



Ford Otosan A.Ş.

Ford Otosan First Quarter 2025 Financial Results Conference Call

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Conductors:

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Conference Call Conducted by Chorus Call Hellas



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

At this time, I would like to turn the conference over to Ms. Gül Ertuğ, Chief Financial Officer and Mr. Ünal Arslan, Corporate Finance Leader

Ms. Ertuğ, you may now proceed.

ERTUG G: Thank you very much. Hello everyone. Welcome to our First Quarter Financial Results presentation.

This time round, Unal and myself, we will be doing the presentation because now currently our friend, our colleague Bahar is on maternity leave. My friends from Investor Relations Department, Duygu Hamza will help us. So everybody welcome. Let's move to our presentation with the highlights.

So now we have concluded our First Quarter and in fact, as Ford Otosan internal reporting, I would like to say that we have concluded quite a successful quarter with respect to our budget and projections. We have beaten our internal targets. But while we were preparing for this call, last night we issued our results to the KAP platform and afterwards I had the chance to read several reports from your side.

Over there, I felt that maybe in this call we will need to make a little bit more detailed explanation on some of our financial treatments. One key topic showing up

is the in fact the effect of the inflation accounting reflecting in our figures. I think this has been something important because in this period when we compare the First Quarter 2025 to First Quarter 2024, the revaluation we have used in order to come up to the inflation level, in order to make it apple to apple, is 38%.

Whereas the euro appreciation versus Turkish lira is 17%. So this had an implication. Unal will talk more about on that one in the financial section.

Also, I think our treatment of the embedded lease concept, since we have Ford Motor Company as our key customer, we are in certain vehicle lines, we are doing most of the production and the wholesales to Ford Motor Company, we have to deploy this embedded lease concept and its treatments on the EBITDA calculation, I think it has been maybe not correctly represented on some of your reports. So we will leave some detailed session to make the explanations on them. Having said that, let me just touch on the very important key highlights coming from the First Quarter.

If we look into the domestic market, our performance in the domestic market, in fact now we are in the second position in terms of rankings. In the earlier talks we were always telling you that we are in number three position. Now we moved one notch up with a market share of 8.3% level.

And you know our key strength is commercial vehicles. In the total commercial vehicle market in Turkey, we are protecting our number one position with a 28.9%

market share. In this period, the domestic volumes have increased by 3% with respect to the First Quarter of 2024.

However, the revenues were down by 16%. And in this one, this effect of the inflation revaluation plays a role. As I said, Unal will go into the details for that one.

If we focus on the export performance, again very successful. And in line with our expectations, in line with our budget and projections, we have reached 140,000 export sales. Here the export volumes and revenues decreased 4%.

In fact, later in the presentation I will speak to the market a little bit. There has been some reduction in the export markets, but this is in line with our expectations when we were giving you our first guidance. To be honest with you, it is a little bit slightly better than that projection.

And other than the market, something specific to ourselves as Ford Otosan, you know we are currently in the ramp-up period of some of our newly launched models. The Puma Gen-E, Courier electric versions, BEV versions have been launched, and they are in the ramp-up period. In the earlier talks we had also informed you about our developments regarding the 1-Ton partner production.

Over there in December, we had told you that the partner production launches have come to life. And over there, within waves and bundles, we are continuing to deliver a successful ramp-up plan for also

the 1-ton partner volumes. So from where we look, things are in fact in line with our expectations and we are delivering our targets.

Currently the profitability level across the board on the consolidated company view, we were telling you that we are expecting some level of normalization in profitability because our business is shifting more towards exports units and more electrification is coming into the game. So that is also something planned and expected.

Out of this, we have been able to deliver an EBITDA margin of 7.8% and the average EBITDA per vehicle reached EUR1,856. Over here, I can also say that there is an improvement, there is movement towards the better end, so we are also successful on this one. For the financial section, Unal will give more details, but on this highlight section, I wanted to include our covenant multiplier, the net debt over EBITDA levels.

Now we have managed to bring this level to 2.03x, so it has improved very much since 2024 year-end levels. On the very right section of the page, you are seeing our new deliveries, new vehicles. The E-Courier and new Puma Gen-E have started the production, and they have obtained the phrase we use for going into the market. We call it, as maybe some of you will remember, okay to buy has been achieved and now these units are being dispatched to their intended target markets.

Currently, our capacity utilization is at 71%, Turkey is 67% and Romania is 80%. You will remember that in

the earlier talks, we had mentioned about the kickoff of the partner volumes, the overall enterprise capacity reaching the 934.5k. Within that capacity, especially regarding the partner, the ramp-up operation is still progressing. That's why at this point in time, it's not an anomaly or it's not a bad indicator that Turkey capacity utilization is at 67%.

We are ramping up also in that range. So let's move to the other slides. Over here, I just want to touch, like I'm not going to read all of it, but for the ones who remember this view, we can say that on all of the representation, in fact, our numbers have improved.

Out of Turkey's total vehicle production, now we are representing 31%, but the key thing, key important thing for us is the commercial vehicle production and for that one, we are representing the 86%. With respect to our position, our strategic position in Ford, now Ford Otosan is producing 78% of overall commercial vehicle sales in Europe. With our Puma, we also have an existence in the passenger vehicle.

With our Puma production, Ford Otosan's share in the Ford's passenger car sales in Europe reached to 40% and we are the undisputed leader of exports in Turkey. Now, we are representing the 91% of Turkey's commercial vehicle exports. This is a page that we are really proud of.

So let's move on to the maybe further details on some market dynamics. Let me start with the domestic market, Turkish automotive market. You see, in fact, this is essentially a passenger vehicle market.

Currently, in this quarter, the overall level is almost 79%. It's more than 1Q24 and within that one, the total, if you look into the total values, in fact, we see a market contraction of 7%. But when we look into this, I think we should also recognize the base impact of the First Quarter 2024.

You will remember that at that time, we were talking about the GSR regulation coming into play before that safety regulation kicks in. Everybody, all the OEMs wanted to sell their vehicles. There was the effect of the pre-election period. Also, there was the effect of the disabled individuals' certificate impact. Now, this was a strong base. From that base, it came down a little bit.

But like I said, even if we see that contraction with respect to our projections and plannings, it is still not at a drastically bad level. Maybe the pace in the months of January and February were kind of slow. But in March, especially towards the end of March, unfortunately, since the 19th of March, we have seen some developments in our country.

And later on, with some effects, global effects, coming through Trump actions, there has been some volatility, I would say increased volatility. But over there, we have seen an increased level of sales. Maybe just people having the signal that, okay, if things in the aftermath, after these developments, if the prices go up, or if there will be further volatility, this might have triggered some pull ahead of the demand such that

people purchased more. But overall, let's move to the following page. And let's look at how we did over there.

So as I said, we are in the number two position, we are the second level. And with respect to the overall change, in fact, we have lost some ground. However, I think I should emphasize over here that the last year disabled certificate application, this year, it no longer applies to us due to the changes deployed into the rules of that. And when you look into the details of the pages, maybe you will recognize that the Toyota brand has been seeing the positive impacts of those changes.

All in all, though, since we kept up our pace on the MCV, LCV, the ramp up effect of the, especially the LCV units caught up, and still we are progressing with the newly launched series, we have managed to keep our position on the LCV, we are in number one ranking. So with the base impact of the 1Q24, over there, you might remember we were telling that the deliveries to Turkey from Craiova were a little bit slow versus export. So that caught up, we have gained our momentum over there and going strongly.

On the MCV, we are undisputed leaders. And even though there has been from a number perspective, there has been a reduction. From the market share perspective, in fact, we have gained 2.9 points, currently reaching a market share of 37.6. And on the truck level, we are at the second position.

Maybe within all this listing, I should say that comparatively, from a demand perspective, the area where we are seeing the greatest contraction is on the

trucks units. So later when we delve well into the revenue makeup, you will see that the mixed impact within our sales has been different due to this, if we compare '24 to '25.

Let's move to the following page and look into the exports. We have been waiting for the ACEA report to highlight this page. Before that, some of you reading the earnings release have seen individual market data relating to UK, Germany, several others. Now on the page, we are able to see the final commercial vehicle market level.

And in fact, over there with the total sum of the EU plus UK markets, we are seeing a contraction of 12.4%. So in the First Quarter, we can say that the European demand has been down. The European van market is down by 11.9%. And European truck markets, even more. So this is showing the signs of demand coming down.

However, in this environment, Ford Motor Company kept its position. The number one ranking is intact. Plus, in fact, significant success on the take up of the vehicles because the market share now reached 19.3%. So year over year, there is an increase of 4.3%. And within this view, Ford Otosan is producing the 78% of the units over there.

We can say that it is very healthy. Even though the market is coming down, Ford has been able to gain up the market share. And again, maybe some of you who had the chance to attend the original guidance, when we were talking about the view, how we think of the

European market, we were saying that in comparison to 2024, we are expecting a reduction in the demand.

However, we were also saying that now, thanks to our 1-ton partner, we are entering the new era of also producing the nameplate Transporter, the one-to-one units for the Volkswagen. And with the step-up functionality of it, we will be seeing an increase. And in our financials, we are seeing that. Going forward into the remainder of the year, in fact, we will be seeing it more. That's why, even though there is this contraction, our physical performance has been much better than this.

Let's move to the following page. This time around, I wanted to give the breakdown of our markets explicitly, and I will speak to this page a little bit. Because I think now everybody is a little bit worried about the tariff situation. Now, after Mr. Trump came into his reins, his charge, there have been significant changes affecting the auto industry. And one common question we are getting from anybody, I would say, is how will this affect you? How will Ford Otosan get affected by these changes?

So, the answer to this question is, as the first hand, as the immediate impact, in fact, we are not expecting Ford Otosan to be adversely affected. Because on the screen, you are seeing our markets and the export breakdown out of our Turkey operations. 25% goes to UK, 19% Germany, 10% Italy, 8% France, 21% Western Europe, 11% Eastern Europe, and the other section is just 6%. You will remember that we are the

sole producer for the 1-ton units, the custom units. But in comparison to our overall production scheme, this is constituting a very, very little portion.

And if we look into the export breakdowns of Romania, where we ship those units from Romania, again, the biggest market is UK, 23%, Germany, 8%, Italy, 19%, France, 5%, Western Europe, 16%, Eastern Europe, 7%, and Turkey, where we are selling our Pumas and Couriers, Turkey is 20%. So, this page, I hope, explains that we, operating in Turkey and Romania, through the customs union actions, we are, in fact, a part of Europe. We can consider it like that. And our key destined markets are mostly European. That's why we are not going to have an adverse impact in the first round.

What I mean by that, looking into the future, if some of the other OEMs who were thinking of exporting to US, but because of these new trade changes, the tariff changes, if they happen to lose their chances in those markets, and if they come into our markets, we might have an effect. However, over there, in this action, I would like to mention the 19% levels of market share in Ford Pro, which shows that Ford's logic, Ford's value proposition for those markets really is working. It is quite intact.

The commercial vehicle space is a different space. It requires significantly customized units directly serving to the needs of the customers. Over there, we believe we have produced those vehicles, and we have put in place the necessary network to make those deliveries.

That's why we are not expecting an adverse effect out of this.

For our part business, you know, we also have, we are supporting some of the North America plants producing the two-ton. We have some part sales over there. It's not constituting a huge sum, but on some of those part numbers due to the tariff changes, we have seen an increase in their, in fact, that cost will be reflected to the North America Ford plants.

But we are not seeing a business-related risk because those parts are to be used in the production operations of the North America plants. So, what this essentially means is they will just cost a little bit more to them, but there is no business risk to Ford Otosan.

Let's continue to the following page. So, some very important key developments since our last gathering. On the left-hand side of the page, you are seeing our Puma Gen-E and E-Courier, our new babies. We have launched them. The OK to Buy is in place, and now the volumes are ramping up.

Everything's all good. And on the right-hand side of the page, we are showing a very important development for our Ford Trucks operations. You know Ford Trucks is an entrepreneurial part of our business and we have first completed the agreement between Ford Motor Company and Ford Otosan for the truck business and trademark licensing rights.

Now, this business has been extended to 2038. And right after that, in fact, in sync with that we have also

signed a joint development agreement between Ford Otosan and IVECO. Our intention is to co-develop the next generation heavy truck cabins, which will serve the EU safety and emission regulations.

Over there, we have declared an overall investment of EUR343 million in the shared development costs. And our production target timing for this new cabin is 2028. Let's move to the following page. And over here, I will leave the word to Ünal. Unal, the floor is yours.

ARSLAN Ü :

Thanks. Thank you, Gül Hanım. Hello, and welcome all. In terms of financials, I'll start with a very, very short summary. I can say that the First Quarter of this year, as Gül Hanım also mentioned, was in line with our plans and expectations. But before going into details of our First Quarter financials. I first want to talk very briefly about the impact of macroeconomics and accounting methodology on our financials, which helps to interpret quarter-over-quarter results better.

In fact, we have been talking those for almost all our webcasts. But just a reminder, as can be seen on the first box in this slide, top left box, 81% of our revenue is coming from export sales, for which Turkish Lira movement of our financials, which our financials are based, the TL movement driver is euro currency rather than inflation for us. Even for domestic sales, automotive sector in Turkey, pricing driver is not mainly inflation, but euro TL currency as well.

However, quarter-over-quarter analyses are done with inflation index figures from previous years, as you all know, and inflation rate is 38% for this period, last

year's quarter one to this year's quarter one. And whereas the euro strengthening at the same time against Turkish Lira was only 17%. So that's just a reminder.

And looking at our First Quarter financial highlights of this year 2025, our domestic revenue decreased by 16%, while domestic sales volume increased by 3%. Decrease in the revenue is mainly driven by lower exchange movement compared to inflation, as I just explained. Vehicle sales mix that I'll talk in the coming slides and lower pricing opportunity, especially in the passenger vehicle segment, because of increased competition.

Our export revenue decreases parallel to our export volume decrease by 4%. In fact, here as well, exchange movement was not in favor of our export revenue, whereas sales mix helped us to recover revenue reduction coming from exchange movement in export sales. And as a result, our total revenue decreased by 6%.

Our EBITDA also decreased from TRY15.6 billion to TRY12.5 billion. And excluding other items, EBITDA also decreased to TRY14.3 billion. Again, from TRY14.3 billion to TRY11.3 billion. Again, versus indexed numbers. These are in line with our expectations. EBITDA calculation includes add back of depreciation, as we all know, by the book, but also includes embedded lease release add back.

Again, this is by the book and with confirmation of the independent auditors, of course. Embedded lease

amount added back to the calculation of EBITDA for this period is amounting to TRY1.2 billion. And practically, this is no different than depreciation.

Embedded lease is coming from new one-ton vehicle investments in Turkey and Puma investments in Craiova. And these assets are classified under other receivables due from related parties in current and non-current assets in the balance sheet. You can see the total figure there.

That's an accounting treatment. And normally, previously if we didn't have any embedded lease -- these assets -- these line items -- these other receivables due from related parties line items were being booked into the fixed asset lines and being amortized accordingly. Currently, according to the accounting treatment we are just reclassifying these assets to these new other receivables due from related parties.

This is a lease asset line. And the expense is going to the lease release line which is offset in the revenue line. So, this is practically very much the same as depreciation. And that's why EBITDA calculation adds back that lease release into the amount. So, the total amount of these assets by the end of this quarter in the balance sheet is TRY2.2 billion. And you can just make the calculation.

These are being released throughout the life cycle of the products that are being produced out of these assets. If we come to the reasons of decreases in EBITDA, we can name slightly lower sales and lower

pricing capability in the domestic market, as I just mentioned above, because of increased competition and increasing export share in our overall business. It's 81% this year.

It was 79% previous year. Continuation of strong Turkish Lira versus Euro and lower for trucks and ranger sales in domestic market, which had a high profit margin last year. In parallel to the EBITDA, operating profit also decreased year over year by 37% to TRY7.8 billion with the same reasons I explained for EBITDA reduction, while keeping our operating expenses similar to previous year.

And when we come to the PBT and PAT decreases versus last year are 33% and 48% respectively. We continue to have monetary gain in PBT because of our high monetary liability position in the balance sheet but comparably lower than last year mainly because of lower inflation in the First Quarter of this year. It's 10%.

Previous year it was First Quarter of last year it was 15%. Although we have lower monetary gain compared to last year, we have higher other and financial income offsetting this impact and our PBT is TRY9.2 billion, again in line with our expectations. In terms of PAT though, we continue our investment subject to incentives, which continue to derive a good level of deferred tax income.

That's there as well. However, you see a significant increase in our IFRS tax expense quarter-over-quarter again, from TRY1.3 billion to TRY2.7 billion. This is

mainly coming from increasing cash flow hedge reserves in the equity because of euro strengthening against Turkish Lira in March, which creates a deferred tax liability and temporary differences in two books also, namely textbook and IFRS books.

Temporary differences also create a deferred tax impact depending on the direction, which is liability for this period, obviously. And these differences may change from period to period again, depending on the difference between CPI and PPI rates. Why?

Because as you all know, textbooks are indexed with PPI under inflation accounting, whereas IFRS books are indexed with CPI. And because we have huge tangible and intangible assets, that indexation difference may be significantly different in different periods in period-to-period. So this does not mean that the impact will be in the same direction or same amount for all quarters for the coming periods but it may differ according to the CPI and PPI movement.

So if we move to the next page, looking at our margins, although we see a decrease compared to the same quarter of last year for all profitability margins. We are both in line with our guidance in terms of EBITDA margin and better than margins we had in the previous quarter last quarter of previous year.

Quarter four of previous year other than net margin because of the reasons I mentioned a couple of minutes ago. Our First Quarter EBITDA margin is 7.8% down by 1.3 percentage points versus same quarter of last year. Operating margin is 4.8% down by 2.4

percentage points. And PBT margin is 5.7% again down by 2.3 percentage points.

As Gül Hanım already mentioned, we can say that First Quarter of this year was tough in terms of competition, Turkish domestic market, and did not leave much space for pricing. However, we managed to clear our comparably aged inventory, which had a negative impact due to inflation accounting for this quarter but good for the future.

And we also kept our focus on costs including operating expenses. Euro strengthening by mid of March against Turkish lira helped us to achieve higher margins than quarter 4 of 2014.

As you may remember, we have been talking about Euro movement's importance in our financials. And with that, our EBITDA per vehicle came to be EUR1,856, which was EUR1,906 last year which is very close to that and also much better than last quarter of 2024. In the next page, we see the EBITDA bridge versus the same quarter of last year.

Our EBITDA is TRY12.5 billion this quarter, down by TRY3.1 billion versus the same quarter of last year. However, again here, I want to mention that TRY15.6 billion of last year's EBITDA is the inflation index amount with 38%. And like our revenue, our profits movement is based on exchange, more specifically Euro TL exchange rather than inflation.

If we look at the movement very shortly, I can mention that our revenue is decreasing by TRY10.6 billion again

versus the inflation index amount. But similarly, cost of goods sold is decreasing as well by TRY6.8 billion. And as I mentioned in the previous slides, our operating expenses are very much similar to the previous year's level.

So, we ended up with TRY12.5 billion of EBITDA. Until this slide, I mentioned numerous times about Euro TL and inflation movements. Here, what we see in the left top box is in the First Quarter of this year, inflation and Euro TL movements are parallel, which we expect by the way, that's a good thing for us, by 10% and 11% respectively.

However, Euro strengthening happened only in the month of March. February year-to-date increase was only 4%, even below. So, we could see the good news coming from the exchange for only one month of the First Quarter. And also, from the First Quarter of last year to this quarter, Euro strengthening is only 17%, as I mentioned before, whereas inflation is 38%, which is the base for inflation indexation.

And interest rates, on the other hand shows a declining trend versus First Quarter of last year, which also kind of had a positive impact on the Turkish domestic market size. It shrank versus First Quarter of previous year. However, Gul Hanim already mentioned the reasons of the base impact for previous year. For this year, although it's lower than previous year's same quarter, the market size is higher than most of the expectations, I can say.

In the next slide, we have already talked about sales volumes and market shares. But what I can very shortly say on this data is in terms of revenues and also profits, I mentioned a couple of times sales mix issues. Here we see an increase of 3% in the domestic sales. However, for truck sales and ranger sales decreased by 25% and 45% respectively, which have higher revenues and profits per vehicle.

In the next slide, again we have discussed almost all line items of our income statement. You can see the embedded lease amount that I tried to explain a couple of minutes ago below as TRY1.2 billion for this period and it was TRY400.8, 0:33:57 million in the First Quarter of 2024.

In the next page, we will see the balance sheet figures and also cash flow figures. Our balance sheet is as always, as healthy as it always was. Our cash generation for this quarter is the right-hand side of the page, significantly positive. Net cash from operating activities is around TRY30 billion, thanks to the improvement we realized in networking capital.

That was the area we had been talking about in our previous couple of webcasts and we managed to improve that. And the net cash used in investing activities is lower. We made lower capital spending this quarter in line with our investment plans, which allowed us to reduce our cash need from financing activities and reduce our net debt level.

However, I need to mention that our investment plans are in place. Maybe what I can say is the

characterization of investments may differ. As a result of these positive developments in cash generation, we ended up in the First Quarter of 2025 with a cash level of TRY49 billion.

And in the next slide, regarding our financial indicators, our total financial debt increased by 2% only since the end of last year, whereas our cash level almost doubled. As a result, our net financial debt decreased by 20% to the level of TRY89 billion. In parallel to that, our net debt over EBITDA ratio is realized to be two times, almost two times, 2.03, which is lower than the 2024 year-end close.

And, as you know, our covenant, official covenant in some of our loans is 3.5 times, so we are well below our covenant level. And as I mentioned earlier, we will continue our investments as planned which will naturally have an impact on leverage depending on the exchange movement and EBITDA level along with planned investments. Covenant level may increase, but we don't foresee it exceeding 2.5 times sustainably.

And the last data point I will touch is the FX position here, which is at a reasonable level by TRY3.3 billion long. Now I will leave the word to Gul Hanim again for 2025 guidance. Thank you.

ERTUG G:

Thank you very much, Unal. In fact, maybe it will be a short talk over here because my key message is that we are keeping our guidance. We haven't changed any data over here. As far as we evaluate our business, everything is on track and we are progressing as planned.

In fact, if we think of the first three months action, both domestic and export markets, maybe we could even say that even if we see the contraction, it is slightly better than what we had originally anticipated. And in an earlier webcast, in fact, I had received the question, do you see an upside potential or a downside potential to your guidance?

The answer at the time I had given was, we have created a balanced view. As long as our launches, our plans, the ramp up plans and the launch plans are intact, there is the potential for an upward tick. So the numbers, the volumes, wholesales figures could be even better than this.

But if we see an issue in the launch cadence, it could be worse than that. I'm keeping the same position, even if the year adjusted, annual adjusted rate of the first three months indicates possibly a larger industry in Turkey. And with the success of the one-home partner Volkswagen units, there could be a potential for an upside.

We are not just releasing it yet. We want to be also cautious on that one, because I believe you are also curious about the increased interest levels, whether or not this volatility and this uncertainty is going to change some changes in the demand projection. So far, within our own order banks and within our own planning with Ford Motor Company, we haven't seen anything in contradiction to our original budgeting.

For that reason, we are keeping our plans as shown in the original guidance. So having said this, I think now it's time for your questions.

OPERATOR: The first question is from the line of Kilickiran Hanzade with J.P. Morgan. Please go ahead.

KILICKIRAN H: Good afternoon. Thank you very much for the presentation and clarification about this. And I just want to make a follow-up about your export performance. How do you see the order book after inventory optimization on Ford Motor? I mean, is it reasonable to assume export volume picking up by Second Quarter and an accelerated volume performance in the third and the fourth quarter? That's my first question.

And second is that does your margin guidance include the recent strength in Euro or I mean, if this Euro strength is going to stay, is it reasonable to assume that you are by far comfortable to achieve this? And maybe if things go right, you can even because that's not in your guidance. I'm not really sure about this.

And there has been some pickup in the opex over sales ratio in the First Quarter when compared to last quarter, I mean, fourth quarter. Is there any one-off item here or is it purely because of softer revenues, despite you continue on cost-cutting measures? Thank you.

ERTUG G: Thank you, Hanzade. Let me start with your first question. It's regarding the Ford Motor Company volumes over there. In fact, in the First Quarter, maybe

your question is referring to mostly the effect we are seeing in our tables regarding the two-tone units. Over there, we see a quarter-to-quarter decrease. And in fact, in the market share of Ford Pro, we are seeing that, in fact, the product is very, very successful.

Over there, Ford Motor Company itself also maintained the stock optimization strategy in their respective national sales countries and dealerships. So we can think that there is also a working capital enhancement going on in the Ford Motor Company end. But other than that, like I said, within our programming meetings and within the order banks, we are still seeing enough data to support the export volume we have shown on this guidance page.

We will be very carefully following the developments because I'm sure, I believe, it is also difficult for you, there are especially regarding these tariffs. There is a different notification, different explanation every day. If I picked up today's executive order in the morning, if I understood it correctly, maybe there will be further ease from Mr. President Trump coming on that one.

So we will be very cautiously watching the space to see where it settles. But over here, at this point in time, at least let me put it that way, at this point in time, we do not see an issue in our product projections. I believe the key strength we have over here is due to the nature of the products.

The products are highly customized. They are in line with the customer's needs. That's why any change

towards this in a very short period of time would not be possible.

And it's a successful one, both with the product hardware attributes and also thanks to the Ford Pro Services Network, the uptime, everything in line with the needs of the commercial vehicle customers. I think we have a strong position over there. Your second question was about the margin levels, right? How Euro...

KILICKIRAN H: It's about, I don't know whether the current strength in Euro was reflected in your guidance before. Probably not, right? I mean...

ERTUG G: For this, of course, the first three months actual with the calculations our reporting is in TL, the translation of the Euro revenues into TL, paying attention to the inflation accounting and the effects through the monetary gain, we have reflected everything that is happening in the first three months. You can take that as a given. For the rest of the year, when we are looking into our guidance, of course, we have a certain methodology for our forecasting.

We have assumptions for how we see the CPI, PPI, Euro TL levels, end of period levels, average levels, the Euro-dollar parity. So we are not disclosing them, but we are maybe as a comfort, I can tell you that with regards to the actual materialization, we are reflecting the latest forecast into this. I don't know if this answers your question fully, and if not, if you want to say something additional, please go ahead and jump in.

ARSLAN U: No, I think we can say in a short, as you just said, I mean, that reflects the latest Euro TL strengthening. It's not much, very much, but compared to previous year and last quarters, it's of course something for us. Not very much, but in terms of our business and profitability, Euro TL and Euro being stronger against TL is good. So we can say there's a range, our guidance is a range, and that range is, we can say, still valid.

KILICKIRAN H: All right, thank you. And about this inventory optimization in Ford Motor, I think that's a global theme. All global auto manufacturers are reducing the inventory now. I mean, since Ford Motor has already reached like 19% market share, I presume that they did quite right pricing and probably get rid of the inventory. So do you think that we may see acceleration because of this inventory optimization, I mean, maybe concluded in Ford Motor this time? I'm not really sure about this.

I try to understand which quarter we may see this pick up now on Ford Motor Otosan side so that you can, I mean, I don't have any concern around the guidance level. I'm trying to understand the timing.

ERTUG G: But maybe, Hanzade, maybe you will have to ask that question to Ford Motor Company, because like over here, I'm trying to explain as much as I can, but I also want to be careful with my position because I'm representing Ford Otosan, and I should be cautious not to say something wrong or maybe make an over-commitment on behalf of Ford Motor Company. I think that that is all I will be able to say at this point in time.

KILICKIRAN H: All right, okay, understood. No worries. Thank you very much.

ERTUG G: Thank you.

ARSLAN Ü: Did you have another question?

ERTUG G: Yeah, there was something else I think we missed.

ARSLAN U: Yes, Gul, maybe if you allow me, I can just mention about it. Hanzade, you asked about operational expenses also as your last question as far as I remember. So what I can say in short is there is not a standalone or one-off item in our operational expenses.

The ratio that you mentioned, opex over sales ratio, is because of revenues a little bit decreased. Operational expenses are kind of stable. They are mostly fixed costs other than marketing and sales expenses.

Part of sales expenses are variable, like distribution costs and warranty expenses, but they are kind of stable, and the ratio increased because of that.

KILICKIRAN H: Okay, thank you very much.

OPERATOR: The next question is from the land of Bystrova Evgeniya with Barclays. Please go ahead.

BYSTROVA E: Hello, good evening. Thank you very much for the presentation. Apologies, I may have missed that, but could you please explain what happened to your working capital in the First Quarter, which drove also your pre-cash flow?

YALINKILINC D: Thank you. Can you explain it once again, please?

BYSTROVA E: Sorry. Yes.

ERTUG G: If you can, Hamza -- Duygu, if you can go to the page, related page, maybe it will be easier to speak to that.

YALINKILIN DC: The question is, Evgeniya, about working capital, right? I mean, in the cash flow section, I mentioned about, I mean, net cash from operating activities is mainly, you know, coming from, in fact, in the detailed financials set, you can see that almost 18 billion Turkish improvement or cash-in is coming from networking capital improvement. So that's there.

What we improved is, you know, mostly trade payables. I mean, kind of adjusted our, you know, payable, not adjusted the same terms, but better management of payables and receivables, mostly we generated higher cash. And in terms of days, networking capital cycle days, you don't see that improvement here, Evgeniya, it's 28, 29, almost the same as previous year, Full Year, because this is a rolling calculation and this is just a date calculation over, you know, receivables and cost of goods sold throughout that period.

We will see the good news of that improvement throughout the year. That's our expectation. But in the First Quarter, from, you know, beginning of this quarter to end of First Quarter, we generated a huge amount of cash through our networking capital.

BYSTROVA E: Thank you very much. And do you expect that to normalize through the rest of the year in terms of your working capital? So there will be more maybe spending on payables through the rest of the year? Or should

that situation repeat? Or just if you could please provide any color. Thank you.

YALINKILINC D: It's not easy to say what will happen in the coming quarters. But what I can say is for now, our, you know, focus on networking capital will, of course, continue. In the previous quarters, we discussed about, you know, its importance, especially during the inflationary, you know, period. So we will continue to focus on our networking capital management. And what I can say is we will try to improve it further.

ERTUG G: Maybe I can add one more thing. In fact, with regards to the working capital, especially on the inventory level, one key challenge we had lived through in 2024 was the vehicle launches. You know, we have very complex derivatives, high derivative vehicles.

And when we are introducing new versions, the inventory, both in terms of part inventory and the vehicle inventory, it had to go up to significant levels.

Now within the year of 2025, in fact, we will still have some launches. The D-Wave bundles I have mentioned about. However, the size and the total count of those launches will be fewer. You can think that the most difficult period, the very challenging period was in 2024, and we have successfully managed it.

Going forward, we are expecting our performance on this end to be much, much better. And as things stand in the First Quarter, we are happy that we are seeing good performance on our launch levels. That's why,

especially for the inventory piece, we have a target to keep it at this reached healthy levels.

For the receivables management, for the Ford and the domestic actions, we have rules in place. We are running it well. And also for the payables, we are working with our supply chain in a healthy manner. We will be tracking their situation given this increased volatility and increased interest environment.

Maybe some of the suppliers might have a payment support request. Currently, we do not see such a need, but if such an action comes, we might take some action over there. So I'm expecting overall, '24 to '25, I'm expecting this level to be kept at its healthy position.

YALINKILINC D: Key reason being the launches.

BYSTROVA E: Yes, so because of the delayed launches, there was some type of inventory build-up which was released in the First Quarter.

ERTUG G: Yes.

BYSTROVA E: Okay, got it. Thank you.

OPERATOR: We have a question from the line of Demirtas Cemal with Ata Invest. Please go ahead.

DEMIRTAS C: Thank you for the presentation and congratulations for the results. My question is related to this lease revenue effect. I couldn't get the details or I didn't understand fully. If you could further elaborate it, a couple of minutes, it will be very helpful.

Because in footnotes, I didn't see anything. Maybe I'm missing it. Could you again, because I carefully tried to

listen to you, but maybe I didn't get it. But I would like to ask if you just a little bit elaborate, it will be helpful?

ARSLAN Ü :

Of course, Cemal Bey. Sorry, maybe I tried to be clear, but I'm sure that it's not that clear. So I'll try to explain. This is just, Cemal Bey, a classification of our, previously treated -- previously, you make an investment, you buy machinery equipment or build a plant.

Normally, it's a fixed asset in your accounts and you depreciate it. But rule says, both for IFRS and U.S. GAAP, by the way, if you have for just one specific product, that's our new one-tone product for now in Turkey and also Puma vehicle in Craiova as well.

If you have mostly just one customer, which is Ford for us here, and that mostly is described like more than 90% of your product from those assets is going to one customer, then you need to reclassify those assets from fixed assets to kind of leased assets.

And in our financials, if you look, I'm sure that you are looking at our financials in our balance sheet, that those accounts are named as, receivables due related parties. Other receivables due from related parties in the other section.

So it's both in the current and non-current asset section. So as you can just imagine, it's just a reclassification from fixed assets to the other receivables due from related parties, which is Ford here in that case. And what we do as a treatment is in the

fixed assets line, you depreciate the asset throughout the asset life.

In this treatment, what you do is you just, according to the volume, sales volume of that product throughout its, again, the product lifetime, you just release that leased asset. This is just a leased receivable. And its booking is not in the depreciation accounts. Its booking is in the revenue account as an offset, revenue offsetting account.

But you can think about it as exactly as the depreciation, as I mentioned. So just the booking lines are different, both in the balance sheet and in the income statement. So when you are calculating the EBITDA, you add back depreciation and you add back that amount as well so that you can reach a real EBITDA. Is that clear? I'm not sure, but.

DEMIRTAS C:

Yes, it's more clear, but about the rule, which TFRS, it's TFRS 16 rule. I know, but normally you're also selling through Ford, right? Motor company, most of your businesses. So this one is completely different. Is it the reason?

Because you have been already, in the export markets, you have a parent company or like the Ford related company. But I think this is very specific to the new developments or it's a change in the accounting that led you to do this application?

ARSLAN Ü :

It's not a change in the accounting treatment, Cemal Bey. It is because those new programs, new [Vantone] and Puma, over 90% of those products go to Ford. We

sell only even less than 10% or even 5% of those vehicles to other customers, let's say. That's the main reason. I mean, the rule looks at that one.

DEMIRTAS C: Okay. That's more clear now. But again, as a feedback, it would be very helpful if you in one, like one page for our educational purposes, maybe it will be helpful to put the previous one and the new one so that we can understand the changes in treatment. It will be very helpful.

It will save us time to understand it. If it's possible, it will be more, more welcome. But I understand the logic, at least. That's good. Thank you. Thank you very much for your time.

ARSLAN Ü: Sure. We will do that, Cemal Bey. Thank you. Thanks for the question.

DEMIRTAS C: Thank you.

OPERATOR: Ladies and gentlemen, there are no further audio questions at this time. We will move on to the webcast questions. Our first webcast question is from Murat Unur with Liberty Mutual Investments and I quote, I realize that Ford Otosan is shielded from tariffs given its export destinations. But what about the sentiment of customers?

We're hearing that Canadians are boycotting U.S. goods. Do you see anything similar happening in Europe with regards to Ford being an American brand?

ERTUG G: I can say that, especially for the commercial vehicle segment, we are not seeing such a thing because it is destined for the key individual particular requests and

needs of the customers. I believe the market share we have shown in the First Quarter reaching to 19% shows that. So, over here in the 1 ton, 2 ton, LCV segments, we are not seeing such an impact.

OPERATOR: Ladies and gentlemen, that was the last question. There are no further questions at this time. I would like to turn the conference over to Ms. Ertug for any closing comments.

ERTUG G: Thank you very much for your attention. I think this has been a very good and in some ways a very informative webinar. We have also taken your feedback and we will try to support you in these detailed questions furthermore so that once you get the data, it will be easier for you to understand and make your analysis over it.

So, thanks very much and take care until next time. Bye-bye everyone.