

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2022
TOGETHER WITH AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)

FORD OTOMOTİV SANAYİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2021

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FORD OTOMOTİV SANAYİ A.Ş.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2021**

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Current period audited 31 December 2022	Previous period audited 31 December 2021
Assets			
Current assets		55,124,518	32,813,852
Cash and cash equivalents	5	10,114,706	14,173,931
Trade receivables			
- Due from related parties	27	18,656,099	7,914,177
- Due from third parties	8	7,194,845	3,492,571
Other receivables			
- Due from related parties	27	167,414	-
- Due from third parties	9	116,104	820
Inventories	10	13,854,008	5,269,306
Prepaid expenses	13	1,195,201	303,696
Other current assets	17	3,674,364	1,659,351
Current period tax related assets	25	151,777	-
Non-current assets		40,927,729	9,979,001
Financial investments	6	145,942	49,913
Trade receivables			
- Due from third parties	8	15,684	37,579
Other receivables			
- Due from related parties	27	1,153,083	-
Property, plant and equipment	11	20,145,190	5,149,083
Intangible assets			
- Other intangible assets	12	6,950,343	1,486,777
- Goodwill	3	503,941	-
Right of use assets	33	164,475	68,767
Prepaid expenses	13	6,063,772	1,421,793
Deferred tax assets	25	5,374,582	1,715,971
Investments in subsidiaries, joint ventures and affiliated companies	35	28,000	12,959
Derivative financial instruments	29	382,717	36,159
Total Assets		96,052,247	42,792,853

Financial statements for the period ended 1 January - 31 December 2022 were approved for issue by the Board of Directors on 8 February 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.

FORD OTOMOTİV SANAYİ A.Ş.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2021**

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Current period audited 31 December 2022	Previous period audited 31 December 2021
Liabilities			
Current liabilities		46,205,980	20,782,144
Short-term borrowings			
- Bank borrowings	7	7,523,746	4,473,375
Short-term portion of long-term borrowings			
- Bank borrowings	7	5,619,141	3,733,404
- Lease liabilities	7	75,716	50,140
Trade payables			
- Due to related parties	27	4,529,401	2,106,450
- Due to third parties	8	25,616,845	9,272,218
Other payables			
- Due to related parties	27	73,169	38,246
- Due to third parties	9	662,186	220,755
Deferred income	31	151,546	64,730
Short-term provisions			
- Other short-term provisions	14	575,911	390,161
Employee benefit liabilities	16	1,255,686	419,560
Current tax liabilities	25	-	13,105
Derivative financial liabilities	29	122,633	-
Non-current liabilities		28,444,093	11,862,171
Long-term borrowings			
- Bank borrowings	7	18,175,044	10,749,405
- Lease liabilities	7	117,614	49,903
- Other long-term provisions	7	6,407,114	-
Long-term provisions			
- Provision for employment termination benefits	16	1,890,236	568,497
- Other long-term provisions	14	786,836	416,018
Deferred income	31	493,991	63,183
Other non-current liabilities	32	5,439	14,129
Deferred tax liability	25	567,819	-
Derivative financial liabilities	29	-	1,036
Equity	18	21,402,174	10,148,538
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		(1,000,033)	(125,723)
Other comprehensive income/(loss)			
to be reclassified under profit or loss			
- Gains from financial assets measured at fair value through other comprehensive income		137,717	46,489
- Losses on cash flow hedges		(4,881,384)	(3,191,233)
- Exchange differences on translation		1,674,943	-
Restricted reserves		1,420,763	766,316
Retained earnings		5,057,387	3,472,846
Net profit for the period		18,613,943	8,801,005
Total liabilities and equity		96,052,247	42,792,853

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

FORD OTOMOTİV SANAYİ A.Ş.**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED
31 DECEMBER 2022 AND 2021**

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Current period audited 1 January - 31 December 2022	Previous period audited 1 January - 31 December 2021
Continuing operations			
Revenue	19	171,796,902	71,101,258
Cost of sales (-)	19	(147,855,658)	(59,947,098)
Gross profit		23,941,244	11,154,160
Marketing expenses (-)	20	(2,756,024)	(1,323,600)
General administrative expenses (-)	20	(1,903,866)	(740,429)
Research and development expenses (-)	20	(1,449,033)	(680,519)
Other income from operating activities	22	3,412,894	2,111,012
Other expenses from operating activities (-)	22	(2,104,872)	(1,082,881)
Profit from operating activities		19,140,343	9,437,743
Income from investing activities	30	21,013	2,464
Expenses from investing activities (-)	30	(34,930)	(37,561)
Operating income before financial income/(expense)		19,126,426	9,402,646
Financial income	23	6,694,430	5,811,748
Financial expenses (-)	24	(10,197,649)	(6,527,635)
Profit from continuing operations before tax		15,623,207	8,686,759
Tax income/(expense) from continuing operations		2,990,736	114,246
Tax expenses for the period (-)	25	(94,210)	(76,950)
Deferred tax income	25	3,084,946	191,196
Profit for the period		18,613,943	8,801,005
Earnings per share with a nominal value Kr	26	53.04 Kr	25.08 Kr

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

FORD OTOMOTİV SANAYİ A.Ş.**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021**

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Current period audited 1 January - 31 December 2022	Previous period audited 1 January - 31 December 2021
Profit for the period		18,613,943	8,801,005
Other comprehensive income/(expense)			
Other comprehensive income not to be reclassified to profit or loss			
(Losses)/gains on remeasurements of defined benefit plans	18	(1,092,887)	(134,205)
Other comprehensive income taxes not to be reclassified to profit or loss			
Taxes relating to remeasurements of defined benefit plans	18	218,577	26,841
Other comprehensive income to be reclassified to profit or loss			
Gains/(losses) from financial assets measured			
at fair value through other comprehensive income	18	96,029	5,146
Other comprehensive income/(expense) relating			
to cash flow hedges	18	(2,028,183)	(2,239,066)
Exchange differences on translation	18	1,674,943	-
Other comprehensive income taxes to be reclassified to profit or loss			
Taxes relating to gains/(losses) from financial assets measured			
at fair value through other comprehensive income	18	(4,801)	(257)
Taxes relating to cash flow hedges	18	338,032	479,345
Other comprehensive income/(loss)		(798,290)	(1,862,196)
Total comprehensive income		17,815,653	6,938,809

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

FORD OTOMOTİV SANAYİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

				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						
	Paid in capital	Inflation adjustments on capital	Share premium	Gains/(losses) on remeasurements defined benefit plans		Cash flow hedge reserves	Foreign Exchange risk differences	Restricted reserves	Retained earnings		Total equity
									Accumulated profit	Net profit	
Balances at 1 January 2021	350,910	27,920	8	(18,359)	41,600	(1,431,512)	-	410,493	3,467,929	4,194,913	7,043,902
Impact of correction of errors	-	-	-	-	-	-	-	-	(258,400)	-	(258,400)
Revised Balances at 1 January 2021	350,910	27,920	8	(18,359)	41,600	(1,431,512)	-	410,493	3,209,529	4,194,913	6,785,502
Profit for the period	-	-	-	-	-	-	-	-	-	8,801,005	8,801,005
Other comprehensive income/(loss)	-	-	-	(107,364)	4,889	(1,759,721)	-	-	-	-	(1,862,196)
Total comprehensive income	-	-	-	(107,364)	4,889	(1,759,721)	-	-	-	8,801,005	6,938,809
Transfers	-	-	-	-	-	-	-	223,530	3,971,383	(4,194,913)	-
Dividends	-	-	-	-	-	-	-	132,293	(3,708,066)	-	(3,575,773)
Balances at 31 December 2021	350,910	27,920	8	(125,723)	46,489	(3,191,233)	-	766,316	3,472,846	8,801,005	10,148,538
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
Profit for the period	-	-	-	-	-	-	-	-	-	18,613,943	18,613,943
Other comprehensive income/(loss)	-	-	-	(874,310)	91,228	(1,690,151)	1,674,943	-	-	-	(798,290)
Total comprehensive income	-	-	-	(874,310)	91,228	(1,690,151)	1,674,943	-	-	18,613,943	17,815,653
Transfers	-	-	-	-	-	-	-	454,428	8,346,577	(8,801,005)	-
Dividends	-	-	-	-	-	-	-	200,019	(6,762,036)	-	(6,562,017)
Balances at 31 December 2022	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

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

FORD OTOMOTİV SANAYİ A.Ş.**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2022 AND 2021**

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Current period audited 31 December 2022	Previous period audited 31 December 2021
Cash flows generated from/(used in) operating		19,128,706	8,702,451
Net profit for the period		18,613,943	8,801,005
Adjustments to reconcile profit or loss		8,555,630	6,373,485
Adjustments for depreciation and amortisation expense	11, 12, 33	1,894,948	1,054,264
Adjustments for impairment loss of inventories	10	8,764	(5,431)
Adjustments for provisions related with employee		1,107,697	221,938
Adjustments for lawsuit and/or penalty provisions	14	58,867	26,212
Adjustments for warranty provisions	14	1,183,746	587,628
Adjustments for other provisions		(44,486)	(36,764)
Adjustments for dividend income	30	(2,929)	(2,343)
Adjustments for interest income	23	(620,406)	(1,073,419)
Adjustments for interest expense	24	969,071	239,199
Adjustments for tax expenses	25	(2,990,737)	(114,246)
Adjustments for unearned financing income	22	(798,066)	(394,550)
Adjustments for deferred financing expense	22	1,367,576	711,186
Adjustments for loss on sales of property, plant and equipment	30	16,846	37,440
Other adjustments for which cash effects are investing or financing cash flow		6,404,739	5,122,371
Changes in working capital		(6,413,474)	(5,726,339)
Increase/(decrease) in trade receivables		(12,267,862)	(6,015,248)
Increase/(decrease) in inventories		(5,077,275)	(2,821,203)
Increase/(decrease) in prepaid expenses		(816,638)	(82,047)
Increase/(decrease) in trade payable		13,327,154	3,647,779
Increase/(decrease) in other assets		(1,512,934)	(596,691)
Increase/(decrease) in other liabilities		(65,919)	141,071
Cash flows generated from operations		20,756,099	9,448,151
Interest paid		(1,287,053)	(705,133)
Interest received		684,411	377,646
Payments related with provisions for employee benefits	16	(42,719)	(19,221)
Payments related with other provisions		(722,940)	(317,595)
Taxes paid		(259,092)	(81,397)
Cash flows used in investing activities		(21,295,857)	(3,441,485)
Proceeds from sales of property, plant and equipment		16,735	25,770
Purchase of property, plant and equipment		(7,579,644)	(1,613,855)
Purchase of intangible assets		(2,069,405)	(780,943)
Cash advances given and payables		(4,569,768)	(1,061,841)
Dividends received	30	2,929	2,343
Cash outflows for payments to acquire control of subsidiaries	3	(7,081,663)	-
Cash outflows from capital increase/share purchase of subsidiaries		(15,041)	(12,959)
Cash flows (used in)/generated from financing activities		(1,989,479)	771,645
Proceeds from borrowings	7	25,697,345	15,183,314
Cash outflows related to borrowings	7	(20,978,615)	(11,620,512)
Dividends paid	18	(6,562,017)	(3,575,773)
Interest paid		(738,152)	(205,422)
Interest received		683,013	1,056,172
Cash outflows on debt payments from leasing agreements	7	(91,053)	(66,134)
Net (decrease) / increase in cash and cash equivalents before the effect of currency translation differences		(4,156,630)	6,032,611
Effect of foreign currency translation differences on cash and cash equivalents		160,012	-
Net (decrease)/increase in cash and cash equivalents		(3,996,618)	6,032,611
Cash and cash equivalents at the beginning of the period		14,106,240	8,073,629
Cash and cash equivalents at the end of the period	5	10,109,622	14,106,240

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

1. ORGANIZATION AND NATURE OF THE OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") is incorporated and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The company was established in 1959 and currently operates under the joint management and control of Koç Group and Ford Group companies. The Company is listed on the Borsa İstanbul ("BIST") where 17.89% of its shares are currently quoted. The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

In its Kocaeli compound; the Company has a Gölcük plant in which the Transit and Transit Custom vehicles are manufactured and a Yeniköy plant in which the Transit Courier vehicle is manufactured and in its Eskişehir İnönü compound; a Ford Trucks truck and engines and powertrain plant which manufactures for trucks and Transit vehicles and Romania Craiova factory in which produces Puma and Ecosport model vehicles and Ecoboost engines. Holding activities related to foreign structuring are carried out in the partnership of the Company with Ford Otosan Netherlands BV in the Netherlands.

Additionally, the Company has a spare part distribution warehouse, sales and marketing departments and a research and development (R&D) centre located in Sancaktepe, İstanbul.

The number of the personnel employed with respect to categories by the Group as of period ends are as follows:

	Average		Period End	
	2022	2021	2022 December	2021 December
Hourly	13,223	9,665	16,144	10,261
Salaried	4,029	3,167	4,767	3,463
	17,252	12,832	20,911	13,724

As of 31 December 2022, research and development operations which are also subject to service export is conducted with 2,089 employees (31 December 2021: 1,688).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The Company maintain its legal books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles set by the CMB issued by the Turkish Commercial Code ("TCC") and tax legislation.

The financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, ("TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 1 JANUARY - 31 DECEMBER 2022**

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

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 2021. As of 31 December 2022, 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 15 April 2019 by POA and the format and mandatory information recommended by CMB.

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
- (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.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

Financial position statements and profit or loss statements of Subsidiaries are consolidated using the full consolidation method and Ford Otomotiv San. A.Ş.'s registered values and shareholders' equity of the Subsidiaries are mutually offset. Intra-group transactions and balances between the Company and Subsidiaries are deducted during consolidation. The book values of the shares owned by the Company and the dividends arising from them have been netted off from the related equity and profit or loss statement accounts.

As of 31 December 2022 and 31 December 2021, Ford Otomotiv San. A.Ş.'s direct and indirect voting rights and effective shareholding ratios (%) and functional currencies according to the countries of operation are shown below:

	Functional currency	31 December 2022		31 December 2021	
		Suffrage	Effective partnership rate	Suffrage	Effective partnership rate
Ford Romania SRL (Note 3)	Romanian Leu	100.00	100.00	-	-
Ford Otosan Netherlands BV (Note 35)	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 consolidated financial statements of the Group are prepared on the basis of a going concern assumption.

Comparatives of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at 31 December 2022 has been provided with the comparative financial information of 31 December 2021 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the interim period between 1 January - 31 December 2022 have been provided with the comparative financial information, for the period between 1 January - 31 December 2021.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 1 JANUARY - 31 DECEMBER 2022**

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 2022 and related to its own activity.

a. Standards, amendments, and interpretations applicable as of 31 December 2022:

- **Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.
- **Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16, 'Property, plant and equipment'** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

b. Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:

- **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.

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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- **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.
- **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.
- **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.
- **IFRS 17, 'Insurance Contracts', as amended in December 2021;** 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.

2.3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 5).

Trade receivables, provision for impairment and expected credit losses

Trade receivables as a result of providing goods or services by the Group directly to a debtor are carried at amortized cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. Foreign exchange gain/loss and credit finance income of trade receivables are classified under "other operating income/expense".

The Group uses a provisioning matrix to measure the expected credit losses on trade receivables. Depending on the number of days the maturities of trade receivables are exceeded, certain maturity ratios are calculated, and these ratios are reviewed at each reporting period and revised where necessary. In the calculation of expected credit losses, the Group takes into account past credit loss experience as well as forecasts for the future. Expected credit losses are accounted for under "other income / expense from operating activities" in the income statement.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

The Group measures the allowance for trade receivables at an amount equal to the "expected life-time credit losses" (except for realized impairment losses) where the trade receivables are not impaired for some reason. Expected credit losses are a weighted estimate of the likelihood of credit losses over the expected life of a financial instrument

The Group collects receivables arising from domestic vehicles and spare parts sales through the "Direct Debit System" (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Group's bank accounts at the due dates (Notes 8 and 27).

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory's annual production plan are not associated with inventories and are recognized as cost of sales (Note 10).

Trade payables

Trade payables are recognized at initial cost and subsequently measured at amortized cost using effective interest rate method (Notes 8 and 27). Foreign exchange gain/loss and credit finance charges of trade payables are classified under "other operating income/expense".

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	14,5- 30 years
Buildings	14,5- 36 years
Machinery and equipment	5- 25 years
Moulds and models	Project Lifetime
Furniture and fixtures	4- 14,5 years
Motor vehicles	9- 15 years

Land is not depreciated as it is deemed to have an indefinite useful life.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in income/expense from investing activities. Repair and maintenance expenses are charged to the statement of profit or loss as they are incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset (Note 11).

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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Intangible assets

Intangible assets comprise computer software, rights, leasehold improvements and development costs.

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period depending on the project's lifetime. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2 Research and development expenses (Note 12).

The estimated useful lifetimes of such assets are as follows:

Rights	3- 5 years
Capitalized improvement expenses	Project Lifetime
Other intangible assets	5 years
Customer contracts	22 years

Impairment of long-lived assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

Impairment losses are recognized in the statement of profit or loss. Impairment losses are recognized in the statement of profit or loss. Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded

Financial assets

Classification and Measurement

The Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through other comprehensive income, financial assets carried at fair value through profit or loss, Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

"Financial assets carried at amortized cost", assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost.

The Company's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. The aforementioned assets are initially measured at fair values and measured at amortized cost using the effective interest rate method in subsequent reporting Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

"Financial assets carried at fair value through profit or loss", they consist of financial assets that are measured at amortized cost and whose fair value changes are reflected in other comprehensive income. Gains and losses arising from the valuation of such assets are recognized in the income statement.

"Financial assets carried at fair value through other comprehensive income", are the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on the related financial assets are recognized in other comprehensive income, except for impairment losses or gains or losses. If the assets whose fair value difference is recognised under consolidated other comprehensive income statement are sold, valuation differences classified under consolidated other comprehensive income statement are classified under "Retained Earnings/(Losses)"

The group, at initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument. If an entity makes the election, it shall recognize in profit or loss dividends from that investment.

Share premium

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable is recognized as an appropriation of profit in the period in which they are declared (Notes 18 and 30).

Taxes on income

The tax liability on profit or loss for the period includes current tax and deferred tax.

Current period income tax

Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of statement of financial position date.

Deferred tax

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilized or deferred tax liabilities will be settled, are used to determine deferred income tax.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Deferred tax liability is calculated on all taxable temporary differences whereas deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporarily differences can be utilized. Carrying values of deferred tax assets are decreased to the extent necessary if future taxable profits are not expected to be available to utilize deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 25).

Current and deferred tax

Current and deferred taxes except those which are either related to the items directly recognized in the equity as receivable or payable (which, in such cases, the deferred tax regarding the related items is also recognized directly in the equity) or those which result from the initial recognition of an enterprise merger are recognized as income or loss in the income statement.

Revenue recognition

The Group adopted which proposes a five-step model framework mentioned below for recognizing the revenue.

- Identification of customer contracts,
- Determination of performance obligations in contracts,
- Determination of transaction price in the contract
- Allocating the transaction price to the performance obligations in the contracts,
- Recognition of revenue when the performance obligations are fulfilled

The Company recognized revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Group can define the rights of each party regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Goods & services sales

Revenue comprises the invoiced value for the sale of goods and services. Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured, and it is probable that the future economic benefits associated with the transaction will flow to the entity.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. But if the Company makes a sales agreement with buyback commitment, which shall most likely be applied, the sales made in this scope are not recognized as revenue and monitored under "Other Non-Current Liabilities" (Note 32). Sales, which are subject to buyback commitment, are evaluated as operating lease and monitored as deferred income through allocating the difference between the price paid by the customers and their buyback price to leasing period (Note 31).

The revenue recognised on lease revenue for the periods over 1 year is recognized as "Long-term deferred revenue" (Note 31).

The vehicles with repurchase commitments are classified in tangible assets (Note 11). The vehicles are amortised during the repurchase commitment period. For export sales significant risk and rewards in foreign vehicle sales to Ford Motor Company are transferred to the buyer on FAS, "Final Assignment to Ship" terms. Revenue is recorded when the vehicles ready for sale are matched with ship shipments and invoices. Exported service sales are recorded when the service is delivered and the amount of revenue can be measured reliably.

Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on an accrual basis (Notes 19, 22).

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The Group is a principal if it controls a promised good or service before the Group transfers the good or service to a customer. When a Group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

The Group is an agent if the performance obligation is to act as an intermediary for the provision of goods or services by other parties and does not reflect the revenue for the performance obligation to the financial statements.

The Group pays customer premiums to its dealers based on their performance results. Amounts calculated as of the balance sheet date are recognized in other payables in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss.

The Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 2-3-4 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Revenue from extended warranty and maintenance package

The Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty and maintenance package are determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, the Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

The Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. The Group delivers the control of services related to the sale of extended warranty and maintenance packages over time and it fulfills the performance obligation of those over time. Therefore, Group measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly.

Dividend and interest income

Dividend income from the stock investments are recorded when the stockholders become entitled to receive a dividend.

Interest income is realized on a time period basis and the accrued income is determined by taking into account the valid interest rate and the interest rate that is to be effective until its maturity date.

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the Central Bank of Turkey exchange rates prevailing at the statement of the financial position dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized under the other operating income/expenses and financial income/expense in the statement of profit or loss (Note 22, 23, 24 ve 28).

Financial instruments and financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. All trade receivables are due mainly from dealers and related parties. The Company has established effective control procedures over its dealers and the credit risk arising from transactions with such dealers is regularly monitored by management and the aggregate risk to any individual counterparty is limited. The Company covered its credit risk from domestic vehicle sales to dealers by setting credit limits for dealers through arranged banks and collects its trade receivables from banks at the due date through the use of Direct Debit System. The use of DDS for receivables from dealers is an effective way to decrease the credit risk.

Bank letters of collaterals received from dealers for the exceeding part of DDS limit, regarding domestic vehicle sales and spare part sales is another method in the management of the credit risk (Note 8).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Most of the foreign sales are made to Ford Motor Company and its subsidiaries. Conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company and its subsidiaries are collected in 14 days, Ford Romania SRL is 38 days for export vehicle sales regularly. Receivables from Ford Motor Company and its subsidiaries, except vehicle sales, are collected in 45 days in average. The collection of receivables resulting from export sales to customers other than Ford Motor Company is secured with letter of credit, letter of guarantee or cash payment.

Price risk

The Company is exposed to equity securities price risk because of investments classified on the statement of financial position as financial assets at fair value through other comprehensive income. The Company limits the financial assets at fair value through other comprehensive income in order to manage the price risk arising from investments in equity securities.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to EUR100 million and factoring agreement amounting to EUR120 million in case a requirement for use arises.

Interest rate risk

Management uses short-term interest bearing financial assets to manage the maturities of interest bearing assets and liabilities. The Company makes limited use of interest rate swaps, to hedge its floating rate borrowings, if needed.

Capital risk management

The Groups' objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the "net financial debt to earnings before interest tax and depreciation". This ratio is calculated as net financial debt divided by EBITD (earnings before interest tax and depreciation) of four quarters. Net financial debt is calculated as total short and long-term borrowings minus cash and cash equivalents. Company management, this ratio is expected not to exceed 3.5.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

	31 December 2022	31 December 2021
Net financial debt	27,803,669	4,882,296
EBITDA (*)	21,035,291	10,492,007
Net financial debt/EBITDA (*)	1.32	0.47

(*) EBITDA (Earnings before tax depreciation and interest) covering the last four quarters).

Fair value of financial instruments

The Company measures derivatives and financial assets whose fair value changes reflected into other comprehensive income at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial assets

Foreign currency balances are translated into TRY at the exchange rates prevailing at the balance sheet date. These balances are estimated to be close to the book value. Certain financial assets, including cash and cash equivalents, are carried at cost and are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Financial liabilities

Bank borrowings are recorded over their fair value of which the transaction costs are discounted. In the following periods, they are evaluated and recognized with their discounted costs by using the effective rate of interest method. The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Cash flow hedge accounting

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company has entered into swap transactions in order to manage its interest rate risk. Swap transactions are initially recognized at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. The fair value of interest swap contracts is determined by using valuation methods based on observable data in the market.

Derivative instruments are initially recognized at the transaction cost reflecting the fair value at the date of the contract is entered into and are subsequently measured at fair value. Derivative financial instruments are recognized as assets if the fair value is positive and as liabilities when the fair value is negative. The fair value differences of the Company are reflected in derivative financial instruments and consist of forward foreign currency purchase and sale contracts. Fair value is determined using valuation methods based on observable market data.

Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings (Note 7). With respect to assets which take long time to get ready for use and sale, borrowing costs related to production or construction are integrated to the cost of the asset. The borrowing costs include other costs incurred due to borrowing and interest.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Provision for employee benefits

a) Defined benefit plan

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees or reasons except for resignation and behaviours stated in labour law, calculated in accordance with the Turkish Labour Law (Note 16). According to the amendments on TAS 19 "Employee Benefits", the actuarial (gain)/loss of employee benefits are recognized under other comprehensive income.

b) Defined contribution plan

The Company is obliged to pay social insurance contributions to the Social Security Institution. No other obligation exists as long as the Company pays these premiums. These premiums are reflected to the personnel expenses when they are accrued (Note 16).

c) Other employee benefit

Long- term provisions for employee benefits" are composed of the unused vacation days accrued in the period incurred and if the impact is material, it is also discounted.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

Provisions for sales premium

Provision for dealer stock sales premium expenses is accounted based on the last approved sales premium programme (Note 14).

Warranty provisions

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization. The Company has reclassified warranty reserves to be expected to be realized in one year as current provision (Note 14).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred:

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured
- If the good will be sold or will be used within the Company,
- If there's a potential market or can be proved that it is used within the Company,
- If necessary technological, financial and other resources can be provided to complete the project.

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the project lifetime. Impairment test for the assets is performed annually within the recognition period of the development expenditures in progress (Note 12).

Related parties

Parties are considered related to the company (reporting entity) if;

- (a)** (a) A person or close member of that person's family is related to a reporting entity:

If that person,

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity or,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b)** An entity is related to a reporting entity if any of the following condition applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party,
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.,
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.3 Summary of significant accounting policies (Continued)

The Group defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (Note 27).

Earnings per share

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 26).

Reporting of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Company's operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment. Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity (Note 5).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities (Note 14).

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the statement of financial position date and the date when the statement of financial position is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the statement of financial position date, the Company makes the necessary corrections on the financial statements (Note 37).

Offsetting

Financial assets and liabilities are offset when there is a legal basis, intention to disclose net amount of related assets and liabilities or obtaining an asset that follows the settlement its liability.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Company has met all conditions required. Government grants and incentives regarding the capitalized projects, costs are recognized by netting from costs of property, plant and equipment and intangible assets. Incentives which are not subject to assets are shown as other income in the income statement (Note 34).

Leases

Group- As Lessor

If the Group transfers substantially all the risks and rewards of ownership of an underlying asset, it is classified as a finance lease. Whether a lease is a finance lease depends on the substance of the transaction rather than the form of the contract. At the commencement date of the lease, the Group recognizes a receivable equal to the net lease investment in the statement of financial position instead of the assets granted as finance leases. The implicit interest rate on the lease is used to measure the net lease investment. The Group recognizes financing income over the lease term on a basis that reflects a constant periodic rate of return on the net lease investment.

Group- As a Lessee

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

- The contract includes an identified asset (identification of an asset in a clear or implicitly specified form in the contract),
- A capacity portion of an asset is an identified asset if it is physically distinct and represents substantially all of the capacity of the asset (the asset is not an identified asset if the vendor has a fundamental right to substitute the asset for the duration of its use and obtain an economic benefit from it),
- The Company has the right to obtain almost all of the economic benefits that will be derived from the use of the identified asset.
- The right to direct the use of the identified asset. The Company has the right to direct the use of an identified asset throughout the period of use only if either:
 - a) The Company has the right to direct how and for what purpose the asset is used throughout the period of use
 - b) The relevant decisions about how and for what purpose the asset is used are predetermined and:

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

- i. The Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions or
- ii. The Company designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use

The Group recognizes right of use asset and lease liability at the start date of lease after evaluation of aforementioned criterias.

Right of use asset

At the commencement date, the Group shall measure the right-of-use asset at cost (Note 33). The cost of the right-of-use asset shall comprise:

- a) The amount of the initial measurement of the lease liability
- b) Any lease payments made at or before the commencement date, less any lease incentives received
- c) Any initial direct costs incurred by the Group,
- d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

To apply a cost model, the Group shall measure the right-of-use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses and
- b) Adjusted for any remeasurement of the lease liability.

The Group shall apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

The Group shall apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, the Group shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined incremental borrowing interest rate shall be used for discounting.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

At the commencement date, Group's the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or Rate as at the commencement date,
- c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group shall measure the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. The Group reflects the remeasurement amount of the lease liability as an adjustment to the right-of-use asset in its consolidated financial statements.

Extension and early termination options

The lease liability is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options included in the contracts are composed of the options that are jointly applicable by the Group and the lessor.

The Group determines the lease term by the extension of the lease, if such extension and early termination options are at the Group's discretion and the use of the options is reasonably certain. If there is a significant change in the circumstances, the evaluation is reviewed by the Group

Variable lease payments

Lease payments arising from some of the Company's lease agreements consist of variable rent payments. These variable lease payments, which are not included in TFRS 16, are recorded as rent expense in the related period in the income statement.

Practical expedient

Contracts for short-term lease agreements with a rental period of less than 12 months and information technology equipment leases (mainly printers, laptops, mobile telephones, etc.), which are determined as low value by the Company, have been evaluated under the exception of the TFRS 16 Leases Standard and these payments are recognized as an expense in the period in which they are incurred.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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.

2.4 Important developments regarding the current period

There are problems in the supply of in-vehicle electronic components, which have been used more intensively in the automotive sector in recent years. Our main partner, Ford Motor Company, with its global suppliers, tries to ensure that the materials of electronic components are used efficiently by giving priority to the solution of the problem and the main production lines.

Although there were slowdowns in the daily production pace from time to time within the scope of supply problems in semiconductor materials, production activities continued with the effective management of the process. The Group has evaluated the possible impairments in the values of financial assets, inventories and tangible fixed assets in its consolidated financial statements as of 31 December 2022, and no significant effect has been identified.

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 benefit (Note 16).
- (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 8).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Significant accounting estimates and decisions (Continued)

- (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 10).
- (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 Group management determines the amount of the provisions based on the best forecasts.
- (e) In calculation of the warranty provision, the Group 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 14).
- (f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of 31 December 2022 and 31 December 2021 since presumptions that the Group will have taxable profit in the forthcoming periods are found to be sufficient (Note 25).
- (g) The Group 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 11 and 12).
- (h) The Group capitalizes ongoing development expenditures and evaluates whether there is an annual depreciation of these capitalized assets. As of 31 December 2022 and 31 December 2021, there is no impairment of capitalized development expenses (Note 12).

3. BUSINESS COMBINATIONS

The Group has purchased all of Ford Romania SRL shares on 1 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2022

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3. BUSINESS COMBINATIONS (Continued)

Contingent and deferred acquisition costs amounting to TRY5,496,234 (as of December 31, 2022 shown as TRY6,407,114 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 used provisionally 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
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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 (Note 11)	9,153,765
Right of use assets	31,634
Intangible assets (Note 12)	3,234,243
Trade payables and other payables	(5,554,079)
Deferred tax liability	(488,610)
Other non-current liabilities	(967,782)

Value of total identifiable net assets	12,429,541
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Goodwill	441,813
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Total purchase price	12,871,354
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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
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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.

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3. BUSINESS COMBINATIONS (Continued)

Currently, Puma and EcoSport passenger car models and 1.0 liter Ecoboost gasoline engines are produced at the Craiova Facility, and EcoSport production has ended as of the end of 2022 in accordance with the Supply Conditions; 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. 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 TRY24,526,139 revenue and TRY89,522 net profit excluding TFRS 3 adjustments to the Group from 1 July to 31 December 2022.

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. 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 evaluated the production and supply contracts of Ford Romania SRL with Ford Motor Company and other Ford Group companies as a single contract and accounted for a "customer contract" amounting to TRY3,234,243 for intangible assets.

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

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3. BUSINESS COMBINATIONS (Continued)

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%). If these estimates had been negative by 10 basis points, Customer Contracts would have been TRY397,599 lower and goodwill higher by the same amount. At the same time, depreciation expense for the period of 31 December 2022 would have been TRY9,246 lower.

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, 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. CASH AND CASH EQUIVALENTS

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for foreign currency denominated time deposits is 0.68% (31 December 2021: 0.38%) and the weighted average interest rate for the TRY time deposits is 20.88% (31 December 2021: 18.96%).

	31 December 2022	31 December 2021
Banks - TRY time deposits	4,289,069	7,551,944
Banks - foreign currency time deposits	4,780,250	6,492,334
Banks - TRY demand deposits	222,242	50,379
Banks - foreign currency demand deposits	818,061	11,583
Cash and cash equivalents in the cash flow statement	10,109,622	14,106,240
Interest income accrual	5,084	67,691
	10,114,706	14,173,931

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6. FINANCIAL INVESTMENTS

	31 December 2022		31 December 2021	
	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	145,942	0.59	49,913
		145,942		49,913

(*) The Company's shareholding in Otokar was stated at market value on 31 December 2022 and 31 December 2021 which is assumed to approximate its fair value.

7. FINANCIAL LIABILITIES

Short-term financial liabilities

Bank borrowings

	31 December 2022		31 December 2021	
	Effective interest rate (%)	Amount	Effective interest rate (%)	Amount
- TRY	21.18	5,502,826	0.00	59,410
- EUR	3.49	2,020,920	0.57	4,413,965
		7,523,746		4,473,375

Short-term portion of long-term financial liabilities

Bank borrowings

- EUR	2.37	5,619,141	1.79	3,733,404
		5,619,141		3,733,404

Lease liabilities

- EUR	4.70	31,765	4.83	31,276
- TRY	25.34	41,498	24.13	18,864
-USD	1.95	2,314	-	-
-Other	-	139	-	-
		75,716		50,140

		5,694,857		3,783,544
Total short-term financial liabilities		13,218,603		8,256,919

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7. FINANCIAL LIABILITIES (Continued)**Long-term financial liabilities****Bank borrowings**

	31 December 2022		31 December 2021	
	Effective interest rate (%)	Amount	Effective interest rate (%)	Amount
- EUR	3.08	18,175,044	2.23	10,749,405
		18,175,044		10,749,405

Lease liabilities

	31 December 2022		31 December 2021	
	Effective interest rate (%)	Amount	Effective interest rate (%)	Amount
- EUR	3.74	22,193	5.20	20,074
- TRY	25.63	89,229	23.88	29,829
-USD	-	6,192	-	-
		117,614		49,903

Other long-term financial liabilities

	31 December 2022		31 December 2021	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.00	6,407,114	-	-
		6,407,114		-
Total long-term financial liabilities		24,699,772		10,799,308

The amount classified under other long-term payables consists of the contingent and deferred acquisition costs that the Group has to pay in 2025 and 2028 when it acquired Ford Romania SRL's shares on 1 July 2022. This amount has been determined according to the best estimation of the Group management as of 31 December 2022.

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7. FINANCIAL LIABILITIES (Continued)

The payment schedules of long-term bank borrowings as of 31 December 2022 and 31 December 2021 are as follows:

Payment Period	31 December 2022	31 December 2021
2024	6,167,124	2,478,784
2025	4,330,694	2,113,774
2026	4,079,397	1,994,758
2027	1,510,983	549,904
2028	1,420,791	523,111
2029	348,889	-
2030	317,166	-
2023	-	3,089,074
	18,175,044	10,749,405

The letters of bank guarantee given to financial institutions in connection with borrowings amounts to TRY2,704,765 (31 December 2021: TRY4,788,554) (Note 14).

The payment schedules of other long-term bank borrowings as of 31 December 2022 and 31 December 2021 are as follows:

Payment Period	31 December 2022	31 December
2025	3,720,580	-
2028	2,686,534	-
	6,407,114	-

The movement of financial liabilities as of 31 December 2022 and 2021 is as follows:

	2022	2021
1 January	19,056,227	8,080,874
Cash inflows from borrowing	25,697,345	15,183,314
Cash outflows from borrowing	(20,978,615)	(11,620,512)
Cash outflows related to debt payments arising from lease agreements	(91,053)	(66,134)
Unrealised foreign exchange differences	7,433,964	7,361,437
Change in accrual of interest	230,919	33,777
New lease agreements/impact of contract changes	131,414	83,471
31 December	31,480,201	19,056,227

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8. TRADE RECEIVABLES AND PAYABLES

31 December 2022 31 December 2021

Short-term trade receivables

Trade receivables	7,296,635	3,532,719
Doubtful receivables (*)	229,629	229,602
Less: provision for doubtful receivables	(229,629)	(229,602)
Less: unearned credit finance income	(101,790)	(40,148)
	7,194,845	3,492,571

(*) The portion of TRY225,139 of the doubtful receivables amount is related to the dealers involved in the fraud process on 2021.

The average turnover of receivables related to vehicle sales to domestic distributors is 30 days (31 December 2021: 25 days), domestic sales of spare parts turnover is 70 days (31 December 2021: 70 days) and discounted by 2.00% monthly effective interest rate (31 December 2021: 1.49%).

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

31 December 2022 31 December 2021

Long-term trade receivables

Deposits and guarantees given	1,684	6,302
Trade receivables	14,000	31,277
	15,684	37,579

31 December 2022 31 December 2021

Trade payables

Trade payables	25,793,431	9,341,802
Less: unearned credit finance expense	(176,586)	(69,584)
	25,616,845	9,272,218

The Group's average turnover of trade payables is 60 days (31 December 2021: 60 days) and discounted by 2.00% monthly effective interest rate (31 December 2021: 1.49%).

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8. TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Group to credit risk as of 31 December 2022 and 31 December 2021 is as follows:

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 (Notes 5, 8, 9, 27)	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 not 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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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

8. TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2021	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Notes 5, 8, 9, 27)	7,914,177	3,492,571	-	820	14,106,240
- The maximum of credit risk covered by guarantees	360,620	3,466,862	-	-	-
Net book value of the financial assets that are neither overdue not impaired	7,631,251	3,481,061	-	820	14,106,240
Net book value of financial assets that are overdue but not impaired	282,926	11,510	-	-	-
- Amount of risk covered by guarantees	-	713	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	229,602	-	-	-
- Provision for impairment (-)	-	(229,602)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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8. TRADE RECEIVABLES AND PAYABLES (Continued)

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

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

Company's overdue receivables from related parties result from long-term engineering service invoices and parts export receivables from Ford Motor Company.

31 December 2021	Trade Receivables	
	Related party	Other
1- 30 days overdue	88,928	7,199
1- 3 months overdue	112,008	192
3- 12 months overdue	81,039	3,345
1- 5 years overdue	951	774
	282,926	11,510
Risk covered by guarantees	-	713

9. OTHER RECEIVABLES AND PAYABLES

	31 December 2022	31 December 2021
Other receivables		
Other miscellaneous receivables	116,104	820
	116,104	820
Other payables		
Taxes and funds payable	251,313	130,296
Sales premium accruals	120,086	52,693
Other	290,787	37,766
	662,186	220,755

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10. INVENTORIES

	31 December 2022	31 December 2021
Raw materials	9,325,420	3,339,957
Finished goods	2,311,334	773,904
Goods in transit	989,782	620,062
Vehicle spare parts	734,836	385,651
Spare parts	183,421	90,557
Import vehicles	9,708	39,121
Other	323,969	32,696
	13,878,470	5,281,948
Less: provision for impairment of finished goods and vehicle spare parts	(24,462)	(12,642)
	13,854,008	5,269,306

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

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

	2022	2021
1 January	12,642	18,073
Acquisitions	3,056	-
Change within the period	8,764	(5,431)
31 December	24,462	12,642

The Company 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 18).

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11. PROPERTY, PLANT AND EQUIPMENT

1 January 2022	Land	Land improvements	Buildings	Machine and equipment	Models and moulds	Fixture and furniture	Vehicles	Constructions in progress	Total
Cost	94,929	227,002	1,058,712	3,931,317	4,157,632	646,774	38,425	717,166	10,871,957
Accumulated depreciation	-	(103,550)	(524,404)	(1,891,358)	(2,807,140)	(385,793)	(10,629)	-	(5,722,874)
Net book value	94,929	123,452	534,308	2,039,959	1,350,492	260,981	27,796	717,166	5,149,083
For the period ended 31 December 2022									
Opening net book value	94,929	123,452	534,308	2,039,959	1,350,492	260,981	27,796	717,166	5,149,083
Acquisitions (Note 3)	-	490,208	1,818,226	6,361,179	-	-	-	484,152	9,153,765
Additions	4,574	25,836	81,365	3,511,032	795,622	327,739	18,793	2,814,993	7,579,954
Transfers (*)	-	568	36,721	(1,083,885)	725	910	-	(250,242)	(1,295,203)
Disposals	-	(985)	(2,290)	(1,579,590)	(1,277)	(32,584)	(18,799)	(3,584)	(1,639,109)
Exchange differences on translation	-	-	-	1,136,170	-	-	-	-	1,136,170
Depreciation charge	-	(7,187)	(40,353)	(853,360)	(581,867)	(58,566)	(3,665)	-	(1,544,998)
Disposals from accumulated depreciation	-	645	1,916	1,564,666	914	31,761	5,626	-	1,605,528
Closing net book value	99,503	632,537	2,429,893	11,096,171	1,564,609	530,241	29,751	3,762,485	20,145,190
31 December 2022									
Cost	99,503	742,629	2,992,734	12,276,223	4,952,702	942,839	38,419	3,762,485	25,807,534
Accumulated depreciation	-	(110,092)	(562,841)	(1,180,052)	(3,388,093)	(412,598)	(8,668)	-	(5,662,344)
Net book value	99,503	632,537	2,429,893	11,096,171	1,564,609	530,241	29,751	3,762,485	20,145,190

(*) 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 has compared the borrowing costs related to the foreign currency investment loans it has received with the TRY denominated market loan interest rates. According to the cumulative method within the scope of TAS 23, there is no interest expense capitalized for the period ending as of 31 December 2022 (31 December 2021:None).

There is no collateral, pledge or mortgage on tangible assets as of 31 December 2022 and 2021.

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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

1 January 2021	Land	Land improvements	Buildings	Machine and equipment	Models and moulds	Fixture and furniture	Vehicles	Constructions in progress	Total
Cost	94,929	208,154	1,035,421	3,420,759	3,882,471	543,000	46,990	138,298	9,370,022
Accumulated depreciation	-	(96,865)	(493,050)	(1,748,880)	(2,272,833)	(345,670)	(9,351)	-	(4,966,649)
Net book value	94,929	111,289	542,371	1,671,879	1,609,638	197,330	37,639	138,298	4,403,373
For the period ended 31 December 2021									
Opening net book value	94,929	111,289	542,371	1,671,879	1,609,638	197,330	37,639	138,298	4,403,373
Additions	-	18,262	20,687	582,165	257,940	105,304	7,176	628,692	1,620,226
Transfers	-	595	2,604	25,168	21,041	416	-	(49,824)	-
Disposals	-	(9)	-	(96,775)	(3,820)	(1,946)	(15,741)	-	(118,291)
Depreciation charge	-	(6,687)	(31,354)	(189,178)	(538,127)	(41,357)	(4,904)	-	(811,607)
Disposals from accumulated depreciation	-	2	-	46,700	3,820	1,234	3,626	-	55,382
Closing net book value	94,929	123,452	534,308	2,039,959	1,350,492	260,981	27,796	717,166	5,149,083
31 December 2021									
Cost	94,929	227,002	1,058,712	3,931,317	4,157,632	646,774	38,425	717,166	10,871,957
Accumulated depreciation	-	(103,550)	(524,404)	(1,891,358)	(2,807,140)	(385,793)	(10,629)	-	(5,722,874)
Net book value	94,929	123,452	534,308	2,039,959	1,350,492	260,981	27,796	717,166	5,149,083

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12. INTANGIBLE ASSETS

1 January 2022	Rights	Development cost	Development cost in progress	Other	Total
Cost	206,575	1,485,847	729,519	7,284	2,429,225
Accumulated amortisation	(115,696)	(819,569)	-	(7,183)	(942,448)
Net book value	90,879	666,278	729,519	101	1,486,777

For the period ended 31 December 2022

Opening net book value	90,879	666,278	729,519	101	1,486,777
Acquisitions (Note 3)	-	-	-	3,234,243	3,234,243
Additions	107,638	1,961,578	-	189	2,069,405
Transfers	-	515,768	(515,768)	-	-
Disposals	(235)	-	-	(2,567)	(2,802)
Exchange differences on translation	-	-	-	450,695	450,695
Amortisation charge	(46,533)	(161,524)	-	(82,720)	(290,777)
Disposals from accumulated depreciation	235	-	-	2,567	2,802
Closing net book value	151,984	2,982,100	213,751	3,602,508	6,950,343

31 December 2022

Cost	313,978	3,963,193	213,751	3,689,844	8,180,766
Accumulated amortisation	(161,994)	(981,093)	-	(87,336)	(1,230,423)
Net book value	151,984	2,982,100	213,751	3,602,508	6,950,343

There are no fully depreciated intangible assets as of 31 December 2022. As of 31 December 2022, there is no capitalized interest cost and foreign exchange difference in accordance with TAS 23 (31 December 2021: None).

The cost of the "Contracts with Customers", which is classified under "Other" by the Group and in Ford Romania SRL acquisition accounting, is TRY3,234,243 and the current period depreciation is TRY82,629.

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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

12. INTANGIBLE ASSETS (Continued)

1 January 2021	Rights	Development cost	Development cost in progress	Other	Total
Cost	121,228	1,136,844	383,265	7,284	1,648,621
Accumulated amortisation	(91,430)	(645,331)	-	(7,021)	(743,782)
Net book value	29,798	491,513	383,265	263	904,839

For the period ended 31 December 2021

Opening net book value	29,798	491,513	383,265	263	904,839
Additions	85,686	-	695,257	-	780,943
Transfers	-	349,003	(349,003)	-	-
Disposals	(339)	-	-	-	(339)
Amortisation charge	(24,304)	(174,238)	-	(162)	(198,704)
Disposals from accumulated depreciation	38	-	-	-	38
Closing net book value	90,879	666,278	729,519	101	1,486,777

31 December 2021

Cost	206,575	1,485,847	729,519	7,284	2,429,225
Accumulated amortisation	(115,696)	(819,569)	-	(7,183)	(942,448)
Net book value	90,879	666,278	729,519	101	1,486,777

13. PREPAID EXPENSES

Short-term prepaid expenses

31 December 2022 31 December 2021

Advances given for inventories	869,837	249,320
Other prepaid expenses	325,364	54,376
	1,195,201	303,696

Long-term prepaid expenses

31 December 2022 31 December 2021

Advances given for investments (*)	5,967,852	1,398,084
Other prepaid expenses	95,920	23,709
	6,063,772	1,421,793

(*) Advances given for investments are related to the Company's new vehicle investments. TRY4,445,438 (31 December 2021: TRY751,825) is given to domestic vendors as advance payment on mould purchases and TRY1,522,414 (31 December 2021: TRY646,259) is the advance given for the new project investments.

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14. PROVISION, CONTINGENT ASSETS AND LIABILITIES

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

Short-term provisions

	31 December 2022	31 December 2021
Warranty expense provision	499,052	317,812
Provisions for sales premium (*)	27,863	72,349
Provisions for lawsuits	8,840	-
Other short-term provisions	40,156	-
	575,911	390,161

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

Long-term provisions

	31 December 2022	31 December 2021
Warranty expense provision	627,890	328,431
Provisions for lawsuits	117,720	87,587
Other short-term provisions	41,226	-
	786,836	416,018

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

	2022	2021
1 January	87,587	83,369
Acquisition	5,176	-
Paid during the period	(19,894)	(21,994)
Additions during the period	53,691	26,212
31 December	126,560	87,587

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14. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	2022	2021
1 January	646,243	354,216
Paid during the period	(703,046)	(295,601)
Additions during the period (Note 20)	1,183,746	587,628
31 December	1,126,943	646,243

Letters of guarantee and letters of credit	31 December 2022	31 December 2021
Letters of guarantee given to financial institutions due to bank loans	2,704,765	4,788,554
Letters of guarantee given to customs	203,936	151,414
Letters of guarantees given to other parties	306,914	87,044
	3,215,615	5,027,012

Letters of guarantee given	31 December 2022		31 December 2021	
	Original currency	TRY amount	Original currency	TRY amount
EUR	29,018	578,471	336,221	4,936,492
TRY	2,637,144	2,637,144	90,520	90,520
		3,215,615		5,027,012

The allocation of collaterals, pledges and mortgages as of 31 December 2022 and 31 December 2021 as follows:

Collaterals, pledges and mortgages given by the Company	31 December 2022	31 December 2021
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	3,208,050	5,022,460
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 (*)	7,565	4,552
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	-	-
	3,215,615	5,027,012

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

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14. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

As of 31 December 2022 and 31 December 2021, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows:

Letters of guarantee taken

	31 December 2022		31 December 2021	
	Original currency	TRY amount	Original amount	TRY amount
EUR	151,941	3,028,929	66,651	978,591
TRY	3,259,425	3,259,425	761,409	761,409
USD	1,158	21,653	201	2,606
Romanian Leu	8,500	34,053	-	-
		6,344,060		1,742,606

Other

The long-term bank borrowing agreements related to the investments require the Company to comply with certain financial ratios. Such financial ratios are met by the Company as of 31 December 2022 and 31 December 2021.

15. COMMITMENTS

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

- The Group has signed a 1-year loan commitment agreement with İşbank amounting to EUR100,000,000 in 2022. With this agreement, the Group committed to spend the export amount of EUR200,000,000 through its accounts in İşbank. As of 31 December 2022, these commitments have been fulfilled.
- The Company also committed to Türkiye İhracat Kredi Bankası A.Ş. (Eximbank) with 2 years term credit amounting to TRY2,000,000 used in October 2022 an export amount of TRY2,000,000.

16. EMPLOYEE BENEFITS

Liabilities for employee benefit obligations

	31 December 2022	31 December 2021
Salaries and social charges payable	409,966	211,365
Income tax withholdings payable	313,732	115,246
Social security premiums payable	507,023	84,876
Other	24,965	8,073
	1,255,686	419,560

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16. EMPLOYEE BENEFITS (Continued)

Long-term provision for employee benefits

	31 December 2022	31 December 2021
Provision for employment termination benefits	1,727,355	491,932
Provision for unused vacation pay liability	162,881	76,565
	1,890,236	568,497

Provision for employee benefits:

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY15,371.40 for each year of service as of 31 December 2022 (31 December 2021: Full TRY8,284.51).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

TFRS requires actuarial valuation methods to be developed to estimate the Company's obligation under defined benefit plans, accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2022	31 December 2021
Net discount rate (%)	0.55	4.45
Turnover rate to estimate the probability of retirement (%)	95.22	95.61

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits once a year, the maximum amount of full TRY19,982.83 which was effective as of 1 January 2023 (1 January 2022: Full TRY10,848.59) has been used in the calculations.

Movements in the provision for employee benefits during the year are as follows:

	2022	2021
1 January	491,932	312,721
Acquisition	35,634	-
Interest cost	109,020	40,654
Current year service cost	40,651	23,573
Paid during the period	(42,719)	(19,221)
Actuarial gains	1,092,887	134,205
Exchange differences on translation	(50)	-
31 December	1,727,355	491,932

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16. EMPLOYEE BENEFITS (Continued)

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 31 December 2022 is below:

Sensitivity level	Net discount rate		Turnover rate related to the probability of retirement	
	0.5% base decrease	0.5% base increase	0.5% base decrease	0.5% base increase
Rate (%)	(0,1)	(1,1)	94,7	95,7
Change in provision for employee benefits	133,588	(123,101)	(45,542)	48,963

17. OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
VAT to be deducted (*)	3,409,598	1,527,009
Prepaid taxes and withholding	56,685	56,306
Other	208,081	76,036
	3,674,364	1,659,351

(*) VAT to be deducted includes export VAT receivables related to November and December 2022. VAT return for November amounting to TRY1,327,810 has been collected in January 2023.

18. EQUITY

The composition of the Company's paid-in capital as of 31 December 2022 and 2021 is as follows:

Shareholders	Share group	31 December 2022	Shareholders percentage (%)	31 December 2021	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 (Public)	A	62,786	17.89	62,786	17.89
Paid in 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	

According to the articles of association, half of the members to be elected to the Board of Directors are selected from among the candidates nominated by the B group and the other half by the C group shareholders. The General Assembly is authorized to determine the number of the members of the Board of Directors and to elect the members. One of the candidates nominated by the B and C group shareholders must have the independent qualifications defined in the CMB regulations.

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18. EQUITY (Continued)

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 2021: 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 Company classified the above mentioned reserves under "Restricted reserves", the amount of restricted reserves is TRY1,420,763 as of 31 December 2022 (31 December 2021: TRY766,316).

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 company 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.

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18. EQUITY (Continued)

In accordance with the Ordinary General Assembly Meeting dated as of 21 March 2022, the Group has decided to distribute dividends at the rate of 1,300% gross (net 1,170%), with a total amount of TRY2,252,842 as full TRY13.00 gross (Kr1,170 net) for each share with a value of full TRY1 and the Group made the dividend payment in March 2022. In accordance with the Ordinary General Assembly Meeting dated as of 17 November 2021, the Group has decided to distribute dividends at the rate of 642% gross (net 545.70%), with a total amount of TRY4,561,830 as full TRY3.77 gross (Kr320.45 net) for each share with a value of full TRY1 and the Group made the dividend payment in November 2021.

In accordance with Communiqué No: II-14.1 "Communiqué on the Principles of Financial Reporting in Capital Markets", equity schedule at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
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	137,717	46,489
Losses on cash flow hedge	(4,881,384)	(3,191,233)
Losses on remeasurements of defined benefit plans	(1,000,033)	(125,723)
Exchange differences on translation	1,674,943	-
Restricted reserves	1,420,763	766,316
- Legal reserves	1,420,763	766,316
Retained earnings (*)	5,057,387	3,472,846
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	4,629,086	3,044,545
Net income for the period	18,613,943	8,801,005
Total equity	21,402,174	10,148,538

The adjusted values of the items shown above with their historical values and the equity inflation adjustment differences as of the end of 2003 are as follows as of 31 December 2022 and 31 December 2021:

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

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18. EQUITY (Continued)

31 December 2021	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	766,316	825,069	58,753
Extraordinary reserves	3,044,545	3,413,690	369,145
Share premium	8	361	353
Other reserves	-	50	50
	4,161,779	4,618,000	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.

Otokar shares which are publicly traded in BIST are valued at their closing price as of 31 December 2022 and 31 December 2021. As of 31 December 2022, fair value change amounting to TRY91,228 net of deferred tax, (31 December 2021: TRY4,889) 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:

	2022	2021
1 January	(3,270,467)	(1,408,271)
Gains/(losses) from financial assets measured at fair value through other comprehensive income	91,228	4,889
Actuarial gains/(losses)	(874,310)	(107,364)
Gains/(losses) on cash flow hedges	(1,690,151)	(1,759,721)
31 December	(5,743,700)	(3,270,467)

19. REVENUE AND COST OF SALES

	2022	2021
Export sales (*)	133,266,750	54,515,151
Domestic sales	40,807,584	17,983,616
Other sales	1,119,872	413,540
Less: discounts	(3,397,304)	(1,811,049)
	171,796,902	71,101,258

FORD OTOMOTİV SANAYİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

19. REVENUE AND COST OF SALES (Continued)**Units of vehicle sales**

	2022			2021		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	5,354	149,319	154,673	4,372	157,967	162,339
Transit	21,395	116,068	137,463	20,773	107,345	128,118
Puma	1,583	74,241	75,824	1,247	2	1,249
Transit Courier	39,403	24,476	63,879	28,541	18,004	46,545
Ecosport	2,113	19,116	21,229	2,028	6	2,034
Ford Trucks (Truck)	8,957	7,585	16,542	7,298	5,168	12,466
Other Passenger vehicles	4,509	-	4,509	7,047	14	7,061
Ranger	956	6	962	1,430	5	1,435
New Transit Connect	372	-	372	354	-	354
Rakun	268	-	268	-	-	-
	84,910	390,811	475,721	73,090	288,511	361,601

Summaries of cost of production as of 31 December 2022 and 2021 are as follows:

	2022	2021
Cost of raw material	(130,383,223)	(50,548,947)
Production overhead costs	(8,698,089)	(3,209,099)
Amortization expenses (Notes 11, 12 and 33)	(1,767,238)	(974,441)
Changes in finished goods	1,317,385	249,271
Total production cost	(139,531,165)	(54,483,216)
Cost of trade goods sold	(8,324,493)	(5,463,882)
Total cost of sales	(147,855,658)	(59,947,098)

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

**20. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL
ADMINISTRATIVE EXPENSES**

	2022	2021
Research and development expenses		
Personnel expenses	(654,273)	(283,223)
Project costs	(583,376)	(254,866)
Mechanization expenses	(116,941)	(95,357)
Depreciation and amortization expenses (Notes 11, 12 and 33)	(28,737)	(25,877)
Other	(65,706)	(21,196)
	(1,449,033)	(680,519)

FORD OTOMOTİV SANAYİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

**20. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL
ADMINISTRATIVE EXPENSES (Continued)**

	2022	2021
Marketing expenses		
Warranty expenses (Note 14)	(1,183,746)	(587,628)
Vehicle transportation expenses	(411,106)	(91,059)
Personnel expenses	(362,606)	(179,056)
Advertising expenses	(205,954)	(136,133)
Spare parts transportation and packaging expenses	(135,786)	(77,209)
Export expenses	(122,099)	(45,006)
Mechanization expenses	(57,667)	(35,653)
Depreciation and amortization expenses (Notes 11, 12 and 33)	(26,812)	(12,926)
Dealer and service development expenses	(7,754)	(12,843)
Other	(242,494)	(146,087)
	(2,756,024)	(1,323,600)
General administrative expenses		
Personnel expenses	(852,916)	(319,076)
Grants and donations	(260,558)	(123,446)
Legal, consulting and auditing expenses	(193,410)	(79,800)
Mechanization expenses	(175,161)	(48,563)
Depreciation and amortization expenses (Notes 11, 12 and 33)	(67,640)	(37,275)
New project administrative expenses	(107,133)	(35,519)
Organization expenses	(31,618)	(16,398)
Repair, maintenance and energy expenses	(30,114)	(13,044)
Duties, taxes and levies expenses	(23,214)	(9,132)
Transportation and travel expenses	(39,809)	(7,925)
Other	(122,293)	(50,251)
	(1,903,866)	(740,429)

FORD OTOMOTİV SANAYİ A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
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21. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 31 December 2022 and 2021 is as follows:

	2022	2021
Raw material cost	(130,383,223)	(50,548,947)
Financial expenses	(10,197,649)	(6,527,635)
Cost of trade goods sold	(8,324,493)	(5,463,882)
Personnel expenses	(6,149,587)	(2,424,720)
Other production overhead costs	(4,396,773)	(1,565,734)
Other operational expenses	(4,137,463)	(1,887,115)
Other expenses from operating activities	(2,104,872)	(1,082,881)
Depreciation and amortization expenses	(1,890,427)	(1,050,519)
Expenses from investing activities	(34,930)	(37,561)
Changes in inventories	1,317,385	249,271
Total expenses	(166,302,032)	(70,339,723)

22. OTHER OPERATING INCOME/(EXPENSES)

	2022	2021
Other operating income		
Foreign exchange gains		
related to trade receivables and payables	2,291,767	1,496,198
Financial income from forward sales	798,066	394,550
License income	38,216	29,752
Rent income	34,830	13,233
Commission income	26,432	14,415
Price difference and claim recovery	24,947	5,176
Provisions no longer required	11,202	97,861
Other	187,434	59,827
	3,412,894	2,111,012
Other operating expenses		
Unearned financial expense	(1,367,576)	(711,186)
Foreign exchange losses		
related to trade receivables and payables	(689,555)	(368,117)
Other	(47,741)	(3,578)
	(2,104,872)	(1,082,881)

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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

23. FINANCIAL INCOME

	2022	2021
Foreign exchange gains	5,897,632	4,702,170
Interest income	620,406	1,073,419
Other	176,392	36,159
	6,694,430	5,811,748

24. FINANCIAL EXPENSES

	2022	2021
Foreign exchange losses	(9,171,471)	(6,219,417)
Interest expenses	(969,071)	(239,199)
Other	(57,107)	(69,019)
	(10,197,649)	(6,527,635)

25. 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 31 December 2022 is 23% (31 December 2021: 25%). The corporate tax rate for the fiscal year 31 December 2022 is 16% in Romania (31 December 2021: 16%). Corporate tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc.) and corporate income tax deductions (e.g. research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Dividend payments made to individuals and institutions other than these are subject to 10% withholding tax. Addition of profit to capital is not considered as profit distribution.

The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated over the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax declarations to the Tax Office within the 25th of the fourth month following the close of the financial year. Authorities authorized for tax inspection can carry out accounting records inspections for five years retrospectively and change tax amounts due to tax assessment if erroneous transactions are detected.

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25. 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. Similarly, the Romanian tax legislation allows deducting the financial losses shown on the declaration from the corporate income for the period, provided that it does not exceed 7 years.

There are many exceptions to the Institutions Tax Law. These exceptions to the Company 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 Company 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 Company 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 31 December 2022 the Company utilised R&D incentive exemption amounting of TRY3,367,977 (31 December 2021: TRY1,422,303) in return for the legal tax.

As of the reporting date, TRY559,295 (31 December 2021: TRY559,295) under the Large-Scale Investment Incentive Certificate, completed and investment in progress, TRY5,972,423 (31 December 2021: TRY5,457,304) within the scope of Priority Investment Incentive Certificates and 6,811,299 TL (31 December 2021: TRY1,087,945) within the scope of Project Based State Aid investment expenditure was made.

The Company utilized discounted corporate taxation amounting to TRY3,230,358 (31 December 2021: TRY1,721,248) in the current year and this amount has been deducted from the total deferred tax asset.

The Company's net tax position as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Current year corporate tax expense	(94,210)	(76,950)
Prepaid tax and withholding	245,987	63,845
Current tax related assets/(liabilities)	151,777	(13,105)
Deferred tax assets	5,374,582	1,715,971
Deferred tax liabilities	(567,819)	-
Net deferred tax asset	4,806,763	1,715,971

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25. TAX ASSETS AND LIABILITIES (Continued)

The taxation on income for the periods ended 31 December 2022 and 2021 are as follows:

	2022	2021
Current year corporate tax expense	(94,210)	(76,950)
Current year tax effect of cash flow hedge (*)	(338,032)	(479,345)
Other deferred tax	3,422,978	670,541
Deferred tax income	3,084,946	191,196
Continuing operations tax (income)/(expense)	2,990,736	114,246

(*) The amount represents the tax effect of the reclassification made between the statement of income and other comprehensive income relating to the cash flow hedge transactions.

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at 31 December 2022 and 2021 and current tax ratio based on income before tax is as follows:

	31 December 2022	31 December 2021
Income before tax	15,623,207	8,686,759
Effective tax rate	23%	25%
Current year tax expense	(3,593,338)	(2,171,690)
Research and development deductions	774,635	355,576
Investment incentive exemption	6,086,552	2,001,253
Other	(277,113)	(70,893)
	2,990,736	114,246

The Company 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.

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25. TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 31 December 2022 and 31 December 2021 using the current enacted tax rates is as follows:

	Cumulative Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deferred tax assets				
Investment incentive tax asset (Note:34)	(13,343,017)	(7,104,544)	4,336,008	1,400,008
Expense accruals and other provisions	(2,204,649)	(690,644)	429,755	153,682
Employee benefits provision	(1,727,355)	(491,932)	344,358	98,386
Warranty expense provision	(1,126,942)	(646,243)	225,388	141,050
Inventories	(210,487)	(184,455)	41,396	42,425
Accumulated losses	(1,121,253)	-	179,401	-
	(20,571,312)	(9,117,818)	5,556,306	1,835,551
Deferred tax liabilities				
Tangible and intangible assets	4,063,681	430,811	(612,460)	(86,162)
Income accruals and other	685,416	153,259	(137,083)	(33,418)
	4,749,097	584,070	(749,543)	(119,580)
Net deferred tax asset			4,806,763	1,715,971

The deferred tax movement table of 31 December 2022 and 31 December 2021 are presented below:

	2022	2021
1 January	1,715,971	954,246
Charged to statement of profit or loss as income/(expense)	3,084,946	670,541
Acquisitions (Note 3)	(488,610)	-
Effect of fixes(*)	-	64,600
Charged to comprehensive income statement as income/(expense)	551,809	26,584
Exchange differences on translation	(57,353)	-
31 December 2022	4,806,763	1,715,971

(*) In our financial statements dated 30 June 2021, the related doubtful receivables provision amounting to TRY323,000, with the effect of deferred tax income amounting to TRY64,600 (net TRY258,400), has been adjusted retrospectively without being associated with the current period results.

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26. EARNINGS PER SHARE

	2022	2021
Net profit for the year (TRY)	18,613,943	8,801,005
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000
Earnings per share with nominal value of Kr 1 each	53.04 Kr	25.08 Kr

27. RELATED PARTY DISCLOSURES

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Group is controlled by Koç Holding A.Ş. and Ford Deutschland Holding GmbH, a subsidiary of Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies' assets are shown as related parties.

The related party balances at 31 December 2022 and 31 December 2021 and the transactions with related parties during the year are as follows:

a) Receivables from related parties

i) Trade receivable from related parties

	31 December 2022	31 December 2021
Due from shareholders		
Ford Motor Company and subsidiaries	16,272,748	6,613,713
	16,272,748	6,613,713
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	2,403,418	1,302,822
Other	13,638	12,466
	2,417,056	1,315,288
Less: unearned credit finance income	(33,705)	(14,824)
	18,656,099	7,914,177

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

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27. RELATED PARTY DISCLOSURES (Continued)

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Group's export vehicle receivables from the Ford Motor Company sales made from Turkey are due in 14 days and sales made from Romania are 38 days, these receivables are collected regularly.

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 8, the 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.

ii) Other receivables from related parties (*)

31 December 2022 31 December 2021

Due from shareholders

Ford Motor Company and subsidiaries	167,414	-
	167,414	-

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

31 December 2022 31 December 2021

Due from shareholders

Ford Motor Company and subsidiaries	1,153,083	-
	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.

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27. RELATED PARTY DISCLOSURES (Continued)

b) Payables to related parties

i) Trade payables to related parties

	31 December 2022	31 December 2021
Due to shareholders		
Ford Motor Company and subsidiaries	3,540,219	1,564,116
	3,540,219	1,564,116
Due to group companies (*)		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	453,916	207,883
Ark İnşaat A.Ş.	162,485	43,658
Ram Dış Ticaret A.Ş.	109,300	128,869
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	49,693	30,427
Koç Digital Çözümler A.Ş.	42,374	16,675
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	33,883	15,007
Setur Servis Turistik A.Ş.	32,346	19,337
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	27,356	10,067
INGAGE Dijital Pazarlama Hizmetleri	24,869	13,115
Opet Petrolcülük A.Ş.	19,857	9,352
TOFAŞ Türk Otomobil Fabrikası A.Ş.	14,562	215
Ram Sigorta Aracılık Hizmetleri A.Ş.	9,802	916
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	6,176	5,020
Divan Turizm İşletmeleri A.Ş.	5,444	1,940
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	2,012	618
Other	6,376	43,851
	1,000,451	546,950
Less: unearned credit finance income	(11,269)	(4,616)
	4,529,401	2,106,450

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

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27. RELATED PARTY DISCLOSURES (Continued)

ii) Other payables to related parties

	31 December 2022	31 December 2021
Koç Holding A.Ş.	68,973	27,905
Koç Finansman A.Ş.	4,196	7,975
Yapı ve Kredi Bankası A.Ş.	-	2,366
	73,169	38,246

c) Sales to related parties

	2022	2021
Ford Motor Company (*)	126,595,926	50,673,985
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	9,359,916	4,325,386
Other	4,899	6
	135,960,741	54,999,377
Less: financial income from credit sales	(199,768)	(105,523)
	135,760,973	54,893,854

(*) 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..

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27. RELATED PARTY DISCLOSURES (Continued)

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

	2022			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	164,947	2,088,390	796	2,254,133
Ark İnşaat Sanayi ve Ticaret A.Ş. (**)	-	-	1,297,923	1,297,923
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	760,092	-	760,092
Ram Dış Ticaret A.Ş.	703,984	-	-	703,984
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	249,680	97,279	346,959
Opet Petrolcülük A.Ş.	165,841	-	-	165,841
Koç Holding A.Ş. (***)	-	141,516	-	141,516
Setur Servis Turistik A.Ş.	-	128,755	-	128,755
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	99,434	-	-	99,434
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	90,523	-	90,523
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	75,514	8,953	84,467
Tofaş Türk Otomobil Fabrikası A.Ş.	-	34,531	33,857	68,388
Koç Digital Çözümler A.Ş.	-	30,266	37,231	67,497
Ingage Dijital Pazarlama A.Ş.	-	52,325	-	52,325
Arçelik Pazarlama A.Ş.	-	-	27,320	27,320
Koçtaş Yapı Marketleri Ticaret A.Ş.	26,906	-	41	26,947
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	19,773	-	-	19,773
Other	273	23,066	-	23,339
	1,181,158	3,674,658	1,503,400	6,359,216
Less Unearned credit finance charges	(31,551)	-	-	(31,551)
	1,149,607	3,674,658	1,503,400	6,327,665

(*) The Group's central purchasing function from Zer Merkezi Hizmetleri ve Ticaret A.Ş. operates mainly for service purchases for the group.

(**) The Group's purchases from Ark İnşaat are related to the mechanical, civil and electrical works related to the new project investments of Kocaeli Plants.

(***) Koç Holding A.Ş., including personnel and senior management expenses, in return for the services provided by Koç Holding A.Ş., includes the service fee invoiced to our Group as a result of the distribution of the expenses incurred in connection with the companies rendered services within the framework of the "11-Intra-Group Services" regulation of the General Communiqué No.1 on Disguised Profit Distribution via Transfer Pricing.

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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

27. RELATED PARTY DISCLOSURES (Continued)

	2021			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	61,202	865,592	548	927,342
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	380,910	380,910
Ram Dış Ticaret A.Ş.	292,390	-	-	292,390
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	173,999	-	173,999
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	72,555	45,872	118,427
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	43,944	28,812	72,756
Opet Petrolcülük A.Ş.	49,428	-	-	49,428
Koç Holding A.Ş. (*)	-	48,462	-	48,462
Ingage Dijital Pazarlama A.Ş.	-	41,453	-	41,453
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	40,028	-	-	40,028
Setur Servis Turistik A.Ş.	-	26,532	-	26,532
Koç Digital Çözümler A.Ş.	-	5,865	11,431	17,296
Koçtaş Yapı Marketleri Ticaret A.Ş.	10,878	-	82	10,960
Otokar Otomotiv Savunma San. A.Ş.	8,600	-	-	8,600
Arçelik Pazarlama A.Ş.	-	7,966	-	7,966
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	5,752	-	-	5,752
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	3,100	-	3,100
Other	131	12,304	89	12,524
	468,409	1,301,772	467,744	2,237,925
Less: Unearned credit finance charges	(13,666)	-	-	(13,666)
	454,743	1,301,772	467,744	2,224,259

(*) 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 company within the context of "11-Intra-group Services" in numbered 1 General Communiqué about concealed Gain Distribution by Transfer Pricing.

Material, vehicle and service purchases from abroad

	2022	2021
Ford Motor Group and subsidiaries	76,455,124	25,191,291

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

	2022	2021
	800,243	366,302

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27. RELATED PARTY DISCLOSURES (Continued)**f) License fee received from Jiangling Motors Corporation, a subsidiary of Ford Motor Company included in other income**

2022	2021
38,216	29,752

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

2022	2021
257,048	166,857

h) The details of deposits in related banks and loans obtained from related banks**Deposits in related banks 31 December 2022 31 December 2021****Yapı ve Kredi Bankası A.Ş.**

- Foreign currency time deposits	3,770,959	1,671,059
- TRY time deposits	73,476	1,112,832
- TRY demand deposits	96,271	37,447
- Foreign currency demand deposits	3,998	7,702
	3,944,704	2,829,040

i) Related bank loans**31 December 2022 31 December 2021**

Yapı ve Kredi Bankası A.Ş.	408,587	-
	408,587	-

i) Other long-term payables**31 December 2022 31 December 2021**

Ford Motor Company and its subsidiaries (Note 7)	6,407,114	-
	6,407,114	-

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27. RELATED PARTY DISCLOSURES (Continued)

j) Commission income

	2022	2021
Yapı ve Kredi Bankası A.Ş.	19,689	8,666
Koç Finansman A.Ş.	6,523	5,710
	26,212	14,376

k) Commission expense

	2022	2021
Yapı ve Kredi Bankası A.Ş.	67,037	129,775
Koç Finansman A.Ş.	59,767	99,378
	126,804	229,153

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.

l) Interest income

	2022	2021
Yapı ve Kredi Bankası A.Ş.	61,382	206,633

m) Dividend income

	2022	2021
Otokar Otomotiv ve Savunma Sanayi A.Ş.	2,929	2,343

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 Company as of in the first nine months of 2022 is TRY134,848 (31 December 2021: TRY99,102). All of this amount consists of short-term benefits.

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 31 December 2022 and 31 December 2021. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

31 December 2022

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	15,639,400	4,073	780,573	115
2. Monetary financials 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	46,651
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	46,651
16. Net foreign currency (liabilities)/assets position (7 - 15)	(18,080,529)	(92,377)	(792,499)	(37,476)
17 Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(13,114,909)	(103,559)	(532,934)	(37,483)

(*) The Company's net foreign exchange position is mainly due to long-term EUR denominated loans obtained to fund its investments. The Company is hedging for the foreign currency exchange risk arising from its EUR denominated long-term loans with export agreements signed with Ford Motor Company. The TRY equivalent of such loans amount to TRY21,090,392 as of 31 December 2022 (31 December 2021: TRY7,670,190). As of 31 December 2022, the Company has a total of TRY760,240 (31 December 2021: TRY280,042) of the product to be issued.

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	7,633,465	7,736	502,998	2
2. Monetary financials assets (including cash and cash equivalents)	6,504,528	1,398	429,525	1,833
3. Other	641,824	12,667	32,518	-
4. Current assets (1 + 2 + 3)	14,779,817	21,801	965,041	1,835
5. Monetary financial assets	36,159	-	2,463	-
6. Non-current assets (5)	36,159	-	2,463	-
7. Total assets (4 + 6)	14,815,976	21,801	967,504	1,835
8. Trade payables	2,912,537	74,560	131,445	8,121
9 Financial liabilities (*)	8,130,864	-	545,202	-
10. Other monetary liabilities	31,591	-	2,152	-
11. Short-term liabilities (8 + 9 + 10)	11,074,992	74,560	678,799	8,121
12. Financial liabilities (*)	10,817,259	-	723,403	-
13. Other	1,036	-	71	-
14. Long-term liabilities (12+13)	10,818,295	-	723,474	-
15. Total liabilities (11 + 14)	21,893,287	74,560	1,402,273	8,121
16 Net foreign currency (liabilities)/assets position (7 - 15)	(7,077,311)	(52,759)	(434,769)	(6,286)
17. Net monetary foreign (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(7,718,099)	(65,426)	(467,216)	(6,286)

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk primarily against EUR and partly against USD. The foreign exchange risk of the Company arises from long-term EUR investments.

31 December 2022

Appreciation/depreciation in foreign currency	Profit/(loss) before taxation	
	<u>Increase by 10 (%)</u>	<u>Decrease by 10 (%)</u>
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 assets/(liabilities)	(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

31 December 2021

Appreciation/depreciation in foreign currency	Profit/(loss) before taxation	
	<u>Increase by 10 (%)</u>	<u>Decrease by 10 (%)</u>
Change in USD against TRY		
USD net assets/(liabilities)	(68,468)	68,468
USD net hedged amount	-	-
USD net- gain/(loss)	(68,468)	68,468
Change in EUR against TRY		
EUR net assets/(liabilities)	(638,340)	638,340
EUR net hedged amount	767,019	(767,019)
EUR net- gain/(loss)	128,679	(128,679)
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(924)	924
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(924)	924

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2022

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the year ended 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total export amount	111,449,195	54,515,151
Total import amount	65,920,104	31,530,834

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

Interest rate risk

The Company's interest rate sensitive financial instruments are as follows:

	31 December 2022	31 December 2021
Fixed interest rate financial instruments		
Financial assets	9,069,319	14,044,278
Financial liabilities	21,502,772	12,917,808
Floating interest rate financial instruments		
Financial liabilities	16,415,603	6,138,419

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 TRY20,608 at 31 December 2021 (31 December 2020: TRY1,149) due to higher/lower interest expense.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2022

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

31 December 2022	Book value	Total contractual cash outflow	3 months	3 - 12 months	1 - 5 years	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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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021	Book value	Total contractual cash outflow	3 months	3 - 12 months	1 - 5 years	5 years
Non-derivative financial instruments						
Financial liabilities	18,956,184	19,527,995	2,778,230	5,293,338	10,217,868	1,238,559
Lease liabilities	100,043	121,792	7,313	21,940	86,304	6,235
Trade payables						
- Related party	2,106,450	2,111,066	2,111,066	-	-	-
- Other	9,272,218	9,341,802	9,341,802	-	-	-
Other liabilities						
- Related party	38,246	38,246	38,246	-	-	-
- Other	220,755	220,755	220,755	-	-	-
Derivative financial liabilities						
Derivative financial instruments	1,036	1,036	-	-	1,036	-

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value hierarchy table

The Company classifies the fair value measurement of financial instruments reported at fair value according to their source of valuation inputs, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted).

Level 2: Other valuation techniques that includes direct or indirect observable inputs.

Level 3: Valuation techniques that does not contain observable market inputs.

As of 31 December 2022 and 31 December 2021, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

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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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	36,159	-
Financial assets at fair value through OCI - Otokar	49,913	-	-
Total assets	49,913	36,159	-
Liabilities at fair value			
Derivative financial liabilities	-	1,036	-
Total liabilities	-	1,036	-

(*) 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).

29. CASH FLOW HEDGE OPERATIONS

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

The Company hedged the interest rate risk arising from cash flows related to the borrowing used as of 31 December 2022 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 31 December 2022. The fair value of the interest rate swap transaction calculated as of 31 December 2022 is TRY45,640 and it is classified as short-term liabilities.

The Company hedged the interest rate risk arising from cash flows related to the borrowing used as of 31 December 2022 with the maturity of 09 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 31 December 2022. The fair value of the interest rate swap transaction calculated as of 31 December 2022 is TRY76,993 and it is classified as short-term liabilities.

Derivative financial instruments

	31 December 2022	31 December 2021
Derivative financial liabilities	122,633	1,036
	122,633	1,036

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29. CASH FLOW HEDGE OPERATIONS (Continued)

As of 31 December 2022, the Company 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 31 December 2022. The fair value of the related swap transaction as of 31 December 2022 is TRY355,311 and is presented under non-current assets in the financial position statement.

As of 31 December 2022, the Company bears the interest risk arising from the cash flows of the loans used, amounting to EUR150,000,000 with a maturity of 23 May 2024 has been subject to financial protection with interest ceiling (cap) options. The critical conditions of the swap contract, such as maturity, payment and interest change dates, are in line with the critical conditions of the foreign currency loan that is the subject of financial protection as of 31 December 2022. The fair value of the related swap transaction as of 31 December 2022 is TRY27,406 and is presented under non-current assets in the financial position statement.

	31 December 2022	31 December 2021
Derivative financial assets	382,717	36,159
	382,717	36,159

There is an effective foreign currency cash flow hedge relationship between foreign currency long-term financial borrowings related with investment expenditures (non-derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Company will associate a portion of estimated export revenue from 1 April 2013 to November 2028 with long-term financial borrowings.

	31 December 2022	31 December 2021
Cash flow hedge reserve		
Amount recognized in other comprehensive income	4,348,539	3,176,720
Amount recycled from other comprehensive income to statement of profit or (loss)	(2,320,356)	(937,654)
	2,028,183	2,239,066

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2022

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30. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	2022	2021
Income from investing activities		
Gain on sale of property, plant and equipment	18,084	121
Dividend income	2,929	2,343
	21,013	2,464
	2022	2021
Expense from investing activities		
Loss on sale of property, plant and equipment	(34,930)	(37,561)
	(34,930)	(37,561)

31. DEFERRED INCOME

	31 December 2022	31 December 2021
Advances received	61,672	36,105
Short-term deferred revenue (*)	89,874	28,625
	151,546	64,730

(*) TRY81,137 of short-term deferred revenue is from the sales of extended warranty and maintenance packages.

	31 December 2022	31 December 2021
Long-term deferred revenue (*)	493,991	63,183
	493,991	63,183

(*) TRY185,337 of long-term deferred revenue is from the sales of extended warranty and maintenance packages.

32. OTHER NON-CURRENT LIABILITIES

	31 December 2022	31 December 2021
Other non-current liabilities (*)	5,439	14,129
	5,439	14,129

(*) The Company makes a part of its fleet truck with buyback commitments and sales made within this scope are followed under "Other Non-Current Liabilities". The buyback commitments are 3 years on average

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2022

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33. RIGHT OF USE ASSETS

The right of use assets and expenses of depreciation and amortization as of 31 December 2022 and 2021 are as follows:

	Buildings	Machinery and equipments	Vehicles	Total
As of 1 January 2022	14,382	23,004	31,381	68,767
For the period ended 31 December 2022				
Acquisition (Note 3)	-	31,634	-	31,634
Additions	65,824	5,338	46,935	118,097
Disposals	-	(320)	-	(320)
Exchange differences on translation	-	5,470	-	5,470
Period depreciation and amortization expenses	(24,039)	(21,411)	(13,723)	(59,173)
As of 31 December 2022	56,167	43,715	64,593	164,475
	Buildings	Machinery and equipments	Vehicles	Total
As of 1 January 2021	18,942	33,721	16,256	68,919
For the period ended 31 December 2021				
Additions	10,790	6,256	26,755	43,801
Period depreciation and amortization expenses	(15,350)	(16,973)	(11,630)	(43,953)
As of 31 December 2021	14,382	23,004	31,381	68,767

34. GOVERNMENT INCENTIVES AND GRANTS

It is realized with incentives within the scope of "Decisions of the Council of Ministers on State Aids in Investments".

The investment projects for which the Group has completed their investment processes and continue to benefit from the deserved investment contribution amounts are as follows:

- An investment of TRY559,295 has been made between 2010 and 2013 for the Transit and Transit Custom model investments at Kocaeli Gölcük Plant. The investment contribution rate of this project is 30%.
- An investment of TRY1,300,573 has been made between 2013 and 2017 at Kocaeli Gölcük Plant for Transit expenditures. The investment contribution rate of this project is 50%.
- Investment expenditure of TRY798,311 was made between 2013 and 2016 for the new model Transit Courier investment, which started production with the establishment of the Yeniköy Plant in Kocaeli. The investment contribution rate of this project is 40%.
- In the Eskişehir Plant, an investment of TRY138,960 was made between 2013 and 2019 for the new 6- and 4- cylinder engine production was invested. The investment contribution rates of these projects are 40%.

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34. GOVERNMENT INCENTIVES AND GRANTS (Continued)

- An investment of TRY529,645 was made between 2014 and 2019 for the E6 emission truck manufacturing expansion investment at the Eskişehir Plant. The investment contribution rate of this project is 40%. The investment period for the investment incentive has been completed and the incentive closing process continues with the Ministry of Industry.
- Between 2016 and 2021, an investment of TRY2,484,368 was made for the renovation and factory modernization investments made at the Gölcük and Yeniköy Plants for the Transit, Transit Courier and Transit Custom models, which are still being produced at the Kocaeli Plants. The investment contribution rate of this project is 40%. The investment period for this incentive has been completed and the incentive closing process has started with the Ministry of Industry.

The Company's project which has ongoing investment process and continues to benefit from the investment contribution is as follows:

- Renewal investments of machinery and equipment used for the manufacturing and assembly of F-Trucks (trucks, tractors), Transit and Transit Custom vehicles manufactured in Eskişehir Factories, Brake Disc and Front Layout that will be started to be produced for use in Transit vehicles. An investment incentive certificate amounting to TRY889,308 was obtained on 30 March 2020 for machinery and equipment investments to be made locally to manufacture the gearbox of F-Trucks, which is a product in the heavy commercial vehicle segment, as well as line installation investments for its complex manufacturing. The contribution rate of this project to investment is 40%.
- Project Based Incentive in total amounting to TRY20,501,206 for product diversification and expansion investments covering the production of new generation commercial vehicles and batteries at Kocaeli Plants was published in the Official Gazette with the Presidential Decision dated 04.12.2020 and numbered 3273. The contribution rate to the investment to be utilized for this project is 100%.

With the decision of the Council of Ministers, 15 points were added to the investment contribution rates for the investments to be realized in 2017, and the 15 points advantage that was added to the existing investment contributions was extended with the decisions of the Council of Ministers for the investments of 2018 and 2022.

As of the balance sheet period, the Group has associated the reduced corporate tax advantage it has obtained regarding to its 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, the group has a well-deserved investment incentive asset of TRY8.7 billion for 2022. The Group has estimated this amount as TRY4.3 billion as a deferred tax asset for the related period as a result of the estimations it has prepared.

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35. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND AFFILIATED COMPANIES

Gembox Teknoloji Girişimleri A.Ş. was established with 100% Ford Otosan capital in order to carry out research and development, consultancy, engineering and incubation activities, and to invest in companies established in these fields and initiatives carried out.

Ford Otosan Netherlands BV was established with 100% Ford Otosan capital in order to centrally manage the Group's Ford Trucks export market structures.

Rakun Mobilite A.Ş. was established with 100% Ford Otosan capital to develop and sell products, technologies and solutions in the field of mobility.

Investments in subsidiaries as of 31 December 2022 and 31 December 2021 are as follows:

31 December 2022

	Ownership rate (%)	Amount
Investment in subsidiaries		
Gembox Teknoloji Girişimleri Anonim Şirketi	100	25,500
Rakun Mobilite A.Ş.	100	2,500
		28,000

31 December 2021

	Ownership rate (%)	Amount
Investment in subsidiaries		
Gembox Teknoloji Girişimleri Anonim Şirketi	100	10,000
Ford Otosan Netherlands BV	100	2,334
Rakun Mobilite A.Ş.	100	625
		12,959

These investments are carried at cost and are not included in the scope of consolidation since their financial statements do not have a significant effect on the financial statements of the Company. Ford Otosan Netherlands BV, a 100% subsidiary of Ford Otosan, has been included in the scope of consolidation as of 2022, since it acquired Ford Romania SRL as of July 1st.

FORD OTOMOTİV SANAYİ A.Ş.

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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

36. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITORS

The explanation regarding the fees for the services rendered by the independent audit firms, which was prepared pursuant to the KGK's Board Decision published in the Official Gazette on March 30, 2021, and the preparation principles of which were based on the letter of the KGK dated August 19, 2021 are as follows:

	2022 (*)	2021 (*)
Independent audit fees for the reporting period	2,999	291
Fees for tax advisory services	1,274	1,463
Fee for other assurance services	32	18
Fees for services other than independent auditing	64	7
	4,369	1,779

(*) The fees above have been determined by including the statutory audit and other related service fees of all subsidiaries.

37. SUBSEQUENT EVENTS

There are no disclosures that arise from the balance sheet date to the reporting date.

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