

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS AT
1 JANUARY - 31 MARCH 2023
TOGETHER WITH AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2023

CONTENTS	PAGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	1-2
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS	3
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY.....	5
CONSOLIDATED STATEMENT OF CASH FLOWS.....	6
NOTES TO THE FINANCIAL STATEMENTS.....	7-53
NOTE 1 ORGANIZATION AND NATURE OF THE OPERATIONS.....	7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS.....	7-11
NOTE 3 BUSINESS COMBINATIONS.....	12-14
NOTE 4 SEGMENT REPORTING.....	14
NOTE 5 FINANCIAL INVESTMENTS.....	15
NOTE 6 FINANCIAL LIABILITIES.....	15-17
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	18-21
NOTE 8 INVENTORIES.....	21-22
NOTE 9 PROPERTY, PLANT AND EQUIPMENT.....	22-23
NOTE 10 INTANGIBLE ASSETS.....	23
NOTE 11 PREPAID EXPENSES.....	24
NOTE 12 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	24-26
NOTE 13 COMMITMENTS.....	27
NOTE 14 EQUITY.....	27-30
NOTE 15 REVENUE AND COST OF SALES.....	30-31
NOTE 16 EXPENSES BY NATURE.....	32
NOTE 17 OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES.....	32
NOTE 18 FINANCIAL INCOME.....	33
NOTE 19 FINANCIAL EXPENSES.....	33
NOTE 20 TAX ASSETS AND LIABILITIES.....	33-36
NOTE 21 EARNINGS PER SHARE.....	37
NOTE 22 RELATED PARTY DISCLOSURES.....	37-43
NOTE 23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	44-51
NOTE 24 CASH FLOW HEDGE OPERATIONS.....	51-52
NOTE 25 SUBSEQUENT EVENTS.....	53

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023 AND 31 DECEMBER 2022

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

	Notes	Current period not-audited 31 March 2023	Previous period audited 31 December 2022	
Assets				
Current assets		68,379,517	55,124,518	
Cash and cash equivalents		21,285,347	10,114,706	
Trade receivables				
- Due from related parties	22	15,617,518	18,656,099	
- Due from third parties	7	9,609,212	7,194,845	
Other receivables				
- Due from related parties	22	181,693	167,414	
- Due from third parties		135,919	116,104	
Inventories	8	17,456,947	13,854,008	
Prepaid expenses	11	962,537	1,195,201	
Other current assets		3,130,344	3,674,364	
Current period tax related assets	20	-	151,777	
Non-current assets		46,401,140	40,927,729	
Financial investments		5	129,014	145,942
Trade receivables				
- Due from third parties	7	16,959	15,684	
Other receivables				
- Due from related parties	22	1,154,494	1,153,083	
Property, plant and equipment	9	21,639,775	20,145,190	
Intangible assets				
- Other intangible assets	10	7,482,550	6,950,343	
- Goodwill		525,778	503,941	
Right of use assets		147,750	164,475	
Prepaid expenses	11	7,427,560	6,063,772	
Deferred tax assets	20	7,423,445	5,374,582	
Investments in subsidiaries, joint ventures and affiliated companies		58,000	28,000	
Derivative financial instruments	24	395,815	382,717	
Total Assets		114,780,657	96,052,247	

Summary consolidated Financial statements for the period ended 1 January - 31 March 2023 were approved for issue by the Board of Directors on 27 April 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.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023 AND 31 DECEMBER 2022

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

	Notes	Current period not-audited 31 March 2023	Previous period audited 31 December 2022
Liabilities			
Current liabilities		60,001,068	46,205,980
Short-term borrowings			
- Bank borrowings	6	10,985,160	7,523,746
Short-term portion of long-term borrowings			
- Bank borrowings	6	5,509,234	5,619,141
- Lease liabilities	6	69,411	75,716
Trade payables			
- Due to related parties	22	6,300,776	4,529,401
- Due to third parties	7	32,365,737	25,616,845
Other payables			
- Due to related parties	22	-	73,169
- Due to third parties		924,917	662,186
Deferred income		175,408	151,546
Short-term provisions			
- Other short-term provisions	12	624,069	575,911
Employee benefit liabilities		1,328,781	1,255,686
Current tax liabilities	20	1,655,868	-
Derivative financial liabilities	24	61,707	122,633
Non-current liabilities		32,717,020	28,444,093
Long-term borrowings			
- Bank borrowings	6	22,288,388	18,175,044
- Lease liabilities	6	104,473	117,614
- Other long term borrowings	6	6,706,849	6,407,114
Long-term provisions			
- Provision for employment termination benefits		1,696,928	1,890,236
- Other long-term provisions	12	796,374	786,836
Deferred income		512,101	493,991
Other non-current liabilities		5,439	5,439
Deferred tax liability	20	582,703	567,819
Derivative financial liabilities	24	23,765	-
Equity		22,062,569	21,402,174
Paid-in capital		350,910	350,910
Inflation adjustments on capital		27,920	27,920
Share premium		8	8
Other comprehensive income/(loss)			
not to be reclassified under profit or loss			
- Losses on remeasurements of defined benefit plans		(892,894)	(1,000,033)
Other comprehensive income/(loss) to be reclassified under profit or loss			
- Gains from financial assets measured at fair value through other comprehensive income		121,635	137,717
- Exchange differences on translation		2,214,140	1,674,943
- Losses on cash flow hedges		(5,203,542)	(4,881,384)
Restricted reserves		1,919,055	1,420,763
Retained earnings		18,172,570	5,057,387
Net profit for the period		5,352,767	18,613,943
Total liabilities and equity		114,780,657	96,052,247

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

FORD OTOMOTİV SANAYİ A.Ş.**STATEMENT OF PROFIT OR LOSS FOR THE PERIODS ENDED
31 MARCH 2023 AND 2022**

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

	Notes	Current period not - audited 1 January - 31 March 2023	Previous period not - audited 1 January - 31 March 2022
Continuing operations			
Revenue	15	66,302,325	27,876,425
Cost of sales (-)	15	(57,811,922)	(24,157,311)
Gross profit		8,490,403	3,719,114
Marketing expenses (-)		(775,268)	(480,099)
General administrative expenses (-)		(834,055)	(285,627)
Research and development expenses (-)		(801,003)	(276,715)
Other income from operating activities	17	1,132,230	808,270
Other expenses from operating activities (-)	17	(1,048,740)	(362,161)
Profit from operating activities		6,163,567	3,122,782
Income from investing activities		45	3,601
Expenses from investing activities (-)		(1,577)	(16,226)
Operating income before financial income/(expense)		6,162,035	3,110,157
Financial income	18	1,662,778	1,527,538
Financial expenses (-)	19	(2,665,181)	(2,352,474)
Profit from continuing operations before tax		5,159,632	2,285,221
Tax income/(expense) from continuing operations		193,135	516,558
Tax expenses for the period (-)	20	(1,839,910)	(32,280)
Deferred tax income	20	2,033,045	548,838
Profit for the period		5,352,767	2,801,779
Earnings per share with a nominal value Kr	21	15.25 Kr	7.98 Kr

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

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 MARCH 2023 AND 2022

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

	Notes	Current period not - audited 1 January - 31 March 2023	Previous period not - audited 1 January - 31 March 2022
Profit for the period		5,352,767	2,801,779
Other comprehensive income/(expense)			
Other comprehensive income not to be reclassified to profit or loss			
(Losses)/gains on remeasurements of defined benefit plans	14	133,924	16,061
Other comprehensive income taxes not to be reclassified to profit or loss			
Taxes relating to remeasurements of defined benefit plans	14	(26,785)	(3,212)
Other comprehensive income to be reclassified to profit or loss			
Gains/(losses) from financial assets measured at fair value through other comprehensive income	14	(16,928)	10,137
Other comprehensive income/(expense) relating to cash flow hedges	14	(373,524)	(126,906)
Exchange differences on translation		539,197	-
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	14	846	(507)
Taxes relating to cash flow hedges	14	51,366	10,992
Other comprehensive income/(loss)		308,096	(93,435)
Total comprehensive income		5,660,863	2,708,344

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

FORD OTOMOTİV SANAYİ A.Ş.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 31 MARCH 2023 AND 2022

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

	Paid-in capital	Inflation adjustments on capital	Share premium	Other comprehensive income not to be reclassified in profit or loss	Other comprehensive income not to be reclassified in profit or loss	Cash flow hedge reserve	Foreign exchange risk differences	Restricted reserves	Retained earnings		Total equity
				Gains/(loses) on remeasurement defined benefit plans	Gain/(loses) from financial assets measured at fair value through comprehensive income				Accumulated profit	Net profit	
Balances at 1 January 2022	350,910	27,920	8	((125,723))	46,489	(3,191,233)	-	766,316	3,472,846	8,801,005	10,148,538
Profit for the period	-	-	-	-	-	-	-	-	-	2,801,779	2,801,779
Other comprehensive income/(loss)	-	-	-	12,849	9,630	(115,914)	-	-	-	-	(93,435)
Total comprehensive income	-	-	-	12,849	9,630	(115,914)	-	-	-	2,801,779	2,708,344
Transfers	-	-	-	-	-	-	-	454,428	8,346,577	(8,801,005)	-
Dividends	-	-	-	-	-	-	-	-	(4,561,830)	-	(4,561,830)
Balances at 31 March 2022	350,910	27,920	8	(112,874)	56,119	(3,307,147)	-	1,220,744	7,257,593	2,801,779	8,295,052
Balances at 1 January 2023	350,910	27,920	8	(1,000,033)	137,717	(4,881,384)	1,674,943	1,420,763	5,057,387	18,613,943	21,402,174
Profit for the period	-	-	-	-	-	-	-	-	-	5,352,767	5,352,767
Other comprehensive income/(loss)	-	-	-	107,139	(16,082)	(322,158)	539,197	-	-	-	308,096
Total comprehensive income	-	-	-	107,139	(16,082)	(322,158)	539,197	-	-	5,352,767	5,660,863
Transfers	-	-	-	-	-	-	-	498,292	18,115,651	(18,613,943)	-
Dividends	-	-	-	-	-	-	-	-	(5,000,468)	-	(5,000,468)
Balances at 31 March 2023	350,910	27,920	8	(892,894)	121,635	(5,203,542)	2,214,140	1,919,055	18,172,570	5,352,767	22,062,569

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

Notes	Current period reviewed 31 March 2023	Previous period reviewed 31 March 2022
Cash flows generated from/(used in) operating activities	13,838,426	3,961,918
Net profit for the period	5,352,767	2,801,779
Adjustments to reconcile profit or loss	2,739,370	2,110,827
Adjustments for depreciation and amortisation expense	634,961	294,279
Adjustments for impairment loss of inventories	8 (3,055)	16,924
Adjustments for provisions related with employee benefits	239,399	4,404
Adjustments for lawsuit and/or penalty provisions	12 26,713	(6,108)
Adjustments for warranty provisions	12 212,406	201,117
Adjustments for other provisions	22,811	(32,370)
Adjustments for dividend income	-	(2,929)
Adjustments for interest income	18 (347,366)	(251,563)
Adjustments for interest expense	19 642,894	114,793
Adjustments for tax expenses	20 (193,135)	(516,558)
Adjustments for unearned financing income	17 (356,321)	(112,933)
Adjustments for deferred financing expense	17 668,771	229,256
Adjustments for loss on sales of property, plant and equipment	1,532	15,554
Other adjustments for which cash effects are investing or financing cash flow	1,189,760	2,156,961
Changes in working capital	6,516,743	(637,294)
Decrease/(increase) in trade receivable	550,390	306,039
(Increase)/decrease in inventories	(3,599,884)	(3,781,480)
(Increase)/decrease in prepaid expenses	238,540	(35,948)
Increase/(decrease) in trade payable	8,605,896	2,822,806
(Increase)/decrease in other assets	507,531	(210,420)
Increase/(decrease) in other liabilities	214,270	261,709
Cash flows generated from operations	14,608,880	4,275,312
Interest paid	(596,222)	(236,836)
Interest received	270,692	111,460
Payments related with provisions for employee benefits	(225,688)	(10,912)
Payments related with other provisions	(186,971)	(124,923)
Taxes paid	(32,265)	(52,183)
Cash flows used in investing activities	(3,551,644)	(2,256,608)
Proceeds from sales of property, plant and equipment	25,266	1,338
Purchase of property, plant and equipment	(1,694,296)	(453,408)
Purchase of intangible assets	(482,950)	(354,712)
Cash advances given and payables	(1,369,664)	(1,452,130)
Dividends received	-	2,929
Cash outflows from capital increase/share purchase of subsidiaries	(30,000)	(625)
Cash flows (used in)/generated from financing activities	885,963	(642,016)
Proceeds from borrowings	6 6,868,773	7,114,313
Cash outflows related to borrowings	6 (969,590)	(3,444,709)
Dividends paid	14 (5,000,468)	(4,561,830)
Interest paid	(314,373)	(45,265)
Interest received	327,633	313,790
Cash outflows on debt payments from leasing agreements	6 (26,012)	(18,315)
Net (decrease)/increase in cash and cash equivalents before the effect of currency translation differences	11,172,745	1,063,294
Effect of foreign currency translation differences on cash and cash equivalents	(21,837)	-
Net (decrease)/increase in cash and cash equivalents	11,150,908	1,063,294
Cash and cash equivalents at the beginning of the period	10,109,622	14,106,240
Cash and cash equivalents at the end of the period	21,260,530	15,169,534

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

1. ORGANIZATION AND NATURE OF THE OPERATIONS

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

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

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

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

	Average		Period-end	
	2023 March	2022 March	2023 March	2022 December
Hourly	16,150	10,498	16,354	16,144
Salaried	4,775	3,496	4,653	4,767
	20,925	13,994	21,007	20,911

As of 31 March 2023, research and development operations which are also subject to service export is conducted with 2,168 employees (31 December 2022: 2,089).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The Company maintain its legal books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with accounting principles 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 a dopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. Public Oversight Accounting and Auditing Standards Authority (“POA”) made an announcement on 20 January 2022 about Application of Financial Reporting in Hyperinflationary Economies for Turkish Financial Reporting Standards and Reporting Standards for Large and Medium Sized Entities.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation (Continued)

In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies for the year 2022. As of 31 March 2023, the preparation date of this financial statements, POA did not make an additional announcement and no adjustment was made to this financial statements in accordance with TAS 29.

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

Subsidiaries operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations applicable in the countries in which they operate. The condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluations arising from the differences between the book value and the fair value of the derivative instruments and financial investments that are expressed at fair value, and tangible and intangible assets that arise during business combinations.

Functional Currency and Financial Statement Presentation Currency

Each item in the financial statements of the companies within the group is accounted for using the currency that is functional in the basic economic environment in which the companies operate (“functional currency”). Consolidated financial statements are represented in Ford Otomotiv San. A.Ş.'s current financial statement presentation currency of the Group, Turkish Lira.

Financial Statements of Subsidiaries Operating in Foreign Countries

Financial statements of Subsidiaries operating in foreign countries have been prepared in accordance with TAS/TFRS published by POA, reflecting the necessary adjustments and classifications in order to make the correct presentation. The assets and liabilities of the related foreign partnerships are translated into Turkish Lira using the foreign exchange rate, income and expense average exchange rate at the balance sheet date. Currency differences resulting from the use of closing and average exchange rates are accounted for under the foreign currency translation differences item in shareholders' equity.

Consolidation Principles

(a) Consolidated financial statements are prepared by the parent company Ford Otomotiv San. A.Ş. and its Subsidiaries, prepared according to the principles set forth in items (b) to (d) below. During the preparation of the financial statements of the companies included in the consolidation, necessary adjustments and classifications were made in terms of compliance with the TAS/TFRS, which was put into effect by the POA in accordance with the provisions of the Communiqué Serial II, No. 14.1, and compliance with the accounting policies and presentation formats applied by the Group.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

(b) Subsidiaries, Ford Otomotiv San. A.Ş. means companies in which it is exposed to or has rights to variable returns due to its relationship with the investee, and over which it has control because it has the ability to affect these returns through its power over the investee.

(c) Subsidiaries are included in the scope of consolidation from the date on which control over their operations is transferred to the Group and are excluded from the scope of consolidation on the date that control ceases. Financial position statements and profit or loss statements of Subsidiaries are consolidated using the full consolidation method and Ford Otomotiv San. A.Ş.'s registered values and shareholders' equity of the Subsidiaries are mutually offset. Intra-group transactions and balances between the Company and Subsidiaries are deducted during consolidation. The book values of the shares owned by the Company and the dividends arising from them have been netted off from the related equity and profit or loss statement accounts.

As of 31 March 2023 and 31 December 2022, Ford Otomotiv San. A.Ş.'s direct and indirect voting rights and effective shareholding ratios (%) and functional currencies according to the countries of operation are shown below:

	Functional currency	31 March 2023		31 December 2022	
		Suffrage	Effective partnership rate	Suffrage	Effective partnership rate
Ford Romania SRL (Note 3)	RON	100.00	100.00	100.00	100.00
Ford Otosan Netherlands BV	EUR	100.00	100.00	100.00	100.00

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

Going concern

The 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 Group include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at 31 March 2023 has been provided with the comparative financial information of 31 December 2022 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the interim period between 1 January - 31 March 2023 have been provided with the comparative financial information, for the period between 1 January - 31 March 2022.

2.2 Amendments and interpretations in the standards

The new standards, amendments, and interpretations

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

a. Standards, amendments, and interpretations applicable as of 31 March 2023:

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **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.
- **IFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 March 2023:

- **Amendment to IAS 1** – Non current liabilities with covenants; effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **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.

2.3 Summary of significant accounting policies

Condensed consolidated financial statements for the interim period ended 31 March 2023 have been prepared in accordance with TAS 34 for the preparation of interim financial statements. Significant accounting policies used in the preparation of the condensed consolidated financial statements are consistent with the accounting policies detailed in the solo financial statements as of 31 December 2022, excluding business combinations and goodwill. Therefore, the interim consolidated financial statements should be evaluated together with the financial statements for the year ended 31 December 2022.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Significant accounting estimates and decisions

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

- (a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed under provision for employee benefits.
- (b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered. The expected credit loss of trade receivables has been measured and no significant effect has been found (Note 7).
- (c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel’s opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 8).
- (d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company’s Legal Counsellor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.
- (e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 12).
- (f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of 31 March 2023 and 31 December 2022 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 20).
- (g) The Company recognizes depreciation and amortization for its property, plant and equipment and intangibles by taking into account their useful lives that are stated in Note 2 (Notes 9 and 10).

The company capitalizes ongoing development expenditures and evaluates whether there is an annual depreciation of these capitalized assets. As of 31 March 2023 and 31 December 2022, there is no impairment of capitalized development expenses (Note 10).

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

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 (EUR406 million) 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 (EUR13 million) was made on 30 December 2022. EUR196 million including interest will be paid in June 2025, and EUR23 million including interest will be paid in December 2028. In addition, an additional payment of up to EUR140 million including interest will be made, depending on the capacity utilization rate of the Romanian plant for the years 2028-2034.

Contingent and deferred acquisition costs amounting to TRY5,496,234 (as of 31 December 2022 shown as TRY6,706,849 under "other long-term borrowings") calculated by the Group management as of 1 July 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
Cash and cash equivalents	293,457
Trade receivables	2,234,962
Other receivables	386,354
Inventories	3,516,501
Prepaid expenses	147,078
Other current assets	442,018
Property, plant and equipment	9,153,765
Right of use assets	31,634
Intangible assets	3,234,243
Trade payables and other payables	(5,554,079)
Deferred tax liability	(488,610)
Other liabilities	(967,782)
Value of total identifiable net assets	12,429,541
Goodwill	441,813
Total purchase price	12,871,354

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

3. BUSINESS COMBINATIONS (Continued)

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

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

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

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

Currently, Puma 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, EUR490 million 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 1 July 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 TRY13,880,281 revenue and TRY12,201 net profit excluding TFRS 3 adjustments to the Group from 1 January to 31 March 2023.

Key estimate: contingent price

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

3. BUSINESS COMBINATIONS (Continued)

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

Key estimate: customer contract

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.

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

Deferred purchase price

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

4. SEGMENT REPORTING

The Group, 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.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

5. FINANCIAL INVESTMENTS

	31 March 2023		31 December 2022	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Financial assets at fair value through other comprehensive income				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	129,014	0.59	145,942
		129,014		145,942

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

6. FINANCIAL LIABILITIES

Short-term financial liabilities

Bank borrowings

	31 March 2023		31 December 2022	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	4.87	3,892,739	3.49	2,020,920
- TRY	19.84	7,092,421	21.18	5,502,826
		10,985,160		7,523,746

Short-term portion of long-term financial liabilities

Bank borrowings

	31 March 2023		31 December 2022	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	1.47	5,509,234	2.37	5,619,141
		5,509,234		5,619,141

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

6. FINANCIAL LIABILITIES (Continued)

Lease liabilities

	31 March 2023		31 December 2022	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	4.92	15,215	4.70	31,765
- TRY	25.39	54,196	25.34	41,498
- USD	-	-	1.95	2,314
- Other	-	-	-	139
		69,411		75,716
		5,578,645		5,694,857
Total short-term financial liabilities		16,563,805		13,218,603

Long-term financial liabilities

Bank borrowings

	31 March 2023		31 December 2022	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	3.54	22,288,388	3.08	18,175,044
		22,288,388		18,175,044

Lease liabilities

	31 March 2023		31 December 2022	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	5.90	9,830	3.74	22,193
- TRY	25.66	94,643	25.63	89,229
- USD	-	-	-	6,192
		104,473		117,614

Other long-term financial liabilities

	31 March 2023		31 December 2022	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.00	6,706,849	2.00	6,407,114
		6,706,849		6,407,114
Total long-term financial liabilities		29,099,710		24,699,772

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

6. FINANCIAL LIABILITIES (Continued)

The amount classified under other long-term payables consists of the costs that the Group has to pay in 2025 and 2028 when it acquired Ford Romania SRL's shares on 1 July 2022. This amount has been determined according to the best estimation of the Group management as of 31 March 2023.

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

Payment period	31 March 2023	31 December 2022
2024	6,301,673	6,167,124
2025	6,743,810	4,330,694
2026	4,928,140	4,079,397
2027	1,863,318	1,510,983
2028	1,740,322	1,420,791
2029	372,498	348,889
2030	338,627	317,166
	22,288,388	18,175,044

The letters of bank guarantee given to financial institutions in connection with borrowings amounts to TRY2,333,748 (31 December 2022: TRY2,704,765) (Note 12).

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

Payment period	31 March 2023	31 December 2022
2025	3,894,634	3,720,580
2028	2,812,215	2,686,534
	6,706,849	6,407,114

The movement of financial liabilities in the three - month periods ending on 31 March 2023 and 2022 are as follows:

	2023	2022
1 January	31,480,201	19,056,227
Cash inflows from borrowing	6,868,773	7,114,313
Cash outflows from borrowing	(969,590)	(3,444,709)
Cash outflows related to debt payments arising from lease agreements	(26,012)	(18,315)
Unrealised foreign exchange differences	1,245,051	2,283,867
Change in accrual of interest	328,521	69,528
New lease agreements/impact of contract changes	29,722	5,714
Contingent and deferred purchase price to be paid to the related party	6,706,849	-
31 March	45,663,515	25,066,625

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

7. TRADE RECEIVABLES AND PAYABLES

	31 March 2023	31 December 2022
Short-term trade receivables		
Trade receivables	9,772,064	7,296,635
Doubtful receivables (*)	229,666	229,629
Less: provision for doubtful trade receivables	(229,666)	(229,629)
Less: unearned credit finance income	(162,852)	(101,790)
	9,609,212	7,194,845

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

The average turnover of receivables related to vehicle sales to domestic distributors is 30 days (31 December 2022: 30 days), domestic sales of spare parts turnover is 70 days (31 December 2022: 70 days) and discounted by 2.17% monthly effective interest rate (31 December 2022: 2.00%).

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

	31 March 2023	31 December 2022
Long-term trade receivables		
Trade receivables	14,000	14,000
Deposits and guarantees given	2,959	1,684
	16,959	15,684

	31 March 2023	31 December 2022
Trade payables		
Trade payables	32,627,554	25,793,431
Less: unearned credit finance expense	(261,817)	(176,586)
	32,365,737	25,616,845

The Group’s average turnover of trade payables is 60 days (31 December 2022: 60 days) and discounted by 2.17% monthly effective interest rate (31 December 2022: 2.00%).

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

7. TRADE RECEIVABLES AND PAYABLES (Continued)

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

31 March 2023	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Note 22)	15,617,518	9,626,171	1,336,187	135,919	21,260,530
- The maximum of credit risk covered by guarantees	2,025,000	9,626,171	-	-	-
Net book value of the financial assets that are neither overdue not impaired	15,032,428	9,605,134	1,336,187	135,919	21,260,530
Net book value of the financial assets that are overdue but not impaired	585,090	21,037	-	-	-
- Amount of risk covered by guarantees	-	21,037	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	229,666	-	-	-
- Provision for impairment (-)	-	(229,666)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

FORD OTOMOTİV SANAYİ A.Ş.**NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023**

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

7. TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2022	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Note 22)	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	-	-	-	-	-

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

7. TRADE RECEIVABLES AND PAYABLES (Continued)

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

31 March 2023	Trade receivables	
	Related party	Other
1 - 30 days overdue	175,706	5,043
1 - 3 months overdue	208,595	4,841
3 - 12 months overdue	200,789	5,010
1 - 5 years overdue	-	6,143
	585,090	21,037
Risk covered by guarantees	-	21,037

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

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

8. INVENTORIES

	31 March 2023	31 December 2022
Raw materials	8,863,842	9,325,420
Finished goods	5,406,393	2,311,334
Goods in transit	1,730,923	989,782
Vehicle spare parts	796,867	734,836
Spare parts	225,021	183,421
Import vehicles	49,417	9,708
Other inventories	405,891	323,969
	17,478,354	13,878,470
Less: provision for impairment of finished goods and vehicle spare parts	(21,407)	(24,462)
	17,456,947	13,854,008

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

8. INVENTORIES (Continued)

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

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

	2023	2022
1 January	24,462	12,642
Change within the period	(3,055)	16,924
31 March	21,407	29,566

The Group has provided a provision for impairment on the inventories when their net realizable values are lower than their costs or when they are classified as slow-moving inventories. The reversal of provisions has been accounted under cost of sales (Note 15).

9. PROPERTY, PLANT AND EQUIPMENT

	2023	2022
As of January 1		
Cost	25,807,534	10,871,957
Accumulated depreciation	(5,662,344)	(5,722,874)
Net book value	20,145,190	5,149,083
Net book value at the beginning of the period	20,145,190	5,149,083
Additions	1,694,296	453,408
Disposals	(209,547)	(247,629)
Transfers (*)	(51,207)	-
Exchange differences on translation	387,135	-
Current depreciation charge	(508,841)	(226,114)
Disposals from accumulated depreciation	182,749	230,737
Closing net book value	21,639,775	5,359,485
As of 31 March		
Cost	27,628,211	11,077,736
Accumulated depreciation	(5,988,436)	(5,718,251)
Net book value	21,639,775	5,359,485

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

According to the cumulative method within the scope of TAS 23, there is no interest expense capitalized for the period ending as of 31 March 2023 (31 December 2022: None).

There is no collateral, pledge or mortgage on tangible assets as of 31 March 2023 and 2022.

10. INTANGIBLE ASSETS

	2023	2022
As of January 1		
Cost	8,180,766	2,429,225
Accumulated depreciation	(1,230,423)	(942,448)
Net book value	6,950,343	1,486,777
Net book value at the beginning of the period	6,950,343	1,486,777
Additions	482,950	354,712
Disposals	-	(2,567)
Exchange differences on translation	158,057	-
Current depreciation charge	(108,800)	(58,231)
Depreciation charge	-	2,567
Closing net book value	7,482,550	1,783,258
As of 31 March		
Cost	8,821,773	2,781,370
Accumulated depreciation	(1,339,223)	(998,112)
Net book value	7,482,550	1,783,258

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

11. PREPAID EXPENSES

Short-term prepaid expenses	31 March 2023	31 December 2022
Advances given for inventories	671,769	869,837
Other prepaid expenses	290,768	325,364
	962,537	1,195,201

Long-term prepaid expenses	31 March 2023	31 December 2022
Advances given for investments (*)	7,337,516	5,967,852
Other prepaid expenses	90,044	95,920
	7,427,560	6,063,772

(*) Advances given for investments are related to the Group’s new vehicle investments. TRY4,198,916 (31 December 2022: TRY4,445,438) is given to domestic vendors as mould advances and TRY3,138,600 (31 December 2022: TRY1,522,414) is the advance given for the new project investments.

12. PROVISION, CONTINGENT ASSETS AND LIABILITIES

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

Short-term provisions

	31 March 2023	31 December 2022
Warranty expense provision	542,737	499,052
Provisions for sales premium (*)	50,674	27,863
Provisions for lawsuits	9,223	8,840
Other short-term provisions	21,435	40,156
	624,069	575,911

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

Long-term provisions

	31 March 2023	31 December 2022
Warranty expense provision	617,016	627,890
Provisions for lawsuits	136,674	117,720
Other long-term provisions	42,684	41,226
	796,374	786,836

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	2023	2022
1 January	126,560	87,587
Paid during the period	(7,376)	(3,040)
Additions during the period	26,713	(6,108)
31 March	145,897	78,439

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

	2023	2022
1 January	1,126,942	646,243
Paid during the period	(179,595)	(121,883)
Additions during the period	212,406	201,117
31 March	1,159,753	725,477

Letters of guarantee and letters of credit	31 March 2023	31 December 2022
Letters of guarantee given to financial institutions due to bank loans	2,333,748	2,704,765
Letters of guarantee given to customs	212,598	203,936
Letters of guarantees given to other parties	308,762	306,914
	2,855,108	3,215,615

Letters of guarantee given

	31 March 2023		31 December 2022	
	Original currency	TRY amount	Original currency	TRY amount
EUR	10,392	216,184	29,018	578,471
TRY	2,638,924	2,638,924	2,637,144	2,637,144
		2,855,108		3,215,615

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

Collaterals, pledges and mortgages given by the Group

	31 March 2023	31 December 2022
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	2,847,316	3,208,050
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities (*)	7,792	7,565
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of guarantees/pledges/mortgages given in favor of the main partner	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortgages given for third parties that do not fall into C section	-	-
	2,855,108	3,215,615

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

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

Letters of guarantee taken

	31 March 2023		31 December 2022	
	Original currency	TRY amount	Original currency	TRY amount
TRY	3,870,850	3,870,850	3,259,425	3,259,425
EUR	162,938	3,389,456	151,941	3,028,929
USD	1,113	21,315	1,158	21,653
RON	15,450	64,578	8,500	34,053
		7,346,199		6,344,060

Other

The long-term bank borrowing agreements related to the investments require the Group to comply with certain financial ratios. Such financial ratios are met by the Group as of 31 March 2023 and 31 December 2022.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

13. COMMITMENTS

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

- The Group has signed a 1-year loan commitment agreement with İşbank amounting to EUR100,000,000 in 2023. With this agreement, the Group committed to pass the export value of EUR200,000,000 through its accounts.
- The Group has committed to export 2,000,000 TL with a loan agreement amounting to 2,000,000 TL, which it used in October 2022 from Turkey Export Credit Bank (Eximbank).

14. EQUITY

The composition of the Group’s paid-in capital as of 31 March 2023 and 31 December 2022 is as follows:

Shareholders	Share group	31 March 2023	Shareholders percentage (%)	31 December 2022	Shareholders percentage (%)
Koç Holding A.Ş.	B	135,631	38.65	135,631	38.65
Temel Ticaret ve Yatırım A.Ş.	B	2,356	0.67	2,356	0.67
Ford Deutschland Holding GmbH	C	143,997	41.04	143,997	41.04
Vehbi Koç Vakfı	A	2,881	0.82	2,881	0.82
Koç Holding Emekli ve Yardım Sandığı Vakfı	A	3,259	0.93	3,259	0.93
Other (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	

Capital adjustment differences represent the inflation-adjusted total amounts of cash and cash-like additions to paid-in capital and the difference before inflation adjustment.

There are 35,091,000,000 unit of shares (31 December 2022: 35,091,000,000 unit) with a nominal value of Kr1 each.

The legal reserves consist of primary and secondary reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the primary legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s paid-in capital. The secondary legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC; the legal reserves can be used only to offset losses, unless legal reserve does not exceed at the rate of 50% of the paid-in capital.

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

14. EQUITY (Continued)

In accordance with Communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676, “Share Capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amount. The valuation differences shall be classified as follows:

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

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

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

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

In accordance with the Ordinary General Assembly Meeting dated as of 9 March 2023, the Group has decided to distribute dividends at the rate of 1,425% gross (net 1,282.50%), with a total amount of TRY5,000,468 as full TRY14.25 gross (Kr1,282.50 net) for each share with a value of full TRY1 and the Group made the dividend payment in March 2023 (at the rate of 1,300% with a total amount of TRY4,561,830 as full TRY13.00 gross (Kr1,170 net) for each share with a value of full TRY1 in March 2022 and at the rate of 377 % with a total amount of TRY2,000,187 as full Kr570.00 gross (Kr513.00 net) for each share with a value of full TRY1 in November 2022.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

14. EQUITY (Continued)

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

	31 March 2023	31 December 2022
Paid in 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	121,635	137,717
Losses on cash flow hedge	(5,203,542)	(4,881,384)
Losses on remeasurements of defined benefit plans	(892,894)	(1,000,033)
Exchange differences on translation	2,214,140	1,674,943
Restricted reserves	1,919,055	1,420,763
- Legal reserves	1,919,055	1,420,763
Retained earnings	18,172,570	5,057,387
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	17,744,269	4,629,086
Net income for the period	5,352,767	18,613,943
Total equity	22,062,569	21,402,174

The adjusted values of the items shown above with their historical values and the equity inflation adjustment differences as of 31 March 2023 and 31 December 2022:

31 March 2023	Historical values	Adjusted values	Equity inflation adjustment differences
Paid in capital	350,910	378,830	27,920
Legal reserves	1,919,055	1,977,808	58,753
Extraordinary reserves	17,744,269	18,113,414	369,145
Share premium	8	361	353
Other reserves	-	50	50
	20,014,242	20,470,463	456,221
31 December 2022	Historical values	Adjusted values	Equity inflation adjustment differences
Paid in 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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

14. EQUITY (Continued)

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

Otokar shares which are publicly traded in BIST are valued at their closing price as of 31 March 2023 and 31 December 2022. As of 31 March 2023, fair value change amounting to TRY16,082 net of deferred tax, (31 December 2022: TRY91,228) is shown in statement of comprehensive income.

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

	2023	2022
1 January	(5,743,700)	(3,270,467)
Gains/(losses) from financial assets measured at fair value through other comprehensive income	(16,082)	9,630
Gains (losses) on remeasurements of defined benefit plans	107,139	12,849
Gains/(losses) on cash flow hedges	(322,158)	(115,914)
Exchange differences on translation	539,197	-
31 March	(5,435,604)	(3,363,902)

15. REVENUE AND COST OF SALES

Revenue	31 March 2023	31 March 2022
Export sales	50,778,385	22,468,684
Domestic sales	16,535,257	5,837,040
Other sales	422,282	186,177
Less: Discounts	(1,433,599)	(615,476)
	66,302,325	27,876,425

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

15. REVENUE AND COST OF SALES (Continued)

Units of vehicle sales

	1 January - 31 March 2023			1 January - 31 March 2022		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales (*)	Total sales
Transit Custom	1,202	39,826	41,028	1,037	38,108	39,145
Transit	4,485	36,456	40,941	3,629	28,283	31,912
Transit Courier	12,815	7,990	20,805	6,438	8,085	14,523
Puma	727	45,005	45,732	432	-	432
Ford Trucks (Truck)	2,788	2,031	4,819	1,740	1,971	3,711
Other Passenger vehicles	4,253	70	4,323	1,584	-	1,584
Ranger	101	-	101	106	-	106
New Transit Connect	164	-	164	84	-	84
Rakun	127	-	127	29	-	29
	26,662	131,378	158,040	15,079	76,447	91,526

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

As of 31 March 2023 and 31 March 2022, summaries of cost of sales are as follows:

	31 March 2023	31 March 2022
Cost of raw material	(52,507,208)	(22,878,034)
Production overhead cost	(3,720,651)	(1,324,981)
Amortization expenses	(589,613)	(268,092)
Changes in finished good	2,229,673	2,556,352
Total production cost	(54,587,799)	(21,914,755)
Cost of trade goods sold	(3,224,123)	(2,242,556)
Total cost of sales	(57,811,922)	(24,157,311)

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

16. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 31 March 2023 and 2022 is as follows:

	31 March 2023	31 March 2022
Raw material cost	(52,507,208)	(22,878,034)
Financial expenses	(2,665,181)	(2,352,474)
Cost of trade goods sold	(3,224,123)	(2,242,556)
Personnel expenses	(3,113,098)	(1,039,770)
Other operational expenses	(1,328,586)	(671,870)
Other overhead costs	(1,645,678)	(630,653)
Other expenses from operating activities	(1,048,740)	(362,161)
Depreciation and amortization expenses	(633,228)	(293,221)
Expenses from investing activities	(1,577)	(16,226)
Changes in inventories	2,229,673	2,556,352
Total expenses	(63,937,746)	(27,930,613)

17. OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

	31 March 2023	31 March 2022
Other income from operating activities		
Foreign exchange gains		
related to trade receivables and payables	612,355	665,016
Financial income from forward sales	356,321	112,933
License income	6,930	11,074
Commission income	3,231	3,991
Price difference and claim recovery	62,351	2,920
Rent income	17,008	954
Other	74,849	11,382
Provisions no longer required	(815)	-
	1,132,230	808,270
Other expenses from operating activities		
Unearned financial expense	(668,771)	(229,256)
Foreign exchange losses related to trade receivables and payables	(165,877)	(130,076)
Other	(214,092)	(2,829)
	(1,048,740)	(362,161)

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

18. FINANCIAL INCOME

	31 March 2023	31 March 2022
Foreign exchange gains	1,247,356	1,232,077
Interest income	347,366	251,563
Other	68,056	43,898
	1,662,778	1,527,538

19. FINANCIAL EXPENSES

	31 March 2023	31 March 2022
Foreign exchange losses	(2,022,287)	(2,237,681)
Interest expenses	(642,894)	(114,793)
	(2,665,181)	(2,352,474)

20. TAX ASSETS AND LIABILITIES

Corporate Tax Law was amended by the Law No, 5520 dated 13 June 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from 1 January, 2006. Accordingly, the corporate tax rate for the fiscal year 31 March 2023 is 20% (31 December 2022: 23%). Corporate tax is payable on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc.) and corporate income tax deductions (e.g. research and development expenditures deduction). No further tax is payable unless the profit is distributed.

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

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax declarations to the Tax Office within the 25th of the fourth month following the close of the financial year.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

20. TAX ASSETS AND LIABILITIES (Continued)

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

There are many exceptions to the Institutions Tax Law. These exceptions to the Group are explained below:

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate.

The Group capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Group makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code.

As of 31 March 2023, the Group utilised R&D incentive exemption amounting of TRY582,372 (31 March 2022: TRY321,846) in return for the legal tax.

As of the reporting date, TRY559,295 (31 March 2022: TRY559,295) under the Large-Scale Investment Incentive Certificate, completed and investment in progress, TRY6,025,763 (31 March 2022: TRY5,459,829) under the Priority Investment Incentive Certificates and TRY7,886,257 (31 March 2022: TRY1,378,071) within the scope of Project Based State Aid investment expenditures were made.

The Group utilized discounted corporate taxation amounting to TRY1.039,800 (31 March 2022: TRY730,856) in the current year and this amount has been deducted from the total deferred tax asset.

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

	31 March 2023	31 December 2022
Current year corporate tax expense (*)	(1,839,910)	(94,210)
Prepaid tax and withholding	184,042	245,987
Current tax related assets/(liabilities)	(1,655,868)	151,777
Deferred tax assets	7,423,445	5,374,582
Deferred tax liabilities	(582,703)	(567,819)
Net deferred tax assets	6,840,742	4,806,763

(*) In accordance with the Law No. 7440 on the "Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette on 12 March 2023, the amounts of exceptions and deductions subject to deduction from corporate income in accordance with the regulations in the laws, by being shown in the corporate tax return for the year 2022, an additional tax of 10% must be calculated over the bases subject to reduced corporate tax, without being associated with the period income, and 5% over the exempted earnings. As of March 31, 2023, the amount accrued by the Company for the related tax in addition to the corporate tax is 1,808,374 thousand, and the payment for the said tax will be made in two installments in 2023.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

20. TAX ASSETS AND LIABILITIES (Continued)

The taxation on income for the periods ended 31 March 2023 and 2022 are as follows:

	31 March 2023	31 March 2022
Current year corporate tax expense	(1,839,910)	(32,280)
Current year tax effect of cash flow hedge (*)	(51,366)	(10,992)
Other deferred tax	2,084,411	559,830
Deferred tax income	2,033,045	548,838
Continuing operations tax (income)/(expense)	193,135	516,558

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

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at 31 March 2023 and 2022 and current tax ratio based on income before tax is as follows:

	31 March 2023	31 March 2022
Income before tax	5,159,632	2,285,221
Effective tax rate	20%	23%
Current year tax expense	(1,031,926)	(525,601)
Research and development deductions	116,474	74,025
Investment incentive exemption	2,938,113	1,050,856
Other	(1,829,526)	(82,722)
	193,135	516,558

The Group calculates deferred income tax assets and liabilities by taking into account the effects of temporary differences arising from the different assessments between TFRS and statutory financial statements.

In Turkey, the corporate tax rate is 20% as of 31 March 2023 (31 December 2022: 23%).

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

20. TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 31 March 2023 and 31 December 2022 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Deferred tax assets				
Investment incentive tax asset	(14,471,315)	(13,343,017)	6,243,008	4,336,008
Expense accruals and other provisions	(2,361,894)	(2,204,649)	469,859	429,755
Warranty expense provision	(1,159,753)	(1,126,942)	231,951	225,388
Employee benefits provision	(1,453,902)	(1,727,355)	289,239	344,358
Inventories	(300,185)	(210,487)	59,371	41,396
Accumulated losses	(971,101)	(1,121,253)	155,374	179,401
	(20,718,150)	(19,733,703)	7,448,802	5,556,306
Deferred tax liabilities				
Tangible and intangible assets	3,186,902	4,063,681	(448,021)	(612,460)
Income accruals and other	800,645	685,416	(160,129)	(137,083)
Doubtful Receivables - Adjustment	(563)	-	90	-
	3,986,984	4,749,097	(608,060)	(749,543)
Net deferred tax asset			6,840,742	4,806,763

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

	2023	2022
1 January	4,806,763	1,715,971
Deferred tax income recognized in statement of profit or loss	2,033,045	559,831
Deferred tax income recognized directly in the equity	25,427	(3,719)
Exchange differences on translation	(24,493)	-
31 March	6,840,742	2,272,083

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

21. EARNINGS PER SHARE

	31 March 2023	31 March 2022
Net profit for the year	5,352,767	2,801,779
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000
Earnings per share with nominal value of Kr1 each	Kr15.25	KR7.98

22. RELATED PARTY DISCLOSURES

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

The related party balances at 31 March 2023 and 31 December 2022 and the transactions with related parties during the year are as follows:

a) Receivables from related parties

i) Trade receivable from related parties

	31 March 2023	31 December 2022
Due from shareholders		
Ford Motor Company and subsidiaries	12,732,498	16,272,748
	12,732,498	16,272,748
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	2,923,544	2,403,418
Other	6,669	13,638
	2,930,213	2,417,056
Less: unearned credit finance income	(45,193)	(33,705)
	15,617,518	18,656,099

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

22. 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. Export vehicle receivables from the Ford Motor Company are due in 14 days and for Romanian 38 days and receivables are collected regularly.

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company’s vehicle sales receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 30 days on average and sales of spare parts is due in 70 days on average.

ii) *Other receivables from related parties* (*)

31 March 2023 31 December 2022

Due other from shareholders

Ford Motor Company and subsidiaries	181,693	167,414
	181,693	167,414

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

31 March 2023 31 December 2022

Due long-term from shareholders

Ford Motor Company and subsidiaries	1,154,494	1,153,083
	1,154,494	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.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

22. RELATED PARTY DISCLOSURES (Continued)

b) Payables to related parties

i) Trade payables to related parties

	31 March 2023	31 December 2022
Due to shareholders		
Ford Motor Company and subsidiaries	5,547,073	3,540,219
	5,547,073	3,540,219
Due to group companies (*)		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	421,205	453,916
Ram Dış Ticaret A.Ş.	90,797	109,300
Ark İnşaat A.Ş.	80,257	162,485
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	37,243	49,693
Ram Sigorta Aracılık Hizmetleri A.Ş.	33,535	9,802
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	30,231	27,356
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	20,778	33,883
Opet Petrolcülük A.Ş.	19,940	19,857
Setur Servis Turistik A.Ş.	7,754	32,346
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	4,987	6,176
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	3,122	2,012
INGAGE Dijital Pazarlama Hizmetleri	3,115	24,869
Divan Turizm İşletmeleri A.Ş.	2,156	5,444
Other	10,250	63,312
	765,370	1,000,451
Less: unearned credit finance income	(11,667)	(11,269)
	6,300,776	4,529,401

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

ii) Other payables to related parties

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

22. RELATED PARTY DISCLOSURES (Continued)

c) Sales to related parties

	31 March 2023	31 March 2022
Ford Motor Company (*)	47,339,760	20,132,562
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	3,586,657	1,328,128
Other	50	-
	50,926,467	21,460,690
Less: financial income from credit sales	(84,628)	(28,725)
	50,841,839	21,431,965

(*) The Company, exports vehicle, spare parts and engineering service to Ford Motor Company

(**) The Group has a vehicle and spare parts trade in accordance with domestic dealer agreement with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

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

	1 January - 31 March 2023			Total
	Material	Service	Fixed assets	
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	41,546	766,462	-	808,008
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	353,962	353,962
Ram Dış Ticaret A.Ş.	98,944	-	-	98,944
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	181,019	-	181,019
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	47,937	22,877	70,814
Opet Petrolcülük A.Ş.	50,344	-	-	50,344
Koç Holding A.Ş. (**)	-	11,133	-	11,133
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	26,420	-	26,420
Setur Servis Turistik A.Ş.	-	18,760	-	18,760
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	42,387	-	-	42,387
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	19,049	6,983	26,032
Ingage Dijital Pazarlama A.Ş.	-	12,024	-	12,024
Koçtaş Yapı Marketleri Ticaret A.Ş.	6,710	-	35	6,745
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	7,786	-	-	7,786
Tanı Pazarlama İlet. Hiz. A.Ş.	-	1,996	-	1,996
Other	1,183	12,467	-	13,650
	248,900	1,097,267	383,857	1,730,024
Less Unearned credit finance charges	(8,315)	-	-	(8,315)
	240,585	1,097,267	383,857	1,721,709

(*) Contains paid and accrued premium amounts for the period ended 31 March 2023 and period ended 2022 within the context of insurance policies signed with insurance companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

22. RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 March 2022			Total
	Material	Service	Fixed assets	
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	36,293	377,476	-	413,769
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	106,523	106,523
Ram Dış Ticaret A.Ş.	219,168	-	-	219,168
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	66,754	-	66,754
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	51,961	17,480	69,441
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	12,948	2,787	15,735
Opet Petrolcülük A.Ş.	28,644	-	-	28,644
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	13,133	-	-	13,133
Ingage Dijital Pazarlama A.Ş.	-	1,942	-	1,942
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	16,970	-	16,970
Koç Holding A.Ş.	-	5,800	-	5,800
Koçtaş Yapı Marketleri Ticaret A.Ş.	5,415	-	-	5,415
Setur Servis Turistik A.Ş.	-	6,291	-	6,291
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	3,957	-	-	3,957
Tanı Pazarlama İlet. Hiz. A.Ş.	-	611	-	611
Other	109	14,613	-	14,722
	306,719	555,366	126,790	988,875
Less Unearned credit finance charges	(6,614)	-	-	(6,614)
	300,105	555,366	126,790	982,261

Material, vehicle and service purchases from abroad

	31 March 2023	31 March 2022
Ford Motor Company and subsidiaries	28,407,095	10,086,535

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

	31 March 2023	31 March 2022
	250,233	98,143

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

	31 March 2023	31 March 2022
	6,930	11,074

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

22. RELATED PARTY DISCLOSURES (Continued)

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

	31 March 2023	31 March 2022
	46,522	39,704

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

Deposits in related banks

	31 March 2023	31 March 2022
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	1,714,899	3,770,959
- TRY demand deposits	265,598	96,271
- Foreign currency demand deposits	114,575	3,998
- TRY time deposit	1,454,364	73,476
	3,549,436	3,944,704

i) Related bank loans

	31 March 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş.	408,587	408,587
	408,587	408,587

i) Other long-term payables

	31 March 2023	31 December 2022
Ford Motor Company and subsidiaries (Note 6)	6,706,849	6,407,114
	6,706,849	6,407,114

j) Commission income

	31 March 2023	31 March 2022
Yapı ve Kredi Bankası A.Ş.	1,596	2,291
Koç Finansman A.Ş.	14	1,671
	1,610	3,962

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

22. RELATED PARTY DISCLOSURES (Continued)

k) Commission expense

	31 March 2023	31 March 2022
Koç Finansman A.Ş.	-	20,577
Yapı ve Kredi Bankası A.Ş.	33,225	924
	33,225	21,501

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

	31 March 2023	31 March 2022
Yapı ve Kredi Bankası A.Ş.	67,451	31,385

m) Dividend income

	31 March 2023	31 March 2022
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	2,929

n) Compensation of key management personnel

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

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

The total amount of compensation given to key management personnel of the Group as of in the first 3 months of 2023 is TRY32,115 (31 March 2022: TRY11,144).

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

31 March 2023

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	15,661,791	5,985	747,257	114
2. Monetary financials assets (including cash and cash equivalents)	9,963,922	2,520	476,000	2,747
3. Other	1,981,724	18,423	78,308	9
4. Current assets (1 + 2 + 3)	27,607,437	26,928	1,301,565	2,870
5. Monetary financial assets	395,815	-	19,028	-
6. Non - current assets (5)	395,815	-	19,028	-
7. Total assets (4 + 6)	28,003,252	26,928	1,320,593	2,870
8. Trade payables	16,557,167	161,493	611,542	43,103
9. Financial liabilities (*)	9,417,189	-	452,703	-
10. Other monetary liabilities	163,194	124	7,728	3
11. Short-term liabilities (8 + 9 + 10)	26,137,550	161,617	1,071,973	43,106
12. Financial liabilities (*)	22,298,219	-	1,071,922	-
13. Other	6,706,849	-	322,412	-
14. Long-term liabilities (12 + 13)	29,005,068	-	1,394,334	-
15. Total liabilities (11 + 14)	55,142,618	161,617	2,466,307	43,106
16. Net foreign currency (liabilities)/assets position (7 - 15)	(27,139,366)	(134,689)	(1,145,714)	(40,236)
17. Net monetary foreign (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(22,414,241)	(153,112)	(901,610)	(40,245)

(*) The Group 's net foreign exchange position is mainly due to long-term Euro denominated loans obtained to fund its investments. The Group is hedging for the foreign currency exchange risk arising from its Euro denominated long-term loans with export agreements signed with Ford Motor Group . The TRY equivalent of such loans amount to TRY21,056,374 as of 31 March 2023 (31 December 2022: TRY21,090,392). As of 31 March 2023, the Group has a total of TRY4,700,671 (31 December 2022: TRY760,240) of the product to be issued.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	15,639,400	4,073	780,573	115
2. Monetary 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	46,650
12. Financial liabilities	18,203,429	331	912,833	-
13. Other	6,407,114	-	321,402	-
14. Long-term liabilities (12 + 13)	24,610,543	331	1,234,235	-
15. Total liabilities (11 + 14)	42,127,879	112,326	1,979,290	46,650
16. Net foreign currency (liabilities)/assets position (7 - 15)	(18,080,529)	(92,377)	(792,499)	(37,479)
17. Net monetary foreign (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(13,114,909)	(103,559)	(532,934)	(37,486)

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

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

31 March 2023

Appreciation/depreciation in foreign currency	Profit/(loss)/before taxation	
	Increase by 10 (%)	Decrease by 10 (%)
Change in USD against TRY		
USD net assets/(liabilities)	(257,875)	257,875
USD net assets/(liabilities)	-	-
USD net- gain/(loss)	(257,875)	257,875
Change in EUR against TRY		
EUR net assets/(liabilities)	(2,383,326)	2,383,326
EUR net hedged amount	2,105,618	(2,105,618)
EUR net- gain/(loss)	(277,708)	277,708
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(72,735)	72,735
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(72,735)	72,735

31 December 2022

Appreciation/depreciation in foreign currency	Profit/(loss)/before taxation	
	Increase by 10 (%)	Decrease by 10 (%)
Change in USD against TRY		
USD net assets/(liabilities)	(172,730)	172,730
USD net hedged amount	-	-
USD net- gain/(loss)	(172,730)	172,730
Change in EUR against TRY		
EUR net 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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the period ended 31 March 2023 and 2022 are as follows:

	31 March 2023	31 March 2022
Total export amount	37,482,165	22,468,684
Total import amount	23,371,188	13,677,775

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 March 2023	31 December 2022
Fixed interest rate financial instruments		
Financial assets	17,770,167	9,069,319
Financial liabilities	26,064,933	21,502,772
Floating interest rate financial instruments		
Financial liabilities	19,598,582	16,415,603

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 TRY60,903 at 31 March 2023 (31 December 2022: TRY20,608) due to higher/lower interest expense.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

31 March 2023	Book value	Total contractual cash outflow	3 months	3 - 12 months	1 - 5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	38,782,782	43,303,232	4,632,522	12,767,766	22,405,054	3,497,890
Lease liabilities	173,884	236,784	14,923	44,768	164,923	12,170
Long-term other liabilities	6,706,849	7,205,544	-	-	4,069,832	3,135,712
Trade payables						
- Related party	6,300,776	6,312,444	6,312,444	-	-	-
- Other	32,365,737	32,627,553	32,627,553	-	-	-
Other liabilities						
- Related party	-	-	-	-	-	-
- Other	924,917	924,917	924,917	-	-	-
Derivative financial liabilities						
Derivative financial liabilities	85,472	85,472	-	61,707	-	23,765

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value hierarchy table

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

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

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

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

As of 31 March 2023 and 31 December 2022, the Group ’s hierarchy table for its assets and liabilities recorded at fair value are as follows:

31 March 2023

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	395,815	-
Financial assets at fair value through OCI			
- Otokar	129,014	-	-
Total assets	129,014	395,815	-
Liabilities at fair value			
Derivative financial liabilities	-	85,472	-
Total liabilities	-	85,472	-

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date.

(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. , as prices) or indirectly (i.e. , derived from prices).

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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).

24. CASH FLOW HEDGE OPERATIONS

Derivative financial instruments

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

The Group hedged the interest rate risk arising from cash flows related to the borrowing used as of 31 March 2023 with the maturity of 10 October 2023 amounting to TRY450,000 with interest rate swapping. The critical conditions of the settlement contract such as maturity, payment, interest rate change dates are in line with the critical conditions of the foreign currency borrowing, which is the subject of financial hedge as of 31 March 2023. The fair value of the interest rate swap transaction calculated as of 31 March 2023 is TRY22,966 and it is classified as short-term liabilities.

The Group hedged the interest rate risk arising from cash flows related to the borrowing used as of 31 March 2023 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 March 2023. The fair value of the interest rate swap transaction calculated as of 31 March 2023 is TRY38,741 and it is classified as short-term liabilities.

As of 31 March 2023, the Group bears the interest risk arising from the cash flows of the loans used, amounting to EUR150,000 with a maturity of 16 December 2030 has been subject to financial protection with interest ceiling (cap) options. The critical conditions of the swap contract, such as maturity, payment and interest change dates, are in line with the critical conditions of the foreign currency loan that is the subject of financial protection as of 31 March 2023. The fair value of the related swap transaction as of 31 March 2023 is TRY23,765 and is presented under non-current assets in the financial position statement.

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023

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

24. CASH FLOW HEDGE OPERATIONS (Continued)

	31 March 2023	31 December 2022
Derivative financial liabilities	85,472	122,633
	85,472	122,633

As of 31 March 2023, the Group bears the interest risk arising from the cash flows of the loans used, amounting to EUR100,000 with a maturity of 5 November 2026 and EUR100,000 with a maturity of 5 November 2028, has been subject to financial protection with interest ceiling (cap) options. The critical conditions of the swap contract, such as maturity, payment and interest change dates, are in line with the critical conditions of the foreign currency loan that is the subject of financial protection as of 31 March 2023. The fair value of the related swap transaction as of 31 March 2023 is TRY366,114 and is presented under non-current assets in the financial position statement.

As of 31 March 2023, the Group bears the interest risk arising from the cash flows of the loans used, amounting to EUR150,000 with a maturity of 23 May 2024 has been subject to financial protection with interest ceiling (cap) options. The critical conditions of the swap contract, such as maturity, payment and interest change dates, are in line with the critical conditions of the foreign currency loan that is the subject of financial protection as of 31 March 2023. The fair value of the related swap transaction as of 31 March 2023 is TRY29,701 and is presented under non-current assets in the financial position statement.

	31 March 2023	31 December 2022
Derivative financial assets	395,815	382,717
	395,815	382,717

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

	31 March 2023	31 December 2022
Cash flow hedge reserve		
Amount recognized in other comprehensive income	898,002	4,348,539
Amount recycled from other comprehensive income to statement of profit or (loss)	(524,478)	(2,320,356)
	373,524	2,028,183

FORD OTOMOTİV SANAYİ A.Ş.

**NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 1 JANUARY - 31 MARCH 2023**

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

25. SUBSEQUENT EVENTS

None.

.....