,401,228	68,996	2,586,028
RON	43,060	299,818	8,500	63,683
		3,030,860		3,020,782

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

11. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

The allocation of collaterals, pledges and mortgages as of 31 March 2024 and 31 December 2023 as follows:

Collaterals, pledges and mortgages given by the Group	31 March 2024	31 December 2023
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	3,013,870	3,011,851
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 (*)	16,990	8,931
D. Total amount of other collaterals/pledges/mortgages given		
i, Total amount of guarantees/pledges/mortgages given in favor of the main partner	-	-
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	-	-
	3,030,860	3,020,782

(*) Relevant amounts are related to CPC’s (non-cash loans) given by the Group in favor of its domestic dealers within the scope of warranty obligations.

As of 31 March 2024 and 31 December 2023, total amount of the collaterals, pledges and mortgages obtained by the Group are as follows:

Letters of guarantee taken

	31 March 2024		31 December 2023	
	Original currency	TRY amount	Original currency	TRY amount
TRY	4,865,854	4,865,854	5,858,043	6,740,499
EUR	189,601	6,598,547	212,029	7,947,023
USD	1,485	47,929	1,469	49,759
		11,512,330		14,737,281

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 March 2024 and 31 December 2023.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

12. COMMITMENTS

None.

13. EQUITY

The composition of the Group’s paid-in capital as of 31 March 2024 and 31 December 2023 is as follows:

Shareholders	Share group	31 March 2024	Shareholders percentage (%)	31 December 2023	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 Vakfi	A	2,881	0.82	2,881	0.82
Koç Holding Emekli ve Yardım Sandığı Vakfi	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		6,750,647		6,750,647	
Inflation adjusted paid in capital		7,101,557		7,101,557	

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 2023: 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.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

13. EQUITY (Continued)

The adjusted values of the items shown above with their historical values and the equity inflation adjustment differences as of 31 March 2024 and 31 December 2023:

31 March 2024 (TFRS)	Historical values	Adjusted values	Equity inflation adjustment differences
Paid in capital	350,910	7,101,557	6,750,647
Legal reserves	1,720,112	6,768,566	5,048,454
Share premium	8	1,251	1,243
	2,071,030	13,871,374	11,800,344

31 March 2024 (TPL)	Historical values	Adjusted values	Equity inflation adjustment differences
Paid in capital	350,910	9,453,832	9,102,922
Legal reserves	1,720,112	4,064,616	2,344,504
Share premium	8	231	223
	2,071,030	13,518,679	11,447,649

14. REVENUE AND COST OF SALES

Revenue

	31 March 2024	31 March 2023
Export sales (*)	97,587,291	86,919,075
Domestic sales	28,913,435	28,426,356
Other sales	772,438	728,697
Less: Discounts	(3,085,331)	(2,448,685)
	124,187,833	113,625,443

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

14. REVENUE AND COST OF SALES (Continued)

Units of vehicle sales

	1 January - 31 March 2024			1 January - 31 March 2023		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	2,028	50,980	53,008	1,202	39,826	41,028
Transit	7,530	39,942	47,472	4,485	36,456	40,941
Puma	2,592	40,321	42,913	727	45,005	45,732
Transit Courier	3,397	14,071	17,468	12,815	7,990	20,805
Other Passenger vehicles	5,049	20	5,069	4,253	70	4,323
Ford Trucks (Truck)	2,361	481	2,842	2,788	2,031	4,819
Ranger	1,348	-	1,348	101	-	101
New Transit Connect	102	2	104	164	-	164
Rakun	-	-	-	127	-	127
	24,407	145,817	170,224	26,662	131,378	158,040

As of 31 March 2024 and 31 March 2023, summaries of cost of sales are as follows:

	31 March 2024	31 March 2023
Cost of raw material	(98,766,471)	(89,137,433)
Production overhead cost	(11,307,845)	(6,849,369)
Amortization expenses (Note 8 and 9)	(1,929,261)	(1,916,201)
Changes in finished good	9,379,201	3,868,665
Total production cost	(102,624,376)	(94,034,338)
Cost of trade goods sold	(8,347,332)	(5,549,615)
Total cost of sales	(110,971,708)	(99,583,953)

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

15. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 31 March 2024 and 2023 is as follows:

	31 March 2024	31 March 2023
Raw material cost	(98,766,471)	(89,137,433)
Cost of trade goods sold	(8,347,332)	(5,549,615)
Personnel expenses	(7,014,307)	(5,245,414)
Financial expenses	(6,802,085)	(5,112,946)
Other overhead costs	(6,296,554)	(3,429,152)
Other operational expenses	(3,049,053)	(2,238,601)
Other expenses from operating activities	(2,773,086)	(1,809,399)
Depreciation and amortization expenses	(2,107,606)	(2,145,897)
Expenses from investing activities	-	(2,727)
Changes in inventories	9,379,201	3,868,665
Total expenses	(125,777,293)	(110,802,519)

16. OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

	31 March 2024	31 March 2023
Other income from operating activities		
Foreign exchange gains		
related to trade receivables and payables	1,932,150	1,035,259
Financial income from forward sales	1,575,585	613,326
Rent income	40,184	29,432
Commission income	21,940	5,494
Provisions no longer required	16,075	-
Price difference and claim recovery	8,007	107,951
License income	559	11,980
Other	82,029	126,914
	3,676,529	1,930,356
Other expenses from operating activities		
Unearned financial expense	(2,169,338)	(1,152,954)
Foreign exchange losses related to		
trade receivables and payables	(350,871)	(285,434)
Other	(252,877)	(371,011)
	(2,773,086)	(1,809,399)

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

17. FINANCIAL INCOME

	31 March 2024	31 March 2023
Foreign exchange gains	1,562,324	2,183,003
Interest income	831,085	573,074
Other	288,296	114,673
	2,681,705	2,870,750

18. FINANCIAL EXPENSES

	31 March 2024	31 March 2023
Foreign exchange losses	(4,340,169)	(3,876,802)
Interest expenses	(2,461,916)	(1,234,018)
Other	-	(2,126)
	(6,802,085)	(5,112,946)

19. 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 interim period 31 March 2024 is 25% (31 December 2023: 25%). The corporate tax rate for the interim period 31 March 2024 is 16% in Romania (31 December 2023: 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. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

19. 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.

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.

In the sensitivity analysis carried out as of 31 March 2024, when the inputs in the basic macroeconomic and sectoral assumptions that make up the business plans (such as growth rate and profitability) are evaluated by increasing / decreasing by 10%, there is a significant increase in the amount of deferred tax assets related to investment incentives and the recovery period envisaged as 10 years. There has been no change.

The Group ’s net tax position as of 31 March 2024 and 31 December 2023 are as follows:

	31 March 2024	31 December 2023
Current year corporate tax expense	(101,084)	(2,220,223)
Prepaid tax and withholding	104,532	2,135,294
Current tax related assets/(liabilities)	3,448	(84,929)
Deferred tax assets	14,751,250	14,973,698
Deferred tax liabilities	(1,269,021)	(1,074,839)
Net deferred tax assets	13,482,229	13,898,859

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

19. TAX ASSETS AND LIABILITIES (Continued)

The taxation on income for the periods ended 31 March 2024 and 2023 are as follows:

	31 March 2024	31 March 2023
Current year corporate tax expense	(101,084)	(3,101,274)
Current year tax effect of cash flow hedge (*)	(359,055)	(9,601)
Other deferred tax	(456,042)	1,018,067
Deferred tax income	(815,097)	1,008,466
Continuing operations tax (income)/(expense)	(916,181)	(2,092,808)

(*) 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 March 2024 and 2023 and current tax ratio based on income before tax is as follows:

	31 March 2024	31 March 2023
Income before tax	9,889,213	10,248,756
Effective tax rate	25%	20%
Current year tax expense	(2,472,303)	(2,049,751)
Research and development deductions	309,887	196,254
Investment incentive exemption	3,408,765	4,950,573
Monetary gain / (loss)	279,799	(2,107,224)
Inflation accounting effect according to TPL provisions (*)	402,534	-
Other	(2,844,863)	(3,082,660)
	(916,181)	(2,092,808)

(*) It consists of the effect of the corrections made regarding inflation accounting with the Tax Procedural Law's notification dated 30 December 2023 and numbered 32415 (2nd Duplicate).

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.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

19. TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 31 March 2024 and 31 December 2023 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023
Deferred tax assets				
Investment incentive tax asset	(50,678,552)	(31,432,138)	13,027,050	13,854,939
Expense accruals and other provisions	(5,905,891)	(5,541,290)	2,128,193	1,520,449
Warranty expense provision	(2,156,263)	(2,303,288)	539,066	575,822
Employee benefits provision	(1,607,748)	(1,755,575)	38,664	433,517
Inventories	(831,644)	(647,837)	207,766	164,230
Accumulated losses	(939,767)	(1,698,800)	150,363	280,984
	(62,119,865)	(43,378,928)	16,491,102	16,829,941
Deferred tax liabilities				
Tangible and intangible assets	3,872,490	3,619,576	(136,453)	(105,279)
Income accruals and other	11,904,727	11,984,338	(2,872,420)	(2,825,803)
	15,777,217	15,603,914	(3,008,873)	(2,931,082)
Net deferred tax asset			13,482,229	13,898,859

The movements of deferred tax assets/(liabilities) for the three-months interim periods ended 31 March are as follows:

	2024	2023
1 January	13,898,859	2,759,119
Deferred tax income recognized in statement of profit or loss	(815,097)	1,008,466
Deferred tax income recognized directly in the equity	459,375	(31,132)
Exchange differences on translation	(60,908)	(24,493)
31 March	13,482,229	3,711,960

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

20. EARNINGS PER SHARE

	31 March 2024	31 March 2023
Net profit for the year	8,973,032	8,155,948
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000
Earnings per share with nominal value of Kr1 each	Kr25.57	Kr23.24

21. 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 March 2024 and 31 December 2023 and the transactions with related parties during the year are as follows:

a) Receivables from related parties

i) Trade receivable from related parties

	31 March 2024	31 December 2023
Due from shareholders		
Ford Motor Company and subsidiaries	40,770,499	24,027,387
	40,770,499	24,027,387
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	4,263,226	5,147,242
Other	22,853	41,918
	4,286,079	5,189,160
Less: unearned credit finance income	(105,730)	(154,004)
	44,950,848	29,062,543

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

21. 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 March 2024 31 December 2023

Due other from shareholders

Ford Motor Company and subsidiaries	1,484,760	1,374,061
	1,484,760	1,374,061

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

31 March 2024 31 December 2023

Due long-term from shareholders

Ford Motor Company and subsidiaries	10,688,032	11,363,258
	10,688,032	11,363,258

(*) All of the amounts shown in other receivables from related parties consist of receivables arising from the Group's accounting by leasing certain fixed assets in Craiova factory to Ford Motor Company in accordance with TFRS 16.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

21. RELATED PARTY DISCLOSURES (Continued)

b) Payables to related parties

i) Trade payables to related parties

	31 March 2024	31 December 2023
Due to shareholders		
Ford Motor Company and subsidiaries	7,980,065	8,624,584
	7,980,065	8,624,584
Due to group companies (*)		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,055,689	1,174,510
Ram Dış Ticaret A.Ş.	921,296	629,204
Ram Sigorta Aracılık Hizmetleri A.Ş.	211,207	67,770
Ark İnşaat A.Ş.	102,222	226,158
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	83,608	90,244
Opet Petrolcülük A.Ş.	54,750	40,385
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	51,230	71,611
Setur Servis Turistik A.Ş.	29,395	157,301
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	26,758	83,042
Divan Turizm İşletmeleri A.Ş.	19,017	35,038
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	6,769	11,784
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	4,926	-
INGAGE Dijital Pazarlama Hizmetleri	-	44,503
Other	10,174	134,696
	2,577,041	2,766,246
Less: unearned credit finance income	(68,131)	(57,952)
	10,488,975	11,332,878

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

ii) Other payables to related parties

	31 March 2024	31 December 2023
Yapı ve Kredi Bankası A.Ş.	4,055	397,214
Koç Holding A.Ş.	-	178,677
Koç Finansman A.Ş.	-	143,969
	4,055	719,860

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

21. RELATED PARTY DISCLOSURES (Continued)

c) Sales to related parties

	31 March 2024	31 March 2023
Ford Motor Company (*)	96,850,731	81,838,224
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	6,287,353	6,200,404
Other	-	86
	103,138,084	88,038,714
Less: financial income from credit sales	(383,546)	(146,300)
	102,754,538	87,892,414

(*) 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..

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

	1 January - 31 March 2024			Total
	Material	Service	Fixed assets	
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.(*)	120,969	1,461,577	-	1,582,546
Ark İnşaat Sanayi ve Ticaret A.Ş (**)	-	-	247,329	247,329
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	146,507	-	146,507
Ram Dış Ticaret A.Ş.	137,316	-	-	137,316
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	365,358	-	365,358
Setur Servis Turistik A.Ş.	-	44,750	-	44,750
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	52,535	4,082	56,617
Koç Holding A.Ş. (***)	-	38,062	-	38,062
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	18,386	-	18,386
Opet Petrolcülük A.Ş.	80,646	-	-	80,646
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	46,555	-	-	46,555
Ingage Dijital Pazarlama A.Ş.	-	14,635	-	14,635
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	12,409	-	-	12,409
Koçtaş Yapı Marketleri Ticaret A.Ş.	8,926	-	-	8,926
Other	154	48,687	22,577	71,418
	406,975	2,190,497	273,988	2,871,460
Less Unearned credit finance charges	(26,318)	-	-	(26,318)
	380,657	2,190,497	273,988	2,845,142

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

21. RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 March 2023			Total
	Material	Service	Fixed assets	
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	71,822	1,325,015	-	1,396,837
Ark İnşaat Sanayi ve Ticaret A.Ş. (**)	-	-	611,909	611,909
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	312,935	-	312,935
Ram Dış Ticaret A.Ş.	171,049	-	-	171,049
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	82,871	39,548	122,419
Opet Petrolcülük A.Ş.	87,032	-	-	87,032
Koç Holding A.Ş. (***)	-	19,246	-	19,246
Setur Servis Turistik A.Ş.	-	32,431	-	32,431
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	73,276	-	-	73,276
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	45,673	-	45,673
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	32,931	12,072	45,003
Ingage Dijital Pazarlama A.Ş.	-	20,786	-	20,786
Koçtaş Yapı Marketleri Ticaret A.Ş.	11,600	-	61	11,661
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	13,460	-	-	13,460
Tanı Pazarlama İlet. Hiz. A.Ş.	-	3,451	-	3,451
Other	2,045	21,552	-	23,597
	430,284	1,896,891	663,590	2,990,765
Less Unearned credit finance charges	(14,374)	-	-	(14,374)
	415,910	1,896,891	663,590	2,976,391

(*) 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

	31 March 2024	31 March 2023
Ford Motor Company and subsidiaries	36,682,042	49,108,534
e) License fees paid to Ford Motor Group included in cost of sales		
	31 March 2024	31 March 2023
	595,914	432,588
f) License fees received from Jiangling Motors, Corporation, a subsidiary of Ford Motor Group, included in other income		
	31 March 2024	31 March 2023
	559	11,980

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

21. RELATED PARTY DISCLOSURES (Continued)

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

	31 March 2024	31 March 2023
	266,370	80,425

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

Deposits in related banks

	31 March 2024	31 December 2023
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	3,763,995	3,746,559
- TRY time deposit	3,331,050	1,151,460
- TRY demand deposits	172,350	254,691
- Foreign currency demand deposits	7,251	50,140
	7,274,646	5,202,850

i) Other long-term payables

	31 March 2024	31 December 2023
Ford Motor Company and subsidiaries (Note 5)	11,445,428	12,266,137
	11,445,428	12,266,137

i) Commission income

	31 March 2024	31 March 2023
Koç Finansman A.Ş.	10,293	24
Yapı ve Kredi Bankası A.Ş.	9,649	2,759
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	5	-
	19,947	2,783

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

21. RELATED PARTY DISCLOSURES (Continued)

j) Commission expense

	31 March 2024	31 March 2023
Koç Finansman A.Ş.	171,572	-
Yapı ve Kredi Bankası A.Ş.	99,468	57,437
	271,040	57,437

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.

k) Interest income

	31 March 2024	31 March 2023
Yapı ve Kredi Bankası A.Ş.	16,229	116,605

l) Compensation of key management personnel

The Group defines its key management personnel as board of directors’ members, general manager, assistant general managers and directors reporting directly to the general manager.

Compensation of key management personnel includes salaries, premiums, Social Security Institution employer’s contribution, employer’s contribution of unemployment insurance and the attendance fees.

The total benefits provided by the Group to its key management personnel in 2024 is TRY 40,653 with the purchasing power as of March 31, 2024, and this amount consists entirely of short-term benefits (31 December 2023: TRY 274,534, consisting entirely of short-term benefits).

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below summarizes the Group 's exposure to foreign currency exchange rate risk at 31 March 2024 and 31 December 2023. The carrying amount of the Group 's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

31 March 2024

	TRY Equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	42,997,349	7,123	1,228,864	2
2. Monetary financials assets (including cash and cash equivalents)	8,915,545	2,152	252,892	5,399
3. Other	5,920,288	-	170,060	44
4. Current assets (1 + 2 + 3)	57,833,182	9,275	1,651,816	5,445
5. Monetary financial assets	1,565,356	-	44,979	-
6. Non - current assets (5)	1,565,356	-	44,979	-
7. Total assets (4 + 6)	59,398,538	9,275	1,696,795	5,445
8. Trade payables	24,621,369	121,706	556,870	32,669
9. Financial liabilities (*)	29,863,286	-	857,714	-
10. Other monetary liabilities	1,921,292	-	55,206	-
11. Short-term liabilities (8 + 9 + 10)	56,405,947	121,706	1,469,790	32,669
12. Financial liabilities (*)	37,556,996	-	1,078,577	-
13. Other	13,596,836	-	390,688	-
14. Long-term liabilities (12 + 13)	51,153,832	-	1,469,265	-
15. Total liabilities (11 + 14)	107,559,779	121,706	2,939,055	32,669
16. Net foreign currency (liabilities)/assets position (7 - 15)	(48,161,241)	(112,431)	(1,242,260)	(27,224)
17. Net monetary foreign (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(40,484,693)	(112,431)	(1,021,632)	(27,268)

(*) The Group 's net foreign exchange position is mainly due to long-term Euro denominated loans obtained to fund its investments. The Group is hedging for the foreign currency exchange risk arising from its Euro denominated long-term loans with export agreements signed with Ford Motor Group. The TRY equivalent of such loans amount to TRY 36,459,933 as of 31 March 2024 (31 December 2023: TRY 36,341,915). As of 31 March 2024, the Group has a total of TRY 8,273,905 (31 December 2023: TRY 6,150,750) of the product to be issued.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2023

	TRY Equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	32,350,425	11,180	983,033	2
2. Monetary financials assets (including cash and cash equivalents)	10,583,649	1,780	322,007	5,398
3. Other	5,105,263	-	156,701	23
4. Current assets (1 + 2 + 3)	48,039,337	12,960	1,461,741	5,423
5. Monetary financial assets	2,019,132	-	61,986	-
6. Non - current assets (5)	2,019,132	-	61,986	-
7. Total assets (4 + 6)	50,058,469	12,960	1,523,727	5,423
8. Trade payables	22,452,380	95,684	568,016	30,990
9. Financial liabilities (*)	29,082,573	-	892,818	-
10. Other monetary liabilities	416,438	145	12,652	-
11. Short-term liabilities (8 + 9 + 10)	51,951,391	95,829	1,473,486	30,990
12. Financial liabilities (*)	35,387,536	-	1,086,377	-
13. Other	15,480,052	236	475,015	-
14. Long-term liabilities (12 + 13)	50,867,588	236	1,561,392	-
15. Total liabilities (11 + 14)	102,818,979	96,065	3,034,878	30,990
16. Net foreign currency (liabilities)/assets position (7 - 15)	(52,760,513)	(83,105)	(1,511,151)	(25,567)
17. Net monetary foreign (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(42,385,724)	(82,869)	(1,192,837)	(25,590)

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

22. 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 March 2024

Appreciation/depreciation in foreign currency	Profit/(loss)/before taxation	
	Increase by 10 (%)	Decrease by 10 (%)
Change in USD against TRY		
USD net assets/(liabilities)	(362,985)	362,985
USD net assets/(liabilities)	-	-
USD net- gain/(loss)	(362,985)	362,985
Change in EUR against TRY		
EUR net assets/(liabilities)	(4,358,135)	4,358,135
EUR net hedged amount	3,645,993	(3,645,993)
EUR net- gain/(loss)	(712,142)	712,142
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(126,500)	126,500
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(126,500)	126,500

31 December 2023

Appreciation/depreciation in foreign currency	Profit/(loss)/before taxation	
	Increase by 10 (%)	Decrease by 10 (%)
Change in USD against TRY		
USD net assets/(liabilities)	(244,646)	244,646
USD net hedged amount	-	-
USD net- gain/(loss)	(244,646)	246,646
Change in EUR against TRY		
EUR net assets/(liabilities)	(4,922,410)	4,922,410
EUR net hedged amount	4,181,646	(4,181,646)
EUR net- gain/(loss)	(740,764)	740,764
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(108,993)	108,993
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(108,993)	108,993

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the period ended 31 March 2024 and 2023 are as follows:

	31 March 2024	31 March 2023
Total export amount	70,866,342	64,693,910
Total import amount	43,609,049	39,379,283

The Group’s net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk, the Company 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 Company’s interest rate sensitive financial instruments are as follows:

	31 March 2024	31 December 2023
Fixed interest rate financial instruments		
Financial assets	24,947,517	16,346,168
Financial liabilities	46,153,625	46,758,850

Floating interest rate financial instruments

Financial liabilities	43,042,389	40,407,921
-----------------------	------------	------------

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 95,014 at 31 March 2024 (31 December 2023: TRY 106,878) due to higher/lower interest expense.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

31 March 2024	Book value	Total contractual cash outflow	3 months	3 - 12 months	1 - 5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	76,597,251	85,045,339	558,750	32,568,118	48,290,369	3,628,102
Long-term other liabilities	11,445,428	12,055,010	-	-	12,055,010	-
Lease liabilities	1,153,335	1,548,665	97,601	292,802	1,078,667	79,595
Trade payables						
- Related party	10,488,975	10,554,697	10,554,697	-	-	-
- Other	56,769,873	57,484,897	57,484,897	-	-	-
Other liabilities						
- Related party	4,055	4,055	4,055	-	-	-
- Other	2,778,835	2,778,835	2,778,835	-	-	-
Derivative financial liabilities						
Derivative financial liabilities	111,815	111,815	-	111,815	28,204	61,411

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2023	Book value	Total contractual cash outflow	3 months	3 - 12 months	1 - 5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	73,906,062	84,191,016	6,327,515	36,722,409	39,266,412	1,874,680
Long-term other liabilities	12,266,137	12,982,814		-	12,982,814	-
Lease liabilities	994,573	1,575,662	99,303	297,906	1,097,471	80,982
Trade payables						
- Related party	11,332,878	11,390,830	11,390,830	-	-	-
- Other	49,150,561	49,807,720	49,807,720	-	-	-
Other liabilities						
- Related party	719,860	719,860	719,860	-	-	-
- Other	1,154,752	1,154,752	1,154,752	-	-	-
Derivative financial liabilities						
Derivative financial liabilities	187,776	187,776	-	187,776	-	-

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

22. 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 March 2024 and 31 December 2023, the Group ’s hierarchy table for its assets and liabilities recorded at fair value are as follows:

31 March 2024

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	447,834	-
Financial assets at fair value through OCI			
- Otokar	327,597	-	-
Total assets	327,597	447,834	-
Liabilities at fair value			
Derivative financial liabilities	-	111,815	-
Total liabilities	-	111,815	-

(*) 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).

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2023

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	444,346	-
Financial assets at fair value through OCI			
- Otokar	344,185	-	-
Total assets	344,185	444,346	-
Liabilities at fair value			
Derivative financial liabilities	-	187,776	-
Total liabilities	-	187,776	-

(*) 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).

23. CASH FLOW HEDGE OPERATIONS

Derivative financial instruments

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

The Group has hedged the interest rate risk arising from the cash flows of its EUR 150,000,000 loan, maturing on 16 December 2030, through an interest rate swap for financial protection. As of 31 March 2024, critical terms of the swap agreement, such as maturity, payment, and interest change dates, are aligned with those of the TRY loan subject to financial protection. The fair value of the swap transaction, calculated as of 31 March 2024, amounts to TRY 61.411 and is presented in the balance sheet under long-term liabilities.

The Group has hedged the interest rate risk arising from the cash flows of its EUR 100,000,000 loan, maturing on 21 August 2028, through an interest rate swap for financial protection. As of 31 March 2024, critical terms of the swap agreement, such as maturity, payment, and interest change dates, are aligned with those of the TRY loan subject to financial protection. The fair value of the swap transaction, calculated as of 31 March 2024, amounts to TRY 28,204 and is presented in the balance sheet under long-term liabilities.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

23. CASH FLOW HEDGE OPERATIONS (Continued)

	31 March 2024	31 December 2023
Derivative financial liabilities	111,815	187,776
	111,815	187,776

As of 31 March 2024, the Group bears the interest risk arising from the cash flows of the loans used, amounting to EUR 100,000,000 with a maturity of 5 November 2026 and EUR 100,000,000 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 March 2024. The fair value of the related swap transaction as of 31 March 2024 is TRY 436,087 and is presented under non-current assets in the financial position statement.

As of 31 March 2024, 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 March 2024. The fair value of the related swap transaction as of 31 March 2024 is TRY11,747 and is presented under non-current assets in the financial position statement. As of 31 March 2024, the Group has forward foreign currency purchase transactions amounting to EUR25,000,000 with maturity of 18 April 2024 and EUR25,000,000 with maturity of 29 April 2024, which are carried out for hedging against foreign currency risk arising from cash flows. The fair value of the related forward purchase transactions as of 31 March 2024 is TRY22,200 and is presented under non-current assets in the financial position statement.

	31 March 2024	31 December 2023
Derivative financial assets	447,834	444,346
	447,834	444,346

There is an effective foreign currency cash flow hedge relationship between foreign currency long-term financial borrowings related with investment expenditures (non-derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Group will associate a portion of estimated export revenue from 1 April 2013 to December 2030 with long-term financial borrowings.

	31 March 2024	31 December 2023
Cash flow hedge reserve		
Amount recognized in other comprehensive income	2,285,680	19,095,744
Amount recycled from other comprehensive income to statement of profit or (loss)	(976,691)	(6,243,238)
	1,308,989	12,852,506

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2024

(Amounts expressed in thousands of Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 31 March 2024, unless otherwise indicated.)

24. SUBSEQUENT EVENTS

On 18 April 2024, the Group issued bonds by selling them to qualified investors abroad in the format of "Rule 144A" and "Regulation S" to be traded on the Irish Stock Exchange. The nominal value of the bonds issued is USD 500,000,000, maturity is 5 years, coupon rate is 7.125% in annually.

At the meeting of the Group Board of Directors dated 6 March 2024, gross 43.30 full Turkish Liras (net 38.97 full Turkish Liras) per 1 full TRY share, at a gross rate of 4,330.00% (net 3,897%) and a total of 15,194,403 TRY decided to distribute cash dividends and this decision was approved at the Ordinary General Assembly meeting held on 3 April 2024 and the profit distribution was completed.

.....