



Ford Otosan A.Ş.

Ford Otosan First Quarter 2023 Financial Results Conference Call

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Conductors:

Mrs. Gül Ertuğ, Chief Financial Officer

Mrs. Bahar Efeoğlu Ađar, Head of Investor Relations

Conference Call Conducted by Chorus Call Hellas



CHORUS CALL HELLAS
PROVIDER OF TELECONFERENCING SERVICES
TEL: +30 210 94 27 300
FAX: + 30 210 94 27 330
Web: www.choruscall.com

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Gelly your Chorus Call operator. Welcome and thank you for joining the Ford Otosan A.Ş. conference call and Live Webcast to present and discuss the First Quarter 2023 Financial Results.

At this time, I would like to turn the conference over to Mrs. Gül Ertuğ, Chief Financial Officer, Mrs. Bahar Açar, Head of Investor Relations.

Mrs. Ertuğ, you may now proceed.

ERTUĞ G: Thank you very much. Very much appreciated. And I'd like to welcome everyone to our call. Thank you all for joining us today. It's good that now we managed to be together, but as you all know unfortunately in February, Turkey experienced a horrendous earthquake which affected 11 of our provinces. And right afterwards right after this event, we as Ford Otosan directed our focus and attention on the coordinating supports and aids, both physical and financial to help the region come back, by prioritizing urgent needs of the provinces in coordination with our crisis team and AFAD. Therefore, at the time unfortunately, we had to cancel our full year earnings call. So also once again, thanks for your understanding on that one. Finally, today, we are happy to be getting together again after a long time.

And before starting our presentation, inside, I'd like to share some highlights of the first quarter with you and maybe as a first sentence I would say, it has been an

overall successful quarter for us and it wasn't an easy period. Although, this period, we experienced some ongoing headwinds in the automotive sector such as the constraints. We were going through in supply chain and several challenges in logistics. Unfortunately, they continued. But despite that we were able to achieve successful results thanks to our swift adaptation to changing conditions, our agile structure flexible and quality manufacturing capabilities.

In this quarter, although, we had some microchip shortage. The ones who attended our earlier talks would remember. In fact, we were expecting the chip issue to go away at the end of the last year 2022. But unfortunately, we are still seeing its effects and due to that we had some trouble. But we managed to sustain our operations without big adverse impacts. And we are pleased with the production performance overall of our facilities in Turkey and Romania.

During this period, on the demand side, we experienced quite a strong domestic market in the pre-election period, in line with our expectations and we can still state that the market is still supply driven. Although, difficulties in supply chain were faced we gained market share and strengthened our position. Thanks to the collaboration with our long-standing partner Ford on the supplier base as usual for the success of commercial vehicles we were pleased with the prioritization in chip allocations, and the management in the overall master production schedule. As a result, we managed to become number two in the

overall market industry for Turkey. And increased our domestic volumes by 77%. And the general success point for the commercial vehicles, we are very proud to state that we again attained our number one position in the in the CV segments.

Not just the local market, but also in the export markets strong demand for Ford products has continued in Europe and we as the main supporter of Ford's leadership in the commercial vehicle segment with our flagship product portfolio inclusion of Craiova plants also supporting the outlook on year-over-year changes. Our export volumes went up by 72%, which also in line with our plans.

And as for the vehicle launches and the projects, we continue our next generation vehicle projects and electrification plans as we committed following the launch of all electric versions of Transit and Custom, plus the design reveal of our E-Truck in 2022 as a very recent development, we are proud to introduce our All-New E-Courier. In this ambitious growth and transition period we recorded TRY 66 billion revenues and TRY 5 billion net income. Although, we had incremental growth on the top line as we planned and shared with you in the previous meetings in this quarter, we saw some dilutive impact on our margins. In the rest of the presentation Bahar will speak more about that. But before getting to that, I'd like to highlight some key reasons I believe you would also be interested to hear them based on the comments I have read on social media after the declaration of our news last

night. I want to make some notes on the year-over-year margins for clarifying these results.

First of all, Craiova plant is currently in the transition period since the half year 2022. Because we are producing only the Puma product in Craiova, which is an ongoing product for already existing Ford involvement, Ford Existence in Craiova. It's not some place where Ford Otosan has entered yet. It is a passenger vehicle. We are continuing with that and what I would say in short summary is, our game hasn't started yet over there.

Ford Otosan signature will be coming in with the launch of the Next Generation Courier later this year. Therefore, sales revenue per vehicle doesn't include an investment recovery fee, which is an element of our cost-plus export agreements in addition to the profit mark-up. Then we see that in the later in the year. In fact, we will see the good news effect. Having said that though, I should also highlight that Puma itself is a very successful vehicle and having this opportunity under our production.

In fact, it is a positively affecting the success we see in Turkey domestic markets. So on a holistically, entrepreneurial look, even if it is not affecting the margins in that way it is affecting our overall success in a positive way. And like I said, after the completion of our investment for the New Courier and following that the Electric Puma. The contribution from Romania plant will improve essentially starting from year 2024.

Additionally, I should also highlight that almost all production units out of Craiova plant are exported. And the sales, after sales, service, spare parts related aspect of the business is after that point it is all conducted by Ford. Whereas if you contrast it with Turkey operations in Türkiye all of those actions are within the entrepreneurial capacity of Ford Otosan, which means that also contributes positively to our margins.

The different dynamics in the business needs. I believe it has to be taken into account in interpreting margins of Craiova and Türkiye. Also, necessary to note, when you compare commercial vehicle to passenger vehicle, we should also highlight that profit margins on passenger vehicles are lower than the commercial units.

Now with this highlights and opening, I would like to give the floor to Bahar for the rest of the presentation. And once we are done with that, we will be happy to take your questions. Thank you very much and floor is yours, Bahar.

AĞAR B:

Thank You, Gül hanım. Hi everyone, thanks again for being with us today. Let me continue with the domestic sales performance first. In the first quarter, total domestic market increased by 55%, compared to previous year. Whereas Ford Otosan performed better than the market with a significant year-on-year growth of 63% mainly driven by the higher performance in PC, HCV and LCV. In this period, the share of a CV sales in total market rose to 17% level from 13%, and we also doubled our sales in LCV segment. Next slide please?

As a result of our strong domestic performance, we were strengthening our position as our share reached to 10.5% and we became number two in the market. So, we maintain our strategy profitability over market share in PC segment, whereas in CV segment we keep our profitable growth strategy. As a result, we retain CV market leadership with 29% share. Although, in the beginning of this period, unfortunately, we suffered from semiconductor shortage, especially in MCV segment, which we have flagship products, which are Custom and Transit mainly.

In the export performance part, in this period European market went up almost 10% and it is mainly due to low base year impact and the market has reached to 433K units level. However, it is still below pre-pandemic figures as supply chain constraints continue to impact the market. Besides this performance in our main export markets seems to be supported by the e-commerce, home delivery business and acceleration in decarbonization trends. On the other hand, from the Ford's perspective, Ford is the Europe's number one CV brand for eight consecutive years and also in this period, strong demand for Ford products has continued and Ford Otosan has kept supporting the growth and leadership of Ford in the market with our competitive product portfolio.

And now let's move to truck's performance. In the international markets, strong performance in our precious and profitable truck business has continued in this period.

And the share of Western European sales reached to 60% in total international volumes. Furthermore, global expansion continues in Europe, I would like to share with you that as a recent development, last week, we appointed our distributor in Denmark, which is the first entry to Scandinavia. I'm proud to say that now our brand Ford Trucks are sold in 47 countries.

So, let's move on what happened since we last met. Maybe you recall that even though we were mentioning about the importance of Ford Pro business in our previous meetings, I would like to highlight once more some points of that business arm. As part of Ford's strategy after the restructuring, their business arms consists of Ford Pro, Model-E and Ford Blue. Let me give a brief information about that. Ford Blue for iconic Ford vehicles, Ford Model-E for electric and connected passenger vehicles and Ford Pro which mainly focusing on commercial vehicles were established globally. And we also introduced Ford Pro in Türkiye in 4Q of last year. Ford Pro mainly aims to accelerate productivity, improve uptime and lower operating cost of commercial customers through connected vehicles and services. In summary, basically, it includes vehicles, software, servicing and charging as a one-stop-shop concept to make commercial vehicle users', customers' life easier.

In the next slide, we will talk about the introduction of All-New E-Courier. So, following the successful launch of E-Transit and the introduction of New All-Electric Custom in 2022. We continue our electrification journey by

introducing All-New Transit Courier in the last quarter. So, the larger, smarter and fully connected features of next generation Courier will enhance its competitiveness especially, in the European and the UK markets. In addition to that we expect better performance in the domestic market as well. So, we will produce new Courier in our Romania plant. And we will see on the road firstly the ICE version in the second half of this year and then the all-electric later next year.

So, let's move on to the financial highlights of the first quarter. Our total revenues increased by 138% year-on-year and reached to TRY66 billion as a result of volume growth, both in the domestic and the export markets. While year-on-year changing export figures, which was supported by Romania plant inclusion. We benefited from a buoyant domestic market in the pre-election period and a slight improvement in the vehicle availability.

Additionally, our EBITDA almost doubled and realized TRY 6.8 billion in this period. And the main drivers behind this performance were strong domestic volumes, growth in our export units, ongoing pricing discipline, cost reduction measures and exchange impact on our export business. So, in this period, we recorded TRY 5.4 billion net income which is slightly higher than our PBT. Because the positive impact of deferred tax asset on our net income was partially offset by one of additional earthquake tax, which we had in the last quarter.

On this slide we will touch our margins. Although, we achieved an absolute and aggregate growth in our revenues and profit figures, as Gül hanım mentioned earlier, we experienced a dilutive impact on our margins in line with our expectations. So, Craiova Plant's transition period is one of the reasons behind this normalization. On the other hand from the EBITDA and PBT per vehicle perspective as you can see on the right part of this slide, with our successful operations, we were able to achieve similar levels what we had last year in the same period. We share this cost dynamics slide for your information. Let's move on to the other slide.

On this slide, I want to touch one point. As we all know that we are in the heavy capex period. Currently our Net Ddebt/ EBITDA level is at 1. And we are closely monitoring this ratio as part of our cautious approach. During the investment period, we aim to keep that level below the threshold, as our covenant ratio is 3.5x. We include next three slides for your information. So, we can move.

Right now, I stop here and Gül hanım will continue with our guidance slide. Then we will be happy to take your questions. Thank you again.

ERTUĞ G:

Thank you Bahar. Like I said in fact at the start of our talk, in the Q1 period, in fact, we have seen some strong demand both also in Turkey and in Europe. And in fact, we are getting the signals of possible upside potential for the rest of the year. But at this point in time, we are not

willing to update our guidance in the positive end. Because we would like to take some precautions regarding the upcoming election period. We would like to follow the impact of the follow-on effects. And if you like being sure reflecting into the guidance will be a more sensible operation in our view. Plus, we are also closely monitoring the action on the chip and vessel issues. The reason being even though there were earlier some talks regarding the recession possibilities in Europe and elsewhere.

However so far in fact, we haven't seen that effect yet. In fact, the order banks are strong. But as our products and in North America operation as the Kansas plant also moves, for certain chip availability in some instances, we think that there could be an allocation issue between us, our plant and Kansas plant. That's why for the time being, even if we see those incremental possibilities, upside positive potential, we wanted to keep our guidance for the retail sales volume within Turkey in between 90K to 100K. For the export volume, exports out of Turkey, we expect 355K to 365K.

And out of Romania, now this time we will see the impact of the entire year, not a half year, but 195K to 205K. Out of that the entire wholesale volume for Ford Otosan Including the built-up units that will be coming over to Turkey and sold in here. We expect 640K to 670K. Within the total production volumes as Turkey capacity increases has come to fruition, we see Turkey will be in between 430K to 450K. And Romania, we expect to have 200K to

210K volumes. Like I said later in the year, the next generation Courier will be within inclusive in these numbers. And out of this period, we are in the huge very intensive capex period. For our fixed asset investments, we expect to be in the band for EUR 1 billion to 1.1 billion investments. Out of that the product related investments will be constituting the larger portion of it. And we expect the general investments regarding our plants and infrastructure on the dimension of EUR 90 million to EUR 100 million.

I believe this concludes our slides right? And if that is so we can open it up for questions.

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

DEMIRTAS C: Thank you for the presentation and good results. My first question is about the trends in the export markets or international markets and the competitiveness of Ford Otosan in terms of pricing. We know that there is a fixed or like markup in your calculations, but I would like to understand how production in Turkey is competitive right now? And maybe you can compare with the Poland or other markets, do you see any pressure of stable Turkish lira at current levels whereas inflation is still rising? So, I would like to understand the impact of those trends? And of course the sustainable margin could be assumed. That's the margin in first quarter whether it will be sustainable or not?

And the other question is about the taxes on some incentives recently because of the earthquake. I'm hearing that some companies might go to court because especially from the international front, that kind of decision for the taxing of the incentives might not be based on just general regulations or something. It's the decision but some companies might go to court in the future regarding these penalties. It's not like an earthquake thing but it's not like a donation, it's like a penalty. So, I would like to understand is there any reaction from your side to this action, like a big amount of tax on that? Thank you.

ERTUĞ G:

Thank you very much for the question. Let me start with the tax related one. In fact when this was introduced, first we looked into what would be the timing of the payment? And initially, I will answer you in the way the information flew into us. First the payment period we learned that it would be in two installments. One coming in the month of April and then in August.

We looked into the legislation to understand what would be the best point to recognize this. And in fact, we were also in contact with Koc Holding. Because this issue, we were not the only one facing this. So, we also got some consultation. And upon looking into the legislative view, we understood that this had to be 100% fully recognized within the month of March. That's why TRY 1.8 billion that came to us as a hit. But also like you advised, looking into the action of both Koc Holding and several other companies, we understood that there could be the

possibility to take this up to the court to investigate it more. And our teams also took action in line with this. But nevertheless, we always keep number one priority to be on the fully compliant with whatever we have to do. That's why first we recognized this and if the end result of the court operation comes as good news, that will be some opportunity to be captured later in the process. But for the time being, we didn't want to fall into any uncompliant situation. That's why it is in our financials. And like maybe at first, personally I could say, since we learned about the cash outflow timing, in fact I was hoping that some part of it could be partitioned within the year. But that wasn't the guidance we received from our tax experts. That's why we held it like this.

Coming to your queries regarding costs. I think you are worrisome about the economic conditions in Turkey. Last year it was a very big pace of inflation. This year the pace of inflation is slower but we are still seeing it. That's why the TL denominated or the underlying currency TL related costs, we are seeing an increase over there. However, due to the measures taken on exchange, we are not seeing a parallel depreciation in Turkish lira. For this reason, the costs in Euro terms or FX terms are increasing.

I think the basis of your question is coming from that you asked about the competitiveness, whether or not this is sustainable. We think this is a very valid point, in fact, this is something we are also taking up with our partners Ford Otosan is a JV and our main customer is Ford Motor

Company. That's why it is an issue we are closely tracking. And we are not just relying on our business model. The supply contracts are giving us relief. In fact, it is giving us the guarantee that we are protected by cost-plus methods. That's why maybe on the short term it's okay. But in the further longer term, in order to keep competitiveness, we are not just taking advantage of the existing contracts.

We are very much aware, very mindful that. If this action is somehow not balanced. If it is not offset by some other means then you are right, the competitiveness would not continue. For that reason, in fact, we have a strong capability, strong muscle. On our cost controls, maybe not on the inflation front. That's some outside effect. But in our long history and not just us but also our supply base our cost focus and innovative approaches plus quality delivering the units right on time, in the right way. And with acceptable and high quality is an important measure. And bringing additional benefits into Ford World not just in the way of manufacturing but also supporting the engineering work. Plant vehicle teams, increasing the quality and the service.

The overall loyalty of the customer is an important benefit. As we look into this as an overall package and not just focusing on day to day let's say variable costs only but the investment efficiency. We are undergoing a significant amount of investment. And this investment is very highly efficient. It is in fact, the way Ford is placing a lot of importance on Ford and giving more and more

projects to Ford Otosan is a sign that when compared to other Ford locations or other places in the world.

The overall package, overall service package, not just labor costs, not just electricity or not just the incentives issued by governments. These are not only determinants of a decision, but the entire package is the determinant of the decision. And so far, even if we had headwinds on the costs, we were able to balance that with other benefits that we brought onto the table. For that regard, I think we are competitive. And after the election period, we think this current method the current state of the economy, we don't think it can be sustainable. We are expecting some changes in the policy. And when this happens, on top of what we have been able to do, in terms of cost, efficiency and quality. We'll be with certain depreciation in Turkish Lira we will again become very competitive. Because the transfer prices in Euro, when you see the depreciation in TL. That will come back to normal and even maybe better than earlier periods.

That's why for a longer term, we believe the competitiveness will be protected. But for the short term, we are with you and this is a concern to us. That's why in fact since we couldn't manage this inflation-related actions. We pushed more on the constant term cost reductions, in order to offset for the effects of the inflation.

I don't know if this is a good enough explanation for your question. I think you had one more piece regarding the

margins. You were talking about...how... what to expect maybe for the future in the margins. What I can say is, year 2022 was an extraordinary year and the markets being supply-driven markets. We made very good use of our pricing discipline and the margins were really healthy and high.

But with the inclusion of more and more export volumes in our mixes. And more and more electric vehicles coming into the game and now that we have Craiova, also at first we didn't have any passenger vehicles fitting into our mix, but now we will have important amount of passenger vehicles. I would say the 2022 levels of margins, we should all expect some normalization, some dilution over there. But we are not seeing this as a deterioration for our business, because it's in line with our growth model. What we wanted to achieve within Turkey's footprint and also within Craiova's footprint. It is in line with what we want to do, in reaching to an overall eventual capacity of 900K production.

We do not see this as an issue. The supply agreements we have put in place with Ford Motor Company, that is creating the future we wanted to have. That's why we expect some normalization, but we don't see this as a negative sign. I hope I have been able to answer your question.

DEMIRTAS C: Thank you, thank you, very clear Gül hanım, thank you very much.

ERTUĞ G: You're welcome.

OPERATOR: The next question is from the line of Lanka Sashank with Bank of America Merrill Lynch. Please go ahead.

LANKA S: Yes, thank you for the presentation and the opportunity to ask questions, I have two, if I may. The first one again is on the margin direction. I think EBITDA margin for Q1 was around 10.3% and we do understand the reason why you're talking about margin dilution. Given the expansions and the operations. But I just wanted to understand the trajectory for the remaining part of the year. Should we assume that the margins could further fall from here, as you ramp up even more the Romania plant expansion? That's my first question.

And the second question is, can you just talk about the demand trends within Turkey. I mean, you speak about domestic demand being strong, but any drivers for that demand and how we should look at it going forward? That would be very helpful, thank you.

ERTUĞ G: Thank you very much for the question. I think in order not to repeat what I said I think for the margin related question. I'm going to answer like this. As we include the next generation Courier into our product line up. And as we have also the next generation Transits coming up. Due to our business model, the investment recovery elements within those business models will come into picture, which will mean there will be some good news, some more improvements on the values. But like I said, this shouldn't

mean that over the course of like into the future. We will see everything just like it happened in 2022.

I don't think that is going to be the case. But with the inclusion of next gen MCVs and LCVs, we will see good news. For the demand, in fact, looking into our order banks and looking into the successful effect of Ford Pro for the case of export operations Ford Pro has been quite successful. Now they are on a trajectory of in fact increasing the market share. Thanks to the quality of the vehicle, plus it is now turning into a little bit of a more augmented product.

It is also coordinating the services, the service piece into it and as the traction for in the Ford of Europe continues, we think even if there could be maybe some slowing down in the market, that could be a possibility. But we are seeing that the take up on the products, the interest in the products is increasing. That's why over there the order banks are strong.

In Turkey, we still haven't seen any signal of people moving away. Yes, inflation is so high, there has been extensive pricing, but the demand is still there. And as an interesting case, maybe you could think if Turkey had such a horrendous earthquake there would be some GDP implications or there would be some other impact hitting you in a negative way.

Looking into our projections we think this is not the case, within 11 provinces, unfortunately, the earthquake was

covering a very huge area. But with that, now we see the need for new construction, which in return will mean a demand increase for our heavy commercial vehicle business and within the area, better logistics, better support, that also showed some demand increase on our light commercial vehicles.

And since from an overall market view, those 11 provinces were not the majority of our business going on. Even if maybe some of the dealers had some bad impact for some period. Because they were trying to bring their business back on track. We, as Ford Otosan's business, wholesale business, we didn't get adversely affected, because we were able to direct the business to elsewhere. So overall, I would say demand is still there, but we are speaking in a cautious way.

Because on the upcoming elections after 14th of May, we will possibly see certain changes both in government and the economic monetary policies. There will be certain changes over there and that impact, I should speak cautiously, not too early. But let's see the result and afterwards we should make a comment for the local demand.

Overall, I think if there were no election, if there were no other things, I would say just looking into the first quarter, in fact, one should say that industry is in fact going up, not going down. But we are cautious because last year when we were making these calls unfortunately, we had to make some downward updates on our

guidance. We don't want to see ourselves in that position. That's why we are saying we are keeping the same guidance with a just verbal note that there could be some potential upside on the demand. Provided that hopefully after election some very ambiguous or volatile environment doesn't take place.

LANKA S: Thank you.

ERTUĞ G: You're welcome.

OPERATOR: The next question comes from the line of Kilickiran Hanzade with JP Morgan, please go ahead

KILICKIRAN H: Hi Gül hanım, thank you very much for the presentation. I want to make a follow-up on the new model introduction. I think the New Custom model is going to be in the market by the fourth quarter of this year right? I'm not 100% sure about the timing of this new custom models. And I wonder if there is a deal completed with Volkswagen. That could impact 2024 volumes on the export side. And second, I know too many questions on the profitability but I just want to ask it in a different way. Do you see any potential for EBITDA per vehicle to come down after the introduction of all these EVs and also more exports on your portfolio?

ERTUĞ G: Hanzade, the second one I couldn't hear very well, can you please repeat the question?

HANZADE K: It is about the profitability, but more on EBITDA per vehicle number. So, you are already over EUR 2,000 in EBITDA per vehicle. And I just wonder with the introduction of these new EVs and also more exports. Could this number improve or decline?

ERTUĞ G: Bahar, would you like to take that up?

AĞAR B: On the Custom side, we are going to start the production of next generation Custom by the end of the third quarter of this year or in the beginning of the fourth quarter. On the EBITDA per vehicle side, with the rise of portion of EV sales and export sales in total and with the addition of passenger vehicles into our product portfolio we may assume some decline, some normalization in our EBITDA per vehicle levels in the upcoming period, in line with our EBITDA margin expectations.

HANZADE K: Okay I have a question on the new Custom model I just want to understand, because you have been talking about the deal with Volkswagen. Which was within the Ford Motor, obviously so is this going to kick in 2024? Or you still don't consider this new production in your model portfolio at the moment?

AĞAR B: We haven't seen the official announcement from Volkswagen or Ford that's why we cannot give any insight related to the Volkswagen products variants, detail and timing of the products before their official announcements. But we are sure that we are part of that strategic alliance. By having a common production

responsibility of both Volkswagen and Ford's 1 tonne commercial vehicles. But you may expect that it will happen after Custom product.

HANZADE K: Okay, so this announcement may come more in 2023 rather than 2024, right? I'm sorry, because I'm trying to understand which years I should be more careful in terms of the export pickup?

AĞAR B: You may expect that the launch of Volkswagen's 1 tonne commercial vehicle in the next generation will take place after Custom. After we start the production of Custom but we cannot give much more information on that side at this point.

HANZADE K: All right, thank you very much.

AĞAR B: Thank you so much.

OPERATOR: Ladies and gentlemen, there are no further audio questions at this time. We will now move on to our webcast participant written questions and I quote the next question is from Mr. Can Yurtcan with Wood & Co.

"Hi, thank you very much for the presentation. I have three questions. Could, you please provide more information pricing of the all-electric version of your vehicles? What will be the price differentiation between the ICE version and the all-electric versions of the vehicles?"

Secondly, could you please elaborate on the margin profile and the potential margin differential between the ICE and all-electric vehicles, Custom or Transit? Question three, in the medium term, i.e. by 2025, what percentage of your production volume will be derived from all-electric vehicles? Best regards, Can Yurtcan with Wood Co.”

ERTUĞ G: I think these questions are relating to a little bit of a more breakdown in our financials. We are not doing it that way but Bahar I would again be looking up to you for help. To what level, to what extent can we help on this one? We are not making a deliberate breakdown between ICE and BEV. Not in margins, not in prices, and not in volume projection. So, I'm thinking how we can give some answer which would satisfy the question.

AĞAR B: I interpret that Can Bey is asking for the end market prices of electric vehicles versus ICE versions as I understand from his question. At this point we don't have a price list of the markets but we can say that the cost basis of electric vehicles is much more higher than ICE versions. However, according to our export agreement with Ford, the mark-ups of ICE and EV models are similar that's why the rise of EV sales in total sales will have dilutive impact on our margins. Let me add one more point, Can Bey has a question of what percentage of your production volume will be derived from all-electric vehicles.

Right now it is at a small level because we only introduced E-Transit in the second quarter of 2022. And in two-

quarters period we were able to produce more than 13,000 k units. And you may assume some increase in the volumes of E-Transit in this year, in line with the increase in the order book. And in line with some agreement collaborations of Ford with some companies like DHL. For instance, as a recent development, DHL purchased around 2,000 E-Transit from Ford in order to extend their fleet and to transform their fleet with zero-emission vehicles. So as part of our sustainable approach at this point, we expect that by 2030 all of our PC sales in the European and UK regions will be zero-emission vehicles. And in the MCV and LCV side, by 2035 it will be zero-emission. Whereas in the heavy commercial vehicles, as the transition will take more time in the heavier vehicles, we expect to sell only zero-emission vehicles by 2040 in heavy commercial vehicles. So, our sales will be in line with these long-term targets.

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

ERTUĞ G: Thank you very much. It has been after so long time it has been so good to be together with you. And I don't know if ever we will be able to do this in person. But if that day comes, what I say is I will be looking forward to it. Thanks again, thanks very much for your time and we will be in touch. If there are certain questions that you wonder maybe after this call., our Investor Relations team, Bahar and Ekin, they are always here to support,

to get the questions and answer them. So, thanks very much.