

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS FOR THE PERIOD**

1 JANUARY - 30 SEPTEMBER 2023

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2023

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FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION AS AT 31 SEPTEMBER 2023 AND 30 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

		Current period Not audited 30 September 2023	Previous period audited 31 December 2022
Summary Consolidated Assets			
Current assets		96,934,799	55,124,518
Cash and cash equivalents		30,555,827	10,114,706
Trade receivables			
- Due from related parties	22	16,513,502	18,656,099
- Due from third parties	7	14,631,606	7,194,845
Other receivables			
- Due from related parties	22	247,534	167,414
- Due from third parties		559,343	116,104
Inventories	8	29,402,853	13,854,008
Prepaid expenses	11	1,358,773	1,195,201
Other current assets		3,510,213	3,674,364
Current period tax related assets	20	-	151,777
Derivative financial instruments	24	155,148	-
Non-current assets		66,264,369	40,927,729
Financial investments	5	256,523	145,942
Trade receivables			
- Due from third parties	7	16,236	15,684
Other receivables			
- Due from related parties	22	1,474,235	1,153,083
Property, plant and equipment	9	32,260,734	20,145,190
Intangible assets			
- Other Intangible assets	10	10,236,097	6,950,343
- Goodwill		730,163	503,941
Right of use assets		247,148	164,475
Prepaid expenses	11	9,969,783	6,063,772
Deferred tax assets	20	10,459,495	5,374,582
Investments in subsidiaries, joint vent and affiliated companies		60,334	28,000
Derivative financial instruments	24	553,621	382,717
Total Assets		163,199,168	96,052,247

Summary consolidated Financial statements for the period ended 1 January - 30 September 2023 were approved for issue by the Board of Directors on 25 October 2023. Financial statements will be finalized after the approval at the General Assembly.

The accompanying notes form an integral part of these consolidated financial statements for the interim period.

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION AS AT 31 SEPTEMBER 2023 AND 30 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Current period Not audited 30 September 2023	Previous period audited 31 December 2022
Summary Consolidated Liabilities			
Current liabilities		77,564,543	46,205,980
Short-term borrowings			
- Bank borrowings	6	13,982,617	7,523,746
Short-term portion of long-term borrowings			
- Bank borrowings	6	11,086,344	5,619,141
- Lease liabilities	6	75,594	75,716
Trade payables			
- Due to related parties	22	12,654,458	4,529,401
- Due to third parties	7	34,331,660	25,616,845
Other payables			
- Due to related parties	22	-	73,169
- Due to third parties		1,576,423	662,186
Deferred income		377,323	151,546
Short-term provisions			
- Other short-term provisions	12	1,095,139	575,911
Employee benefit liabilities		2,321,140	1,255,686
Current tax liabilities	20	50,369	-
Derivative financial liabilities	24	13,476	122,633
Non-current liabilities		45,128,065	28,444,093
Long-term borrowings			
- Bank borrowings	6	28,409,747	18,175,044
- Lease liabilities	6	207,807	117,614
- Other long-term provisions	6	9,453,521	6,407,114
Long-term provisions			
- Provision for employment termination benefits		1,997,026	1,890,236
- Other long-term provisions	12	1,231,495	786,836
Deferred income		3,008,154	493,991
Other non-current liabilities		5,439	5,439
Deferred tax liabilities	20	814,876	567,819
Equity	14	40,506,560	21,402,174
Paid-in capital		350,910	350,910
Inflation adjustments on capital		27,920	27,920
Share premium		8	8
Other comprehensive income/(loss)			
not to be reclassified under profit or loss			
- Losses on remeasurements of defined benefit plans		(1,035,544)	(1,000,033)
Other comprehensive income/(loss)			
to be reclassified in profit or loss			
- Gains from financial assets measured at fair value through other comprehensive income		239,606	137,717
- Exchange differences on translation		7,098,398	1,674,943
- Losses on cash flow hedges		(11,360,210)	(4,881,384)
Restricted reserves		1,919,055	1,420,763
Retained earnings		18,172,570	5,057,387
Net profit for the period		25,093,847	18,613,943
Total liabilities and equity		163,199,168	96,052,247

The accompanying notes form an integral part of these consolidated financial statements for the interim period

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

STATEMENT OF PROFIT OR LOSS FOR THE PERIODS ENDED 30 SEPTEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Not audited 1 January 2023 - 30 September 2023	Not audited 1 July 2023 - 30 September 2023	Not audited 1 January 2022 - 30 September 2022	Not audited 1 July 2022 - 30 September 2022
Summary consolidated Continuing operations					
Revenue	15	225,960,890	86,105,537	110,857,477	50,127,391
Cost of sales	15	(191,319,123)	(71,408,900)	(96,297,973)	(44,440,293)
Gross profit		34,641,767	14,696,637	14,559,504	5,687,098
Marketing expenses		(3,684,687)	(1,481,666)	(1,691,843)	(606,218)
General administrative expenses		(3,463,003)	(1,596,952)	(1,206,535)	(537,148)
Research and development expenses		(3,162,320)	(1,154,357)	(939,048)	(357,362)
Other income from operating activities	17	9,044,565	2,241,713	1,901,721	497,049
Other expenses from operating activities	17	(4,315,655)	(1,009,365)	(1,207,631)	(436,461)
Profit from operating activities		29,060,667	11,696,010	11,416,168	4,246,958
Income from investing activities		628	479	13,030	7,833
Expenses from investing activities		(65,726)	(64,149)	(22,042)	(4,779)
Operating income before financial income/(expense)		28,995,569	11,632,340	11,407,156	4,250,012
Financial income	18	8,674,060	3,460,667	5,943,385	1,429,083
Financial expenses	19	(14,149,084)	(4,033,784)	(8,079,360)	(2,064,066)
Profit from continuing operations before tax		23,520,545	11,059,223	9,271,181	3,615,029
Tax income/(expense) from continuing operations		1,573,302	1,955,037	1,050,990	201,161
- Tax expenses for the period	20	(1,888,523)	(39,149)	(73,503)	(22,742)
- Deferred tax (expense)/income	20	3,461,825	1,994,186	1,124,493	223,903
Net profit		25,093,847	13,014,260	10,322,171	3,816,190
Earnings per share with a nominal value Kr	21	71.51 Kr	37.09 Kr	29.42 Kr	10.88 Kr

The accompanying notes form an integral part of these consolidated financial statements for the interim period

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 SEPTEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Not audited 1 January 2023 - 30 September 2023	Not audited 1 July 2023 - 30 September 2023	Not audited 1 January 2022 - 30 September 2022	Not audited 1 July 2022 - 30 September 2022
Summary consolidated Net profit		25,093,847	13,014,260	10,322,171	3,816,190
Other comprehensive income/(expense)					
Other comprehensive income not to be reclassified to profit or loss					
Gains/(losses) on remeasurements of defined benefit plans	14	(129,860)	9,161	(174,759)	(21,786)
Other comprehensive income taxes not to be reclassified to profit or loss					
Taxes relating to remeasurements of defined benefit plans	14	94,349	66,545	34,952	4,357
Other comprehensive income to be reclassified to profit or loss					
Gains/(losses) from financial assets measured at fair value through other comprehensive income	14	110,581	118,666	29,357	19,501
Taxes relating to cash flow hedges		(8,026,214)	(545,744)	(422,469)	(77,926)
Exchange differences on translation		5,423,455	464,205	230,249	230,249
Other comprehensive income taxes to be reclassified to profit or loss					
Gains/(losses) from financial assets measured at fair value through other comprehensive income	14	(8,692)	(9,096)	(1,468)	(975)
Taxes relating to cash flow hedges	14	1,547,388	97,101	34,428	960
Other comprehensive profit/(loss)		(988,993)	200,838	(269,710)	154,380
Total comprehensive income		24,104,854	13,215,098	10,052,461	3,970,570

The accompanying notes form an integral part of these consolidated financial statements for the interim period.

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 30 SEPTEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) 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 profit or loss	Gain/(losses) from financial assets measured at fair value through other comprehensive income	Gain (losses) on cashflow hedge	Foreign Exchange risk differences	Restricted reserves	Accumulated profit		Total equity
				Gains/(losses) on remeasurements defined benefit plans						Retained earnings	Net profit	
Balances at 1 January 2022	350,910	27,920	8	(125,723)		46,489	(3,191,233)	-	766,316	3,472,846	8,801,005	10,148,538
Transfers	-	-	-	-	-	-	-	-	454,428	8,346,577	(8,801,005)	-
Dividends	-	-	-	-	-	-	-	-	-	(4,561,830)	-	(4,561,830)
Profit for the period	10,322,171	-	-	-	-	-	-	-	-	-	10,322,171	-
Other comprehensive income/(loss)	-	-	-	(139,807)		27,889	(388,041)	230,249	-	-	-	(269,710)
Total comprehensive income	-	-	-	(139,807)		27,889	(388,041)	230,249	-	-	10,322,171	-
	10,052,461											
Balances at 30 September 2022	350,910	27,920	8	(265,530)		74,378	(3,579,274)	230,249	1,220,744	7,257,593	10,322,171	15,639,169
Balances at 1 January 2023	350,910	27,920	8	(1,000,033)		137,717	(4,881,384)	1,674,943	1,420,763	5,057,387	18,613,943	21,402,174
Transfers	-	-	-	-	-	-	-	-	498,292	18,115,651	(18,613,943)	-
Dividends	-	-	-	-	-	-	-	-	-	(5,000,468)	-	(5,000,468)
Profit for the period	25,093,847	-	-	-	-	-	-	-	-	-	25,093,847	-
Other comprehensive income/(loss)	-	-	-	(35,511)		101,889	(6,478,826)	5,423,455	-	-	-	-
	(988,993)											
Total comprehensive income	-	-	-	(35,511)		101,889	(6,478,826)	5,423,455	-	-	-	-
	25,093,847	24,104,854										
Balances at 30 September 2023	350,910	27,920	8	(1,035,544)		239,606	(11,360,210)	7,098,398	1,919,055	18,172,570	25,093,847	40,506,560

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 30 SEPTEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

The accompanying notes form an integral part of these consolidated financial statements for the interim period.

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD

ENDED 1 JANUARY - 30 SEPTEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

Note	Current period Not Reviewed 30 September 2023	Previous period Not Reviewed 30 September 2022
Cash flows generated from/(used in) operating activities	33,886,556	7,914,371
Net profit for the period	25,093,847	10,322,171
Adjustments to reconcile profit or loss	13,732,052	6,694,896
Adjustments for depreciation and amortisation expense	2,084,523	1,250,885
Adjustments for impairment loss of inventories	8,270	2,836
Adjustments for provisions related with employee benefits	1,478,228	708,841
Adjustments for lawsuit and/or penalty provisions	12,54,274	17,565
Adjustments for warranty provisions	12,1,424,732	634,124
Adjustments for other provisions	294,331	(9,851)
Adjustments for dividend income	-	(2,929)
Adjustments for interest income	18,(2,074,044)	(464,895)
Adjustments for interest expense	19,2,819,537	552,384
Adjustments for tax expenses	20,(1,573,301)	(1,050,990)
Adjustments for unearned financing income	17,(2,117,762)	(427,842)
Adjustments for deferred financing expense	17,2,576,718	776,010
Adjustments for loss on sales of property, plant and equipment	65,098	11,941
Other adjustments for which cash effects are investing or financing cash flow	8,691,448	4,696,817
Changes in working capital	(1,464,689)	(8,077,185)
Decrease/(increase) in trade receivable	(5,510,496)	(8,366,393)
(Increase)/decrease in inventories	(15,557,115)	(6,503,596)
(Increase)/decrease in prepaid expenses	(80,808)	(290,994)
Increase/(decrease) in trade payable	17,126,896	8,637,287
(Increase)/decrease in other assets	(1,036,957)	(1,681,376)
Increase/(decrease) in other liabilities	3,593,791	127,887
Cash flows used in investing activities	37,361,210	8,939,882
Interest paid	(2,360,938)	(727,879)
Interest received	1,830,738	329,007
Payments related with provisions for employee benefits	(435,844)	(36,613)
Payments related with other provisions	(822,233)	(431,925)
Taxes paid	(1,686,377)	(158,101)
Cash flows used in investing activities	(15,829,559)	(14,933,344)
Proceeds from sales of property, plant and equipment	45,734	16,980
Purchase of property, plant and equipment	(10,036,746)	(2,364,866)
Purchase of intangible assets	(1,817,438)	(1,372,326)
Cash advances given and payables	(3,988,775)	(4,388,596)
Dividends received	-	2,929
Cash outflows for payments to acquire control of subsidiaries	3,-	(6,825,590)
Cash outflows from capital increase/share purchase of subsidiaries	(32,334)	(1,875)
Cash flows (used in)/generated from financing activities	2,527,263	(27,634)
Proceeds from borrowings	6,18,571,451	16,763,827
Cash outflows related to borrowings	6,(11,174,673)	(12,327,358)
Dividends paid	14,(5,000,468)	(4,561,830)
Interest paid	(1,761,367)	(369,552)
Interest received	1,990,961	528,549
Cash outflows on debt payments from leasing agreements	6,(98,641)	(61,270)
Net (decrease) / increase in cash and cash equivalents before the effect of currency translation differences	20,584,260	(7,046,607)
Effect of foreign currency translation differences on cash and cash equivalents	(226,222)	189,416
Net (decrease)/increase in cash and cash equivalents	20,358,038	(6,857,191)
Cash and cash equivalents at the beginning of the period	10,109,622	14,106,240
Cash and cash equivalents at the end of the period	30,467,660	7,249,049

The accompanying notes form an integral part of these consolidated financial statements for the interim period.

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD

ENDED 1 JANUARY - 30 SEPTEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

1. ORGANIZATION AND NATURE OF THE OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the “Group Company”) is incorporated and domiciled in Turkey 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 presently operates as a joint venture between Ford Company and the Koç Group of 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 Company as of period ends are as follows:

	Average		Period End	
	2023 September	2022 September	2023 September	2022 December
Hourly	17,223	12,291	18,711	16,144
Salary	4,794	3,825	5,006	4,767
	22,017	16,116	23,717	20,911

Research and development operations which are also subject to service export is conducted with, in totally 2,263 employees as of 30 September 2023 (31 December 2022: 2,089).

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 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. Public Oversight Accounting and Auditing Standards Authority (“POA”) made an announcement on 20 January 2022 about Application of Financial Reporting in Hyperinflationary Economies for Turkish Financial Reporting Standards and Reporting Standards for Large and Medium Sized Entities..

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD

ENDED 1 JANUARY - 30 SEPTEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies for the year 2022. As of the preparation date of this financial statements, POA did not make an additional announcement and no adjustment was made to this financial statements in accordance with TAS 29.

The financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 4 October 2022 by POA and the format and mandatory information recommended by CMB. The Company prepared its condensed interim financial statements for the period ended September 30, 2023 in accordance with TAS 34 “Interim Reporting” standard. Interim condensed financial statements do not include all the information required for the annual financial statements and therefore they should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

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.

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”). 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/TFRS 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) 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/TFRS, 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 ANONİM ŞİRKETİ

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD

ENDED 1 JANUARY - 30 SEPTEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) 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 30 September 2023 and 31 December 2022, 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:

		30 September 2023		31 December 2022	
	Functional currency	Suffrage	Effective partnership rate	Suffrage	Effective partnership rate
Ford Romania SRL	Romanian Leu	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 Summary Consolidated financial statements of the Company are prepared on the basis of a going concern assumption.

Comparatives of prior periods' financial statements

The 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 30 September 2023 has been provided with the comparative financial information of 31 December 2022 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 - 30 September 2023 have been provided with the comparative financial information, for the period between 1 January 2022 - 30 September 2022.

2.2 Amendments and interpretations in the standards

The new standards, amendments and interpretations

The Group has applied the new and revised standards and interpretations issued by the KGK as of 1 January 2023 and related to its own activity.

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD

ENDED 1 JANUARY - 30 SEPTEMBER 2023

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

a. Standards, amendments, and interpretations applicable as of 30 September 2023:

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. This change has no impact on the financial position and performance of the Group.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. This change has no impact on the financial position and performance of the Group.
- **IFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

However, in the letter of the Public Oversight Agency (POA) to the Association of Insurance, Reinsurance and Pension Companies of Turkey dated 06.04.2023, insurance, reinsurance companies and pension companies, banks that have partnerships/investments in these companies and those that have partnerships/investments in these companies. It has been reported that it has been concluded that it would be appropriate to apply TFRS 17 as of 1/1/2024 in the consolidated and individual financial statements of other companies. This change has no impact on the financial position and performance of the Group.

- **Amendment to IAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. This change has no impact on the financial position and performance of the Group.

b. Standards, amendments, and interpretations that are issued but not effective as of 30 September 2023:

- **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. This change has no impact on the financial position and performance of the Group.
- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. This change has no impact on the financial position and performance of the Group.

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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements;** ; effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis. This change has no impact on the financial position and performance of the Group.
- **IFRS S1, ‘General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain. This change has no impact on the financial position and performance of the Group.
- **IFRS S2, ‘Climate-related disclosures’;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. This change has no impact on the financial position and performance of the Group.

2.3 Summary of significant accounting policies

Condensed consolidated financial statements for the interim period ended 30 September 2023 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 consolidated financial statements as of 31 December 2022, 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 2022.

Business combinations and goodwill

A business combination is an event or transaction in which the acquirer gains control of one or more businesses. Business combinations realized by the Group are accounted for using the purchase method within the scope of TFRS 3 “Business Combinations” standard. In this method, the acquisition cost includes the fair value of the assets given at the acquisition date, the equity instruments issued, the liabilities assumed or incurred at the date of the exchange, and the additional costs attributable to the acquisition. If the business combination agreement includes provisions that the cost can be adjusted depending on future events; If the adjustment is probable and its value can be determined, it is included in the merger cost at the acquisition date. The difference between the acquisition cost of a business and the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business is accounted for as goodwill in the consolidated financial statements. Goodwill arising in a business combination is not amortized, but is instead tested for impairment annually (as of 31 December) or more frequently when circumstances indicate impairment. Impairment losses calculated on goodwill are not associated with the profit or loss statement in the following periods, even if the said impairment disappears. Goodwill is associated with cash-generating units during impairment testing. If the acquirer's share in the fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the business combination cost, the difference is associated with the consolidated statement of profit or loss.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Important Developments Regarding the Current Period

During the Covid-19 pandemic, due to the increasing demands of many sectors for electronic components (microchips), there are difficulties in the supply of in-vehicle electronic components, which have been used more intensely in the automotive sector in recent years. Our main partner, Ford Motor Company, works with its global suppliers to ensure the efficient use of materials belonging to electronic components by giving priority to the solution of the problem and main production lines.

Although there were some slowdowns in the daily production pace in the first quarter of the year within the scope of supply problems in semiconductor materials, Company’s production activities continued with the effective management of the process.

2.5 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 7).
- (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 8).
- (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 12).
- (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 30 September 2023 and 31 December 2022 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 20).
- (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 9 and 10).
- (h) The company capitalizes ongoing development expenditures and evaluates whether there is an annual depreciation of these capitalized assets. As of 30 September 2023 and 31 December 2022, there is no impairment of capitalized development expenses (Note 10).

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3. BUSINESS COMBINATIONS

The Group has purchased all of Ford Romania SRL shares on 01 July 2022. Ford Romania SRL manufactures cars and engines at its Craiova factory.

Pursuant to the contract, the purchase price calculated as TRY7,119,047 (406 million Euros) after adjusting the net working capital and investment amount for the Next Generation Courier project, considering cash and debt-like assets based on the estimated financial statements dated 30.06.2022.

The first installment has been paid on 30 June 2022. After the calculations made on the balance sheet amounts of Ford Romania SRL dated 30.06.2022, an additional payment of TRY256,073 (13 million Euros) was made on 30 December 2022. 196 million Euros including interest will be paid in June 2025, and 23 million Euros including interest will be paid in December 2028. In addition, an additional payment of up to 140 million Euros including interest will be made, depending on the capacity utilization rate of the Romanian plant for the years 2028-2034.

Contingent and deferred acquisition costs amounting to TRY5,496,234 (as of September 30, 2023 shown as TRY9,453,521 under “other long-term borrowings”) calculated by the Group management as of July 1, 2022, were included in the purchase price, and taken into consideration in goodwill calculation in accordance to acquisition accounting. As of 31 December 2022, the total value calculated by the Group management according to the best estimates is TRY12,871,354.

Within the scope of TFRS 3, the differences that will occur due to operational results in the following period in the amount accounted as contingent payment will be recognized in the consolidated statement of profit or loss. The Group has provisionally accounted for the difference between the total amount of the acquisition and the net assets acquired for the said purchase in accordance with the provisions of TFRS 3 “Business Combinations Standard”. The purchase price and the fair values of the acquired assets and liabilities within the scope of TFRS 3 are summarized in the table below.

Purchase price-cash	7,375,120
Total contingent and deferred purchase price	5,496,234
Total purchase price	12,871,354
Cash and cash equivalents	293,457
Trade receivables	2,234,962
Other receivables	386,354
Inventories	3,516,501
Prepaid expenses	147,078
Other current assets	442,018
Property, plant and equipment	9,153,765
Right of use assets	31,634
Intangible assets	3,234,243
Trade payables and Other payables	(5,554,079)
Deferred tax liabilities	(488,610)
Other non-current liabilities	(967,782)
Value of total identifiable net assets	12,429,541
Goodwill *	441,813
Total purchase price	12,871,354

* Goodwill value changes in the statement of financial position due to the conversion of Ford Romania SRL's functional currency into Turkish Lira.

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3. BUSINESS COMBINATIONS (Continued)

The details of the cash outflow from the acquisition are as follows:

Total purchase price - cash	7,375,120
Cash and cash equivalents - acquired	(293,457)

Cash outflow from the acquisition (net) **7,081,663**

With this acquisition, the Group aims to expand its fields of activity by starting production abroad. In addition to production and supply agreements with Ford Motor Company and related Ford Group Companies for Courier, Puma, EcoSport models, engines and spare parts, the Group has signed technology and production license agreements with Ford Motor Company for these products.

Currently, Puma passenger car model and 1.0 liter EcoBoost gasoline engines are produced at the Craiova Facility; the production of the Puma model will continue and it is planned to start the production of the fully electric version as of 2024. In addition, the Van (Transit Courier) and combi (Tourneo Courier) versions of the New Generation Courier vehicle model, whose design and engineering will be developed by Ford Otosan, are expected to be produced at Craiova Facilities in order to replace the Courier vehicle whose production will end in 2023 at the Yeniköy plant. It is expected that the internal combustion engine versions of the New Generation Courier model will start production in 2023 and the fully electric versions in 2024. Agreements covering the main supply conditions, technical details and investment commitments for the New Generation Courier for the vehicles and engines to be produced at the facility, including the New Generation Courier, were mutually signed with Ford.

Within the scope of these agreements, Craiova Factory's vehicle production capacity will increase to a total of 272 thousand units per year, New Generation Courier production of up to 100 thousand units and Puma production of up to 189 thousand units yearly, according to production plan. The engine production capacity was determined as 350 thousand units. In addition, within the scope of the supply agreements, 490 million Euros of investment and engineering expenditure is foreseen for the production of the New Generation Courier, which will start in 2023, within three years after the material event announcement made on July 1, 2022.

It is envisaged that a significant portion of the vehicles to be produced will be sold to Ford Motor Company or its subsidiaries, priced with the cost plus method of sales, and the investment costs will be transferred to Ford Motor Company through sales.

Revenue and profit contribution

Ford Romania SRL contributed TRY49,230,871 revenue and TRY12,959 net profit excluding TFRS 3 adjustments to the Group from 1 June to 30 September 2023.

Key estimate: contingent price

According to Ford Romania SRL's expected capacity utilization rates for the period 2028-2034, an additional payment of EUR112,677 thousand in cash can be made on 31 December 2028. This contingent consideration is accounted for as a financial liability. The possible undiscounted amount to be paid within the scope of the agreement is EUR122,920 thousand for 80% capacity and above, EUR102,434 thousand if the capacity ratio is between 65% and 80%, EUR40,973 thousand if the capacity ratio is between 55% and 65% and below the 55% capacity ratio is set to be zero.

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3. BUSINESS COMBINATIONS (Continued)

The fair value of the contingent consideration of EUR112,677 thousand has been estimated with the probabilities created by the current capacity utilization rates of all production facilities.

Key estimate: customer contracts

During the acquisition, the Group management considered the production and supply contracts of Ford Romania SRL with Ford Motor Company and other Ford Group companies as a single contract and, in this context, recognized the "Customer contract" amounting to TRY3,234,243 in intangible assets.

It is assumed that the life of the relevant contracts (11 years) will be extended by another contract life (22 years) and the fair value of the customer contracts is calculated in this way.

The Group management also used discounted cash flow projections based on reliable estimates of the future cash flows of the related contracts in calculating the fair value of customer contracts. Discounted cash flow projections include estimated profitability rates and pre-tax discount rate (13%).

Deferred purchase price

EUR195,715 thousand including interest payable in June 2025 and EUR23,307 thousand, including interest payable in December 2028, are discounted with the 2% interest rate determined in the purchase agreement and accounted for a total of EUR204,918 thousand, which is the fair value on the date of purchase.

4. SEGMENT REPORTING

The Group, which is incorporated and domiciled in Turkey, 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.

5. FINANCIAL INVESTMENTS

	30 September 2023		31 December 2022	
	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	256,523	0.59	145,942
		256,523		145,942

(*) The Company's shareholding in Otokar was stated at market value at 30 September 2023 and 31 December 2022 which is assumed to approximate its fair value.

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6. FINANCIAL LIABILITIES

Short-term financial liabilities

Bank borrowings

	30 September 2023		31 December 2022	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- EUR	7.25	9,167,870	3.49	2,020,920
- TRY	19.50	4,814,747	21.18	5,502,826
		13,982,617		7,523,746

Short-term portion of long-term financial liabilities

Bank borrowings

	30 September 2023		31 December 2022	
	Effective interest rate (%)	TRY Amount	Effective interest rate(%)	TRY Amount
- EUR	4.92	11,086,344	2.37	5,619,141
		11,086,344		5,619,141

Lease liabilities

	30 September 2023		31 December 2022	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- EUR	14.29	9,960	4.70	31,765
- TRY	33.90	65,634	25.34	41,498
-USD	-	-	1.95	2,314
-Other	-	-	-	139
		75,594		75,716
		11,161,938		5,694,857
Total short-term financial liabilities		25,144,555		13,218,603

Long-term financial liabilities

Bank borrowings

	30 September 2023		31 December 2022	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- EUR	5.93	28,409,747	3.08	18,175,044
		28,409,747		18,175,044

Lease liabilities

	30 September2023		31 December 2022	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- EUR	20.68	9,633	3.74	22,193
- TRY	41.42	198,174	25.63	89,229
- USD	-	-	-	6,192
		207,807		117,614

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6. FINANCIAL LIABILITIES (Continued)

Other long-term financial liabilities

	30 September 2023		31 December 2022	
	Effective interest rate (%)	TRY Amount	Effective interest rate (%)	TRY Amount
- EUR	2.00	9,453,521	2.00	6,407,114
		9,453,521		6,407,114
Total long-term financial liabilities		38,071,075		24,699,772

The amount classified under other long-term payables consists of the instalments that the Group has to pay in 2025 and 2028 when it acquired Ford Romania SRL's shares on 1 July 2023. This amount has been determined according to the best estimation of the Group management as of 30 September 2023.

The payment schedules of long-term bank borrowings as of 30 September 2023 and 31 December 2022 are as follows:

Payment Period	30 September 2023	31 December 2022
2024	2,962,677	6,167,124
2025	10,725,241	4,330,694
2026	7,886,208	4,079,397
2027	3,022,964	1,510,983
2028	2,772,947	1,420,791
2029	544,615	348,889
2030	495,095	317,166
	28,409,747	18,175,044

The letters of bank guarantee given to financial institutions in connection with borrowings amounting to TRY3,277,789 (31 December 2022: TRY2,704,765) (Note 12).

The movement of financial liabilities as of 30 September 2023 and 2022 is as follows (Note 3):

Payment Period	30 September 2023	31 December 2022
2025	5,489,613	3,720,580
2028	3,963,908	2,686,534
	9,453,521	6,407,114

The movement of financial liabilities as of 30 September 2023 and 2022 is as follows:

	2023	2022
1 January	37,918,375	19,056,227
Cash inflows from borrowing	18,571,451	16,763,827
Cash outflows from borrowing	(11,174,673)	(12,327,358)
Cash outflows related to debt payments arising from lease agreements	(98,642)	(61,270)
Unrealised foreign exchange differences	16,793,043	4,889,037
Change in accrual of interest	1,058,168	
182,832		
Changes in TFRS 16 - lease liabilities	147,908	
68,090		
Contingent and deferred purchase price to be paid to the related party	-	5,720,592

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30 September	63,215,630	34,291,977
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7. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

	30 September 2023	31 December 2022
Trade receivables	14,902,627	
	7,296,635	
Doubtful receivables(*)	229,629	229,629
Less: provision for doubtful receivables	(229,629)	(229,629)
Less: unearned credit finance income	(271,021)	(101,790)
	14,631,606	7,194,845

(*) The portion of TRY225,139 of the doubtful receivables amount is related to the dealers involved in the fraud process.

The average turnover of receivables related to vehicle sales to domestic distributors is 30 days (31 December 2022: 30 days), domestic sales of spare parts turnover is 70 days (31 December 2022: 70 days) and discounted by 3.33% monthly effective interest rate (31 December 2022: 2.00%).

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

Long term trade payables

	30 September 2023	31 December 2022
Trade receivables	-	14,000
Deposits and guarantees given	16,236	1,684
	16,236	15,684

Trade payables

	30 September 2023	31 December 2022
Trade payables	34,763,203	25,793,431
Less: unearned credit finance expense	(431,543)	(176,586)
	34,331,660	25,616,845

The average turnover of trade payables is 60 days (31 December 2022: 60 days) and discounted by 3.33% monthly effective interest rate (31 December 2022: 2.00%).

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Group credit risk as of 30 September 2023 and 31 December 2022 is as follows:

30 September 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 22, 7)	16,513,502	14,647,842	1,721,769	559,343	30,467,660
- The maximum of credit risk covered by guarantees	3,971,888	12,574,456	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	15,689,202	14,019,172	1,721,769	559,343	30,467,660
Net book value of financial assets that are overdue but not impaired	824,300	628,670	-	-	-
- Amount of risk covered by guarantees	-	628,670	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	229,629	-	-	-
- Provision for impairment (-)	-	(229,629)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2022	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Note 22, 7)	18,656,099	7,210,529	1,320,497	116,104	10,109,622
- The maximum of credit risk covered by guarantees	1,837,306	7,210,529	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	18,043,926	7,173,853	1,320,497	116,104	10,109,622
Net book value of financial assets that are overdue but not impaired	612,173	36,676	-	-	-
- Amount of risk covered by guarantees	-	36,676	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	229,629	-	-	-
- Provision for impairment (-)	-	(229,629)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

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

30 September 2023	Trade receivables	
	Related party	Other
1 - 30 days overdue	267,840	575,263
1 - 3 months overdue	135,455	11,508
3 - 12 months overdue	253,242	26,890
1 - 5 years overdue	167,763	15,009
	824,300	628,670
Risk covered by guarantees	-	628,670

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 2022	Trade receivables	
	Related party	Other
1 - 30 days overdue	94,944	21,052
1 - 3 months overdue	185,010	1,180
3 - 12 months overdue	323,555	10,136
1 - 5 years overdue	8,664	
	4,308	
	612,173	36,676
Risk covered by guarantees	-	36,676

8. INVENTORIES

	30 September 2023	31 December 2022
Raw materials	13,039,372	9,325,420
Finished goods	7,515,160	2,311,334
Goods in transit	4,649,595	989,782
Vehicle spare parts	1,213,670	734,836
Import vehicles	1,927,275	9,708
Spare parts	341,010	183,421
Other	749,503	323,969
	29,435,585	13,878,470
Less: provision for impairment of finished goods and vehicle spare parts	(32,732)	(24,462)

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29,402,853 13,854,008

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8. INVENTORIES (Continued)

The allocation of fixed production overheads to finished goods costs of conversion is based on the normal capacity of the production facilities.

The Group has accounted the expenses due to the impairment of inventories as part of cost of sales and the movement in the balance within the year is as follows:

	2023	2022
1 January	24,462	12,642
Acquisitions	-	3,056
Change within the period	8,270	(2,836)
30 September	32,732	12,862

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 15).

9. PROPERTY, PLANT AND EQUIPMENT

	2023	2022
1 January 2023		
Cost	25,807,534	10,871,957
Accumulated depreciation	(5,662,344)	(5,722,874)
Net book value	20,145,190	5,149,083
For the period ended 30 September 2023	20,145,190	5,149,083
Acquisitions (Note 3)	-	9,153,765
Additions	10,036,746	3,405,587
Disposals	(110,834)	(28,921)
Transfers (*)	(139,877)	(1,277,010)
Exchange differences on translation	3,994,761	236,599
Depreciation charge	(1,665,252)	(1,016,653)
Closing net book value	32,260,734	15,622,450
30 September 2023		
Cost	39,209,138	21,848,346
Accumulated depreciation	(6,948,404)	(6,225,896)
Net book value	32,260,734	15,622,450

(*) 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.

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

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expense capitalized for the period ending as of 30 September 2023. (31 December 2022: None).

There is no collateral, pledge or mortgage on tangible assets as of 30 September 2023 and 2022.

10. INTANGIBLES ASSETS

	2023	2022
1 January 2023		
Cost	8,180,766	2,429,225
Accumulated depreciation	(1,230,423)	(942,448)
Net book value	6,950,343	1,486,777
For the period ended 30 September 2023	6,950,343	1,486,777
Acquisitions (Note 3)	-	3,234,243
Additions	1,817,438	1,289,211
Disposals	59,781	-
Exchange differences on translation	1,761,086	83,115
Depreciation charge	(352,551)	(196,710)
Closing net book value	10,236,097	5,896,636
30 September 2023		
Cost	11,819,071	7,033,220
Accumulated depreciation	(1,582,974)	(1,136,584)
Net book value	10,236,097	5,896,636

There are no fully depreciated intangible assets as of 30 September 2023. As of 30 September 2023, there is no capitalized interest cost and foreign exchange difference in accordance with TAS 23 (31 December 2022: None).

11. PREPAID EXPENSES

	30 September 2023	31 December 2022
Short-term prepaid expenses		
Advances given for inventories	1,162,853	869,837
Other prepaid expenses	195,919	325,364
	1,358,773	1,195,201
Long-term prepaid expenses	30 September 2023	31 December 2022
Advances given for investments (*)	9,870,319	5,967,852
Other prepaid expenses	99,463	95,920
	9,969,783	6,063,772

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(*) Advances given for investments are related to the Company's new vehicle investments. TRY5,258,027 (31 December 2022: TRY4,445,438) is given to domestic vendors as mould advances and TRY4,612,292 (31 December 2022: TRY1,522,414) is the advance given for the new project investments

12. 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,

	30 September 2023	31 December 2022
Warranty expense provision	747,597	499,052
Provisions for sales premium (*)	322,194	27,863
Provisions for lawsuits	12,808	8,840
Other short-term provisions	12,540	40,156
	1,095,139	575,911

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

Long-term provisions

	30 September 2023	31 December 2022
Warranty expense provision	1,000,687	
	627,890	
Provisions for lawsuits	149,524	117,720
Other long-term provisions	81,284	41,226
	1,231,495	786,836

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

	2023	2022
1 January	126,560	87,587
Acquisitions	-	5,307
Paid during the period	(18,842)	(12,668)
Additions during the period	54,614	12,258
30 September	162,332	92,484

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

	2023	2022
1 January	1,126,942	646,243

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Paid during the period	(803,391)	(419,257)
Additions during the period	1,424,733	634,124
30 September	1,748,284	861,110

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12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

Letters of guarantee and letters of credit	30 September 2023	31 December 2022
Letters of guarantee given to financial institutions due to bank loans	3,277,789	2,704,765
Letters of guarantee given to customs	294,826	203,936
Letters of guarantees given to other parties	325,170	306,914
	3,897,785	3,215,615

Letters of guarantee given

	30 September 2023		31 December 2022	
	Original currency	TRY amount	Original currency	TRY amount
EUR	43,046	1,249,654	29,018	578,471
TRY	2,648,131	2,648,131	2,637,144	2,637,144
		3,897,785		3,215,615

The allocation of collaterals, pledges and mortgages as of 30 September 2023 and 31 December 2022 as follows:

Collaterals, pledges and mortgages given by the Company	30 September 2023	31 December 2022
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	3,888,179	3,208,050
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 (*)	9,606	7,565
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of collaterals/pledges/mortgages	-	-
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	-	-
	3,897,785	3,215,615

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

As of 30 September 2023 and 31 December 2022, total amount of the collaterals, pledges and mortgages obtained by the Group are as follows:

Letters of guarantee taken

	30 September 2023		31 December 2022	
	Original currency	TRY amount	Original currency	TRY amount
EUR	224,825	6,526,779	151,941	3,028,929
TRY	5,320,286	5,320,286	3,259,425	3,259,425
USD	1,388	37,998	1,158	21,653
Romanian Leu	-	-	8,500	34,053
		11,885,063		6,344,060

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12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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 30 September 2023 and 31 December 2022

13. COMMITMENTS

Commitments related with bank loans used by the Group are as follows:

- The Group has signed a 6-months loan commitment agreement with İşbank amounting to EUR100,000,000 in 2023. With this agreement the Group committed to pass the export value of EUR200,000,000 through its accounts.
- The Group has committed to Türkiye İhracat Kredi Bankası A.Ş. (Eximbank) credit amounting to TRY2,000,000 used in October 2022 an export amount of TRY2,000,000.

14. EQUITY

The composition of the Company’s paid-in capital as of 30 September 2023 and 31 December 2022 is as follows:

Shareholders	Share group	30 September 2023	Shareholders percentage (%)	31 December 2022	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 Vakfı	A	2,881	0.82	2,881	0.82
Koç Holding Emekli ve Yardım Sandığı Vakfı	A	3,259	0.93	3,259	0.93
Other (Halka açık)	A	62,786	17.89	62,786	17.89
Share Capital		350,910	100	350,910	100
Inflation adjustment to share capital		27,920		27,920	
Inflation adjusted paid in capital		378,830		378,830	

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 2022: 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 Company’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.

In accordance with CMB Financial Reporting Standards, the Group classified the above mentioned reserves under “Restricted reserves”, the amount of restricted reserves is TRY1,919,055 as of 30 September 2023 (31 December 2022: TRY1,420,763).

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14. EQUITY (Continued)

In accordance with 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 13 June, 2013 which is published on Official Gazette numbered 28676, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- "The difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- The difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings";

Other equity items shall be carried at the amounts calculated based on TAS. Adjustment to share capital has no use other than being transferred to paid-in share capital.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February, 2014. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on year-end financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the Group are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In accordance with the Ordinary General Assembly Meeting dated as of 9 March 2023, the Group has decided to distribute dividends at the rate of 1,425% gross (net 1,282.50%), with a total amount of TRY5,000,468 as full TRY14.25 gross (Kr1,282.50 net) for each share with a value of full TRY1 and the Group made the dividend payment in March 2023. (in March 2022, 1 full TL share is 13.00 TL (net 1,170 Krs) and 1.300% is TRY4,561,830, and in November 2022, 1 full TL share is 570.00 Krs (net 513.00 Krs) gross % 377 cash dividends in total amounting to TRY2,000,187 were distributed).

In accordance with Communiqué No: II-14.1 "Communiqué on the Principles of Financial Reporting in Capital Markets", equity schedule at 30 September 2023 and 31 December 2022 are as follows:

	30 September 2023	31 December 2022
Issued capital	350,910	350,910
Inflation adjustments on capital	27,920	27,920
Share premium	8	8
Gains from financial assets measured at fair value through other comprehensive income	239,606	137,717
Losses on cash flow hedge	(11,360,210)	(4,881,384)
Losses on remeasurements of defined benefit plans	(1,035,544)	(1,000,033)
Exchange differences on translation	7,098,398	1,674,943
Restricted reserves	1,919,055	1,420,763
- Legal reserves	1,919,055	1,420,763
Retained earnings	18,172,570	
	5,057,387	
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	17,744,269	4,629,086
Net income for the period	25,093,847	18,613,943

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Total equity	40,506,560	21,402,174
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14. EQUITY (Continued)

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended 30 September 2023 and 31 December 2022 are as follows:

30 September 2023	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	1,919,055	1,977,808	58,753
Extraordinary reserves	17,744,268	18,113,414	369,145
Share premium	8	361	353
Other reserves	-	50	50
	20,014,241	20,470,463	456,221

31 December 2022	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	1,420,763	1,479,516	58,753
Extraordinary reserves	4,629,086	4,998,231	369,145
Share premium	8	361	353
Other reserves	-	50	50
	6,400,767	6,856,988	456,221

Inflation adjustment difference in equity can be utilized in issuing bonus shares and in offsetting accumulated losses; the carrying amount of extraordinary reserves can be utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

Otokar shares which are publicly traded in BIST are valued at their closing price as of 30 September 2023 and 31 December 2022. As of 30 September 2023, fair value change amounting to TRY101,889 net of deferred tax, (31 December 2022: TRY91,228) is shown in statement of comprehensive income.

The net of tax effects of the changes in the statement of other comprehensive income and the effects of the changes in accumulated income and expense under equity are as follows:

	2023	2022
1 January	(4,068,757)	(3,270,467)
Gains/(losses) from financial assets measured fair value through other comprehensive income	101,889	27,889
Actuarial gains/(losses)	(35,511)	(139,807)
Gains/(losses) on cash flow hedges	(6,478,826)	(388,041)
Exchange differences on translation	5,423,455	230,249
30 September	(5,057,750)	(3,540,177)

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15. REVENUE AND COST OF SALES

Revenue	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Export sales(*)	163,637,457	61,218,844	87,962,012	40,143,517
Domestic sales	66,373,507	26,506,046	24,480,978	10,625,033
Other sales	1,452,249	583,316	717,824	322,748
Less: discounts	(5,502,323)	(2,202,669)	(2,303,337)	(963,907)
	225,960,890	86,105,537	110,857,477	50,127,391

Units of vehicle sales

	1 January- 30 September 2023			1 July- 30 September 2023		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales (*)	Total sales
Puma	3,905	136,721	140,626	1,897	43,437	45,334
Transit	16,928	105,703	122,631	6,674	34,118	40,792
Transit Custom	4,434	101,144	105,578	1,240	30,328	31,568
Transit Courier	36,388	17,091	53,479	11,300	2,994	14,294
Passenger vehicles	18,525	21	18,546	5,999	3	6,002
Ford Trucks (Truck)	8,223	5,446	13,669	2,452	1,926	4,378
Transit Connect	438	6	444	184	6	190
Ranger	829	-	829	614	-	614
Ecosport	8	99	107	-	82	82
Rakun	138	-	138	-	-	-
	89,816	366,231	456,047	30,360	112,894	143,254

(*) International sales and sales figures include Ford Romania SRL's sales as well as the Company's exports.

	1 January- 30 September 2022			1 July- 30 September 2022		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales (*)	Total sales
Puma	1,055	39,403	40,458	345	39,403	39,748
Transit	13,963	86,036	99,999	5,096	27,014	32,110
Transit Custom	3,708	111,350	115,058	1,312	35,963	37,275
Transit Courier	24,271	17,835	42,106	8,859	4,669	13,528
Passenger vehicles	3,161	-	3,161	1,304	-	1,304
Ford Trucks (Truck)	5,563	5,594	11,157	2,302	2,199	4,501
Transit Connect	241	-	241	24	-	24
Ranger	524	6	530	223	-	223
Ecosport	1,536	10,774	12,310	374	10,774	11,148
Rakun	246	-	246	106	-	106
	54,268	270,998	325,266	19,945	120,022	139,967

Summaries of cost of production as of 30 September 2023 and 31 December 2022 are as follows;

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Cost of raw material	(166,533,911)	(60,681,839)	(87,095,606)	(38,674,264)
Production overhead cost	(13,055,662)	(5,461,252)	(5,258,655)	(2,468,695)
Amortization expenses	(1,922,275)	(725,349)	(1,162,117)	(631,969)
Changes in finished good	5,152,699	1,820,224	3,070,585	(563,650)
Total production cost	(176,359,149)	(65,048,216)	(90,445,793)	
	(42,338,578)			
Cost of trade goods sold	(14,959,974)	(6,360,684)	(5,852,180)	(2,101,715)
Total cost of sales	(191,319,123)	(71,408,900)	(96,297,973)	(44,440,293)

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16. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 30 September 2023 and 2022 is as follows:

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Raw material cost	(166,533,911)	(60,681,839)	(87,095,606)	(38,674,264)
Cost of trade goods sold	(14,959,974)	(6,360,684)	(5,852,180)	(2,101,715)
Financial expenses	(14,149,084)	(7,131,166)	(8,079,360)	(2,064,066)
Personnel expenses	(10,905,292)	(4,434,896)	(3,870,837)	(1,759,410)
Other operational expenses	(6,341,367)	(2,493,264)	(2,554,585)	(949,016)
Other expenses from operating activities	(4,315,655)	(1,009,365)	(1,207,631)	(436,461)
Other overhead costs	(5,963,362)	(2,705,120)	(2,585,146)	(1,227,432)
Other expenses from operating activities	(2,077,926)	(786,296)	(1,247,630)	(665,534)
Expenses from investing activities	(65,726)	(64,149)	(22,042)	(4,779)
Changes in inventories	5,152,699	1,820,224	3,070,585	(563,650)
Total expenses	(220,159,598)	(83,846,555)	(109,444,432)	(48,446,327)

17. OTHER OPERATING INCOME/EXPENSES

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Other operating income				
Foreign exchange gains related to trade receivables and payables	6,315,843	896,401	1,312,294	217,778
Unearned financial income	2,117,762	1,097,630	427,842	178,658
Price difference and claim recovery	128,506	23,985	5,815	296
Rent income	61,978	26,497	16,981	15,433
License income	16,282	3,817	17,929	1,109
Commission income	15,917	10,380	15,707	6,272
Reversal of provisions	6,421	5,452	14,204	14,204
Other	381,856	177,551	90,949	63,299
	9,044,565	2,241,713	1,901,721	497,049

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Other operating expenses				
Unearned financial expense	(2,576,718)	(1,100,127)	(776,010)	(304,799)
Foreign exchange losses related to trade receivables and payables	(776,010)	(304,799)	(494,977)	(191,913)
	(1,421,716)	152,273	(410,502)	(113,383)
Other	(317,221)	(61,511)	(21,119)	(18,279)
	(4,315,655)	(1,009,365)	(1,207,631)	(436,461)

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18. FINANCIAL INCOME

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Foreign exchange gains	6,149,588	2,106,773	5,229,313	1,192,987
Interest income	2,074,044	1,095,902	464,895	131,557
Other	450,428	257,992	249,177	104,539
	8,674,060	3,460,667	5,943,385	1,429,083

19. FINANCIAL EXPENSES

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Foreign exchange losses	(11,329,547)	(2,939,620)	(7,526,976)	(1,771,397)
Interest expenses	(2,819,537)	(1,094,164)	(552,384)	(292,669)
	(14,149,084)	(4,033,784)	(8,079,360)	(2,064,066)

20. 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 fiscal year 30 September 2023 is 25% (31 December 2022: 23%). 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.

10% withholding tax rate applies to dividends distributed by resident corporations resident real persons except for, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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 re-assessments based on their findings.

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20. 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.

As of 30 September 2023, the Group utilised R&D incentive exemption amounting of TRY2,448,481 (30 September 2022: TRY1,616,389) in return for the legal tax.

As of the reporting date, TRY559,295 (31 December 2022: TRY559,295) under the Large-Scale Investment Incentive Certificate, completed and investment in progress, TRY6,343,835(31 December 2022: TRY5,721,497) under the Priority Investment Incentive Certificates and TRY13,544,085 (31st) within the scope of Project Based State Aid December 2022: TRY3,285,167) investment expenditures were made.

The Group utilized discounted corporate taxation amounting to TRY4,673,476 (30 September 2022: TRY1,971,669) in the current year and this amount has been deducted from the total deferred tax asset.

Tax Advantages Obtained within the Scope of Investment Incentive System:

Gains obtained from the investments of the Group, which are subject to the incentive certificate, are subject to corporate tax at reduced rates from the accounting period in which the investment is started to be operated partially or completely, until it reaches the amount of contribution to the investment.

In this context, as of 30 September 2023, the tax advantage amounting to TRY7,298,110 (30 September 2022: TRY1,971,669) that the Group will benefit from in the foreseeable future is reflected in the consolidated financial statements as a deferred tax asset. As a result of recognizing the mentioned tax advantage as of 30 September 2023, deferred tax income amounting to TRY2,962,102 has occurred in the consolidated profit or loss statement for the period 1 January - 30 September 2023.

Periods in which deferred tax assets arising from investment incentives are expected to be used:

As of the balance sheet period, the Group has associated the reduced corporate tax advantage it has achieved through investment expenditures with the tax base. It defines the amount of incentive that the Group can benefit from in this process for the next 10 year period, which the management team has determined as the foreseeable future, as deferred tax asset. In this context, as of 30 September 2023, the Group has 11 Billion TRY of investment incentive assets. As a result of the estimations it has prepared, the Group has accounted for 7.3 billion TRY as a deferred tax asset for the relevant period.

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20. TAX ASSETS AND LIABILITIES (Continued)

The periods during which the deferred tax assets arising from investment incentives are expected to be used/recovered are as follows:

	30 September 2023	31 December 2022
0-5 years	6,646,208	4,056,253
5-10 years	651,902	279,755

Deferred tax assets are recognized when it is determined that taxable income is likely to occur in the coming years. In cases where taxable income is likely to occur, deferred tax assets are calculated over deductible temporary differences, tax losses and tax advantages vested in indefinite-lived investment incentives that allow reduced corporate tax payments. In this context, the Group bases the reflection of deferred tax assets arising from investment incentives in the consolidated financial statements on long-term plans, and evaluates the recoverability of deferred tax assets related to these investment incentives as of each balance sheet date, based on business models that include taxable profit estimations. These deferred tax assets are expected to be recovered within 10 years from the balance sheet date.

In the sensitivity analysis carried out as of 30 September 2023, when the inputs (such as growth rate and profitability) in the basic macroeconomic and sectoral assumptions that make up the business plans are evaluated by increasing/decreasing 10%, the amount of deferred tax assets related to investment incentives and the recovery periods foreseen as 10 years are significantly increased. there has been no change.

The Group's net tax position as of 30 September 2023 and 31 December 2022 are as follows:

	30 September 2023	31 December 2022
Current year corporate tax expense (*)	(1,888,523)	(94,210)
Prepaid tax and withholding	1,838,154	245,987
Current tax related assets/(liabilities)	(50,369)	151,777
Deferred tax assets	10,459,495	5,374,582
Deferred tax liabilities	(814,876)	(567,819)
Deferred tax assets/(liabilities), net	9,644,619	4,806,763

(*) In accordance with the Law No. 7440 on the "Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette on March 12, 2023, the amounts of exemptions and deductions subject to deduction from corporate income in accordance with the regulations in the laws, by being shown in the corporate tax return for the year 2022. An additional tax of 10% must be calculated over the bases subject to reduced corporate tax, without being associated with the period income, and 5% over the exempted earnings. As of March 31, 2023, the Group's accrued amount for the related tax in addition to the corporate tax is TRY1,795,913 thousand, the first installment of the tax payment was paid in May 2023 and the second installment will be paid in August 2023.

The tax amounts reflected in the profit or loss statements for the periods ending on September 30, 2023 and 2022 are summarized below.

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Current year corporate tax expense	(1,888,523)	(39,149)	(73,503)	(22,742)
Current year tax effect of cash flow hedge (*)	(1,547,388)	(97,101)	(34,428)	(960)
Deferred tax charged to statement of profit or loss	5,009,213	2,091,287	1,158,921	224,863
Deferred tax (expense)/income	3,461,825	1,994,186	1,124,493	223,903
Continuing operations tax (income)/(expense)	1,573,302	1,955,037	1,050,990	201,161

(*) 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.

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20. TAX ASSETS AND LIABILITIES (Continued)

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at 30 September 2023 and 2022 and current tax ratio based on income before tax is as follows:

	30 September 2023	30 September 2022
Income before tax	23,520,545	9,271,181
Effective tax rate	25%	23%
Current year tax expense	(5,880,136)	(2,132,372)
Research and development deductions	612,120	371,769
Investment incentive exemption	7,635,578	2,851,669
Other	(794,260)	(40,076)
	1,573,302	1,050,990

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.

In Turkey, the corporate tax rate is 25% as of September 30, 2023 (December 31, 2022: 23%).

The breakdown of accumulated temporary differences and deferred tax assets and liabilities as of September 30, 2023 and December 31, 2022, using the applicable tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Deferred tax assets				
Investment incentive tax asset	(16,709,843)	(13,343,017)	7,298,110	4,336,008
Expense accruals and other provisions	(5,594,405)	(2,204,649)	1,141,715	429,755
Warranty expense provision	(1,748,283)	(1,126,942)	437,071	225,388
Employee benefits provision	(1,689,935)	(1,727,355)	417,602	344,358
Inventories	(1,717,031)	(210,487)	428,128	41,396
Accumulated losses	(1,331,642)	(1,121,253)	213,063	179,401
	(28,791,139)	(19,733,703)	9,935,689	5,556,306
Deferred tax liabilities				
Tangible and intangible assets	3,133,184	4,063,681	57,871	(612,460)
Income accruals and other	1,396,204	685,416	(349,051)	(137,083)
Doubtful trade receivables-correction	(688)	-	110	-
	4,528,700	4,749,097	(291,070)	(749,543)
Net deferred tax asset			9,644,619	4,806,763

The movements of deferred tax assets/(liabilities) for the nine-month interim periods ended 30 September are as follows:

	2023	2022
1 January	4,806,763	1,715,971
Charged to statement of profit or loss as income/(expense)	3,461,825	1,124,493
Acquisitions (Note 3)	-	(699,044)
Charged to comprehensive income statement as income/(expense)	1,633,045	67,912
Exchange differences on translation	(257,014)	(9,602)
30 September 2022	9,644,619	2,199,730

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21. EARNINGS PER SHARE

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Net profit for the year (TRY)	25,093,847	13,014,260	10,322,171	3,816,190
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000	35,091,000,000	
	35,091,000,000			
Earnings per share with nominal value of Kr 1 each	71.51 Kr	37.09 Kr	29.42 Kr	10.88 Kr

22. 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 30 September 2023 and 31 December 2022 and the transactions with related parties during the year are as follows:

a) Receivables from related parties

i) Trade receivables from related parties

	30 September 2023	31 December 2022
Due from shareholders		
Ford Motor Group and subsidiaries	12,583,651	16,272,748
	12,583,651	16,272,748
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	3,946,798	2,403,418
Other	63,307	13,638
	4,010,105	2,417,056
Less: unearned credit finance income	(80,254)	(33,705)
	16,513,502	18,656,099

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

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Export vehicle receivables from the Ford Motor Company are due in 14 days and for Romanian 30 days and 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 7, the Company'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.

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22. RELATED PARTY DISCLOSURES (Continued)

ii) Other receivables from related parties (*)

	30 September 2023	31 December 2022
Due other from shareholders		
Ford Motor Company and subsidiaries	247,534	167,414
	247,534	167,414

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

	30 September 2023	31 December 2022
Due long term from shareholders		
Ford Motor Company and subsidiaries	1,474,235	1,153,083
	1,474,235	1,153,083

(*) 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.

b) Payables to related parties

i) Trade payables to related parties

	30 September 2023	31 December 2022
Due to shareholders		
Ford Motor Company and subsidiaries	11,106,909	3,540,219
	11,106,909	3,540,219
Due to group companies (*)		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	768,120	453,916
Ram Dış Ticaret A.Ş.	248,787	109,300
Ram Sigorta Aracılık Hizmetleri A.Ş.	191,261	9,802
Ark İnşaat A.Ş.	130,100	162,485
Tofaş Türk Otomobil Fabrikası A.Ş.	57,105	14,562
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	51,393	27,356
Opet Petrolcülük A.Ş.	35,268	19,857
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	28,746	49,693
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	19,150	33,883
Setur Servis Turistik A.Ş.	15,944	32,346
Divan Turizm İşletmeleri A.Ş.	14,031	5,444
Other	30,980	81,807
	1,590,885	1,000,451
Less: unearned credit finance expenses	(43,336)	(11,269)
	12,654,458	4,529,401

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

ii) Other payables to related parties

	30 September 2023	31 December 2022
Koç Holding A.Ş.	-	68,973
Koç Finansman A.Ş.	-	4,196
	-	73,169

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22. RELATED PARTY DISCLOSURES (Continued)

c) Sales to related parties

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Ford Motor Company (*)	152,634,484	56,518,376	80,662,642	37,167,862
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	15,073,026	5,831,744	5,427,581	2,289,728
Other	52	-	4,899	4,898
	167,707,562	62,350,120	86,095,122	39,462,489
Less: financial income from credit sales	(524,405)	(275,539)	(104,792)	(42,322)
	167,183,157	62,074,581	85,990,330	39,420,166

(*) The Company, 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- 30 September 2023			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	132,058	2,793,809	421	2,926,288
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	1,089,281	1,089,281
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	609,170	-	609,170
Ram Dış Ticaret A.Ş.	581,192	-	-	581,192
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	281,026	-	281,026
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	31,678	131,830	163,508
Opet Petrolcülük A.Ş.	144,254	-	-	144,254
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	92,378	36,405	128,783
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	123,296	-	-	123,296
Setur Servis Turistik A.Ş.	-	111,614	-	111,614
Koç Holding A.Ş. (**)	-	61,308	-	61,308
Ingage Dijital Pazarlama A.Ş.	-	49,579	-	49,579
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	29,912	-	-	29,912
Koçtaş Yapı Marketleri Ticaret A.Ş.	23,155	-	55	23,210
Other	1,398	112,061	6,737	120,196
	1,035,265	4,142,623	1,264,729	6,442,617
Less: Financial expense from credit purchases	(45,770)	-	-	(45,770)
	989,495	4,142,623	1,264,729	6,396,847

(*) Contains paid and accrued premium amounts for the period ended 30 September 2023 and period ended 2022 within the context of insurance policies signed with insurance companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

(**) It includes service costs that are based on finance, law, planning, tax and management provided by Koç Holding A.Ş. to the companies within the group organisation, invoiced to the Group within the context of "11-Intra-group Services" in numbered 1 General Communique about concealed Gain Distribution by Transfer Pricing.

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22. RELATED PARTY DISCLOSURES (Continued)

	1 July- 30 September 2023			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	20,779	1,199,218	305	1,220,302
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	472,284	472,284
Ram Dış Ticaret A.Ş.	259,974	-	-	259,974
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	209,285	-	209,285
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	194,736	-	194,736
Setur Servis Turistik A.Ş.	-	42,479	-	42,479
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	42,655	11,125	53,780
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	(21,194)	70,887	49,693
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	40,095	-	-	40,095
Koç Holding A.Ş.	-	11,133	-	11,133
Opet Petrolcülük A.Ş.	62,192	-	-	62,192
Ingage Dijital Pazarlama A.Ş.	-	20,578	-	20,578
Koçtaş Yapı Marketleri Ticaret A.Ş.	10,609	-	20	10,629
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	16,335	-	-	16,335
Other	-	70,990	6,737	77,727
	409,984	1,769,880	561,358	2,741,222
Less: Financial expense from credit purchases	(901)	-	-	(901)
	409,083	1,769,880	561,358	2,740,321
	1 January - 30 September 2022			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	111,982	1,368,574	23	1,480,579
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	775,840	775,840
Ram Dış Ticaret A.Ş.	566,671	-	-	566,671
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	372,553	-	372,553
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	153,893	56,726	210,619
Opet Petrolcülük A.Ş.	118,135	-	-	118,135
Koç Holding A.Ş. (**)	-	74,551	-	74,551
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	72,572	-	72,572
Setur Servis Turistik A.Ş.	-	68,059	-	68,059
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	60,251	-	-	60,251
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	45,192	5,572	50,764
Ingage Dijital Pazarlama A.Ş.	-	22,174	-	22,174
Koçtaş Yapı Marketleri Ticaret A.Ş.	19,640	-	17	19,657
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	13,518	-	-	13,518
Other	245	18,104	10,600	28,949
	890,442	2,195,672	848,778	3,934,892
Less: Financial expense from credit purchases	(19,874)	-	-	(19,874)
	870,568	2,195,672	848,778	3,915,018

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22. RELATED PARTY DISCLOSURES (Continued)

	1 July - 30 September 2022			
	Material	Service	Fixes assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	37,937	529,088	15	567,040
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	376,604	376,604
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	177,520	-	177,520
Ram Dış Ticaret A.Ş.	121,232	-	-	121,232
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	42,171	19,910	62,081
Opet Petrolcülük A.Ş.	50,592	-	-	50,592
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	49,681	-	49,681
Setur Servis Turistik A.Ş.	-	41,745	-	41,745
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	24,526	-	-	24,526
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	17,966	1,811	19,777
Koç Holding A.Ş.	-	16,465	-	16,465
Ingage Dijital Pazarlama A.Ş.	-	9,163	-	9,163
Koçtaş Yapı Marketleri Ticaret A.Ş.	6,910	-	11	6,921
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	4,328	-	-	4,328
Other	89	5,882	10,599	16,570
	245,614	889,681	408,950	1,544,245
Less: Financial expense from credit purchases	(6,114)	-	-	(6,114)
	239,500	889,681	408,950	1,538,131

Material, vehicle and service purchases from abroad

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Ford Motor Group and subsidiaries	107,222,062	44,944,140	55,627,959	34,786,541

e) License fees paid to Ford Motor Group included in cost of sales

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
	1,117,626	529,630	474,665	204,292

f) License fees received from Jiangling Motors Corporation, a subsidiary of Ford Motor Group, included in other income

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
	16,282	3,818	28,025	11,205

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22. RELATED PARTY DISCLOSURES (Continued)

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

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
	279,986	145,412	166,231	59,247

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

Deposits in related banks

	30 September 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	4,515,289	3,770,959
- TRY time deposit	1,876,074	73,476
- TRY demand deposits	153,389	96,271
- Foreign currency demand deposits	48,014	3,998
	6,592,766	3,944,704

i) Related bank loans

	30 September 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş.	-	408,587
	-	408,587

i) Other long term payables

	30 September 2023	31 December 2022
Ford Motor Company and subsidiaries (Note 6)	9,453,521	6,407,114
	9,453,521	6,407,114

j) Commission income

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Yapı ve Kredi Bankası A.Ş.	15,743	10,339	10,518	4,862
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	132	17	-	-
Koç Finansman A.Ş.	42	24	5,081	1,381
	11,416	10,380	15,599	6,243

k) Commission expense

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Koç Finansman A.Ş.	19,367	10,079	52,165	13,685
Yapı ve Kredi Bankası A.Ş.	39,764	2,238	42,009	23,360
	59,131	12,317	94,174	37,045

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.

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22. RELATED PARTY DISCLOSURES (Continued)

l) Interest income

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Yapı ve Kredi Bankası A.Ş.	178,030	80,966	47,468	3,762

m) Dividend income

	1 January- 30 September 2023	1 July- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022
Otokar Otomotiv- ve Savunma Sanayi A.Ş.	-	-	2,929	-

n) 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 amount of compensation given to key management personnel of the Group as of in the first nine months of 2023 is TRY129,101 (30 September 2022:TRY37,054). TRY51,936 of this amount (30 September 2022: None) is related to the payments made due to leaving, and the remaining part consists of short-term benefits.

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below summarizes the Group 's exposure to foreign currency exchange rate risk at 30 September 2023 and 31 December 2022. The carrying amount of the Group 's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

30 September 2023	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	20,075,454	17,738	674,678	108
2. Monetary financials assets (including cash and cash equivalents)	20,207,386	2,863	691,579	6,767
3. Other	6,078,005	-	209,380	448
4. Current assets (1 + 2 + 3)	46,360,845	20,601	1,575,637	7,323
5. Monetary financial assets	3,156,265	-	108,722	-
6. Non-current assets (5)	3,156,265	-	108,722	-
7. Total assets (4 + 6)	49,517,110	20,601	1,684,359	7,323
8. Trade payables	21,144,432	89,924	618,498	44,541
9. Financial liabilities (*)	20,264,175	-	698,030	-
10. Other monetary liabilities	2,722,929	126	93,677	-
11. Short term liabilities (8 + 9 + 10)	44,131,536	90,050	1,410,205	44,541
12. Financial liabilities (*)	28,419,381	-	978,949	-
13. Other	9,470,305	237	325,995	-
14. Long term liabilities (12+13)	37,889,686	237	1,304,944	-
15. Total liabilities (11 + 14)	82,021,222	90,287	2,715,149	44,541
16. Net foreign currency (liabilities)/ assets position (7 - 15)	(32,504,112)	(69,686)	(1,030,790)	(37,218)
17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(29,111,812)	(69,449)	(914,175)	(37,666)

(*) 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 TRY31,460,329 as of 30 September 2023 (31 December 2022: TRY21,090,392). As of 30 September 2023, the Group has a total of TRY4,324,130 (31 December 2022: TRY760,240) of the product to be issued. As of 30 September 2023, the Group has a TRY-settled forward foreign currency purchase agreement with a nominal amount of TRY870,915 (31 December 2022: None) (EUR30,000,000) for foreign currency position management.

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	15,639,400	4,073	780,573	115
2. Monetary financial assets (including cash and cash equivalents)	5,552,499	4,694	273,452	9,049
3. Other	1,441,494	11,182	61,837	7
4. Current assets (1 + 2 + 3)	22,633,393	19,949	1,115,862	9,171
5. Monetary financial assets	1,413,957	-	70,929	-
6. Non-current assets (5)	1,413,957	-	70,929	-
7. Total assets (4 + 6)	24,047,350	19,949	1,186,791	9,171
8. Trade payables	9,653,706	111,871	350,744	46,622
9. Financial liabilities (*)	7,674,278	124	384,844	-
10. Other monetary liabilities	189,352	-	9,467	28
11. Short term liabilities (8 + 9 + 10)	17,517,336	111,995	745,055	46,650
12. Financial liabilities (*)	18,203,429	331	912,833	-
13. Other	6,407,114	-	321,402	-
14. Long term liabilities (12+13)	24,610,543	331	1,234,235	-
15. Total liabilities (11 + 14)	42,127,879	112,326	1,979,290	46,650
16. Net foreign currency (liabilities)/assets position (7 - 15)	(18,080,529)	(92,377)	(792,499)	(37,479)
17. Net monetary foreign (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(13,114,909)	(103,559)	(532,934)	(37,486)

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23. 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.

30 September 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)	(190,778)	190,778
USD net hedged amount	-	-
USD net- gain/(loss)	(190,778)	190,778
Change in EUR against TRY		
EUR net assets/(liabilities)	(2,992,436)	2,992,436
EUR net hedged amount	3,146,033	(3,146,033)
EUR net- gain/(loss)	153,597	(153,597)
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(67,197)	67,197
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(67,197)	67,197

31 December 2022

Appreciation/depreciation in foreign currency	Profit/(loss) before taxation	
	Increase by 10 (%)	Decrease by 10 (%)
Change in USD against TRY		
USD net assets/(liabilities)	(172,730)	172,730
USD net hedged amount	-	-
USD net- gain/(loss)	(172,730)	172,730
Change in EUR against TRY		
EUR net (liabilities)/assets	(1,579,837)	1,579,837
EUR net hedged amount	2,109,039	(2,109,039)
EUR net- gain/(loss)	529,202	(529,202)
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(55,486)	55,486
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(55,486)	55,486

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the year ended 30 September 2023 and 2022 are as follows:

	30 September 2023	30 September 2022
Total export amount	117,017,938	75,583,157
Total import amount	83,985,576	46,010,224

The Group ’s net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk, the Group follows a balanced foreign currency position policy. The foreign currency exposure arising from foreign currency denominated borrowings and trade

Interest rate risk

The Group ’s interest rate sensitive financial instruments are as follows:

	30 September 2023	31 December 2022
Fixed interest rate financial instruments		
Financial assets	27,540,115	9,069,319
Financial liabilities	31,658,164	21,502,772

Floating interest rate financial instruments

Financial liabilities	31,557,466	16,415,603
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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 TRY92,009 at 30 September 2023 (31 December 2022: TRY20,608) due to higher/lower interest expense.

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

30 September 2023	Book value	Total contractual cash outflow	Up to 3 moths	Between 3-12 moths	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	53,478,708	59,955,727	9,028,476	17,519,776	30,680,082	2,727,393
Lease liabilities	283,401	489,378	30,842	92,526	340,859	25,151
Long term other liabilities	9,453,521	10,055,742			5,679,679	4,376,063
Trade payables						
Related party	12,654,458	12,697,794	12,697,794	-	-	-
Other	37,036,098	37,467,641	37,467,641	-	-	-
Other payables						
Related party	-	-	-	-	-	-
Other	1,576,423	1,576,423	1,576,423	-	-	-
Derivative financial liabilities						
Derivative financial liabilities	13,476	13,476	13,476	-	-	-

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	31,317,931	34,905,746	1,097,279	12,977,883	17,680,800	3,149,784
Lease liabilities	193,330	265,380	16,725	50,175	184,841	13,639
Trade payables						
- Related party	4,529,401	4,540,670	4,540,670	-	-	-
-Other	25,616,845	25,793,431	25,793,431	-	-	-
Other liabilities						
-Related party	73,169	73,169	73,169	-	-	-
-Other	662,186	662,186	662,186	-	-	-
Derivative financial liabilities						
Derivative financial instruments	122,633	122,633	-	-	122,633	-

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23. 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 30 September 2023 and 31 December 2022, the Group’s hierarchy table for its assets and liabilities recorded at fair value are as follows:

30 September 2023	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	708,769	-
Financial assets at fair value through OCI			
Otokar	256,523	-	-
Total assets	256,523	708,769	-
Liabilities at fair value			
Derivative financial liabilities	-	13,476	-
Total liabilities	-	13,476	-

(*) 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).

31 December 2022	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	382,717	-
Financial assets at fair value through OCI			
Otokar	145,942	-	-
Total assets	145,942	382,717	-
Liabilities at fair value			
Derivative financial liabilities	-	122,633	-
Total liabilities	-	122,633	-

(*) 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).

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24. 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 hedged the interest rate risk arising from cash flows related to the borrowing used as of 30 September 2023 with the maturity of 10 October 2023 amounting to TRY450,000 with interest rate swapping. The critical conditions of the settlement contract such as maturity, payment, interest rate change dates are in line with the critical conditions of the foreign currency borrowing, which is the subject of financial hedge as of 30 September 2023. The fair value of the interest rate swap transaction calculated as of 30 September 2023 is TRY5,028 and it is classified as short-term liabilities.

The Group hedged the interest rate risk arising from cash flows related to the borrowing used as of 30 September 2023 with the maturity of 9 October 2023 amounting to TRY750,000 with interest rate swapping. The critical conditions of the settlement contract such as maturity, payment, interest rate change dates are in line with the critical conditions of the foreign currency borrowing, which is the subject of financial hedge as of 30 September 2023. The fair value of the interest rate swap transaction calculated as of 30 September 2023 is TRY8,448 and it is classified as short-term liabilities.

As of 30 September 2023, the Group has hedged the interest rate risk arising from the cash flows of the loan amounting to EUR150,000,000 with a maturity of 16 December 2030, by using interest swaps. The critical conditions of the swap contract, such as maturity, payment and interest change dates, are in line with the critical conditions of the TRY loan, which is the subject of financial protection as of 30 September 2023. The fair value of the said swap transaction as of 30 September 2023 is TRY41,757 and it is shown under long-term liabilities in the statement of financial position.

	30 September 2023	31 December 2022
Derivative financial liabilities	13,476	122,633
	13,476	122,633

As of 30 September 2023, the Group bears the interest risk arising from the cash flows of the loans used, amounting to EUR100,000,000 with a maturity of 5 November 2026 and EUR100,000,000 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 30 September 2023. The fair value of the related swap transaction as of 30 September 2023 is TRY498,067 and is presented under non-current assets in the financial position statement.

As of 30 September 2023, 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 30 September 2023. The fair value of the related swap transaction as of 30 September 2023 is TRY27,548 and is presented under non-current assets in the financial position statement.

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24. CASH FLOW HEDGE OPERATIONS

Derivative financial instruments (Continued)

As of 30 September 2023, the Group has hedged the interest rate risk arising from the cash flows of the loan amounting to EUR100,000,000 with a maturity of 21 August 2028, by interest swap. 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, which is the subject of financial protection as of 30 September 2023. As of 30 September 2023, the fair value of the said swap transaction is TRY13,798 and is presented under non-current assets in the statement of financial position.

As of 30 September 2023, the Group has a TRY-settled forward foreign currency purchase contract with a nominal amount of EUR30,000,000 for foreign currency position management. The maturities of these contracts are November 17, 2023 (EUR20,000,000) and November 24, 2023 (EUR10,000,000). The fair value of the said transaction as of 30 September 2023 is TRY127,600 and is shown under current assets in the statement of financial position.

	30 September 2023	31 December 2022
Derivative financial assets	708,769	382,717
	708,769	382,717

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 Group , the Group will associate a portion of estimated export revenue from 1 April 2013 to November 2030 with long-term financial borrowings. There is no ineffective part.

	30 September 2023	31 December 2022
Cash flow hedge reserve		
Amount recognized in other comprehensive income	9,821,211	4,348,539
Amount recycled from other comprehensive income to statement of profit or (loss)	(1,794,997) (2,320,356)	
	8,026,214	2,028,183

25. SUBSEQUENT EVENTS

At the meeting of the Board of Directors of the Group on October 2, 2023, a gross cash dividend of 2,976.00% (net 2,678.40%), of which 29.76 full Turkish lira (net 26,7840 Turkish Lira) per 1 full TRY share, and a total of TRY10,443,081.60 was paid and decided to submit this decision to the approval of the Extraordinary General Assembly to be held on 26 October 2023.