

FORD OTOSAN



Ford Otomotiv Sanayi A. Ş. **1 January – 30 September 2024** **Interim Report**



COMPANY INFORMATION

Board of Directors and Committees

According to Article 10 of our Articles of Incorporation, all affairs and management of Ford Otosan shall be conducted by the Board of Directors composed of at least 8 members, the total number of the members shall be even, and shall be elected for a period not exceeding three years in accordance with the provisions of the Turkish Commercial Code and regulations of the Capital Markets Board. Save for the mandatory provisions of the Corporate Governance Principles of the Capital Markets Board with respect to the independent members of the Board of Directors, the General Assembly may replace the members of the Board of Directors at any time as deemed necessary. Two of the elected board members shall meet the qualification of independence stipulated in the Corporate Governance Principles regulations of Capital Markets Board.

In our Ordinary General Assembly Meeting held on April 3rd, 2024, the number of members of our Board of Directors was defined as 12, including 2 Independent Members. Our Board of Directors that would be serving until Ordinary General Assembly Meeting to audit 2024 accounts are as below:

M. Rahmi Koç	Honorary Chairman
Y. Ali Koç	Chairman
James Kieran Vincent Cahill	Vice Chairman
Johan Egbert Schep	Member
David J. C. Johnston	Member
Levent Çakıroğlu	Member
Haydar Yenigün	Member
John Davis	Member
Fatma Füsün Akkal Bozok	Independent Member
Prof. Dr. Katja Windt	Independent Member
Güven Özyurt	Member – General Manager
Josephine M. Payne	Member – General Manager

In accordance with Capital Markets Board's Communiqué II-17.1. on Corporate Governance;

Fatma Füsün Akkal Bozok and Prof. Dr. Katja Windt have been elected to the Audit Committee membership. Fatma Füsün Akkal Bozok has been elected as the chairman, and Haydar Yenigün, David Joseph Cuthbert Johnston, Prof. Dr. Katja Windt and Saibe Gül Ertuğ as the members of the Corporate Governance Committee which also fulfills the duties assigned to the Nominating Committee. Fatma Füsün Akkal Bozok has been elected as the chairman, and Haydar Yenigün and David Joseph Cuthbert Johnston as the members of the Early Determination and Management of Risk Committee. Fatma Füsün Akkal Bozok has been elected as the chairman, and Haydar Yenigün and James Kieran Vincent Cahill as the members of the Remuneration Committee.

Shareholder Structure:

Ford Otosan's shareholder structure as of September 30th, 2024 is as follows:

Company Name	Value of Share (TL)	Number of Share	Share Capital (%)
Koç Holding A.Ş.	135,631,304	13,563,130,447	38.65
Vehbi Koç Foundation	2,880,501	288,050,137	0.82
Koç Holding Retirement and Support Fund Foundation	3,259,202	325,920,231	0.93
Temel Ticaret A.Ş. ⁽¹⁾	2,355,885	235,588,500	0.67
Koç Group Companies	144,126,892	14,412,689,315	41.07
Ford Motor Company ⁽²⁾	143,997,037	14,399,703,676	41.04
Publicly Held	62,786,071	6,278,607,009	17.89
Total Nominal Capital (TL)	350,910,000	35,091,000,000	100

(1) At the Extraordinary General Assembly meeting dated September 29, 2022, Temel Ticaret ve Yatırım A.Ş. approved the partial demerger and transferred all of its shares in Koç Holding A.Ş. to Family Danışmanlık Gayrimenkul ve Ticaret A.Ş which 100% owned by Temel Temel Ticaret ve Yatırım A.Ş.

(2) Ford Deutschland Holding GmbH: 100% owned by Ford Motor Company.

1. Turkish Domestic Automotive Industry and Ford Otosan

In the first nine months of 2024, the Turkish automotive market experienced a 1% decrease, resulting in total sales of 879,088 units. While PC sales witnessed a modest increase of 1% and MCV sales grew by 13%, these gains were insufficient to offset the declines of 21% in LCV and 11% in heavy truck sales.

These figures suggest that the effects of the factors driving growth in the first half normalized in Q3, coupled with the tightened monetary policy and stabilization in the demand. Key factors in this market performance are: i) the rise in the upper price limit for the SCT exemption for disabled individuals, ii) robust domestic demand prior to the elections, iii) the General Safety Regulation (GSR) prompting competitive pricing strategies, and iv) reduced availability of LCVs in the market.

Turkish automotive industry sales were as follows in 9M'24.

	9M'24	9M'23	Change, %
Passenger Car	675,273	666,890	1%
Light Commercial Vehicle	93,346	118,557	-21%
Medium Commercial Vehicle	81,273	72,128	13%
Truck (>16 t)	25,027	28,278	-11%
Other Heavy Commercial Vehicle (6-16t)	4,169	4,103	2%
Total ⁽³⁾	879,088	889,956	-1%

(3) Covers all passenger and commercial vehicles excluding buses and midibuses.

Source: Automotive Distributors' Association (ADA) and TAİD

While PC industry share increased 76.8% (9M'23: 74.9%), CV (including LCV & MCV) industry share decreased to 19.9% (9M'23: 21.4%).

The share of PCs in the total industry						
9M'24	9M'23	2023	2022	2021	2020	2019
77%	75%	76%	72%	73%	77%	79%

Source: ADA and TAİD

In the first nine months of 2024, share of import vehicles in both PC and CV (including LCV & MCV) increased YoY, and reached to 71% and 70%, respectively. In total (excluding truck & other HCV), the share of import vehicles was 71%.

Share of import vehicles	PC	CV (including LCV & MCV)	Total
9M'24	71%	70%	71%
9M'23	69%	52%	65%
2023	68%	54%	65%

Source: ADA

In 9M'24, Ford Otosan maintained its 3rd rank with a market share of 8.5% (9.7%)⁽⁴⁾ in total industry. Ford Otosan's retail sales decreased by 13% to 74,743 (86,023) units compared to the same period of last year. In the passenger car segment, while retaining our profitability focus our market share reached to 3.1% (3.2%). We maintained our undisputed leadership in the commercial vehicle segment with 26.9% (29.7%) market share. Our market share was 19.2% (29.7%) in light commercial vehicles, 36.4% (29.9%) in medium commercial vehicles and 25.0% (29.1%) in heavy commercial vehicles.

(4) Data inside the paranthesis represent 9M'23 numbers throughout the report.

2. Production and Capacity

In 9M'24, our total production volumes increased by 3% to 457,554 (444,504). This performance was supported by the increase in demand of new Custom and Courier that completed of the ramp up period.

The capacity utilization rate was 77% in Gölcük Plant, 81% in Yeniköy Plant, 57% in Eskişehir Plant and 88% in Craiova Plant. The total capacity utilization rate was realized as 82% (90%).

Our production volumes by model were as follows.

Plant	Model	9M'24	9M'23	Change, %
Gölcük	2 Ton CV	119,668	122,834	-3%
	1 Ton CV	-	112,443	N/A
Yeniköy	Courier	-	53,255	N/A
	New 1 Ton CV	148,788	-	N/A
Eskişehir	Ford Trucks	9,563	14,642	-35%
Craiova	Puma	119,880	141,330	-15%
	New Courier	59,655	-	N/A
Total		457,554	444,504	3%

3. Export, Domestic and Wholesale Review

Export Markets

According to the European Automobile Manufacturers' Association (ACEA) (www.acea.be), although the total market in Europe contracted by 7% YoY in the 3rd quarter, PC market increased by 1.2% and LCV % MCV market, our largest export market, by 7.5% in 9M'24. On the other hand, HCV market contracted by 6.7%. As a result, despite strong basis of last year, CV market grew by 4.9%.

	9M'24	9M'23	%
PC ⁽⁵⁾	9,503,870	9,393,612	1.2%

	9M'24	9M'23	%
CV ⁽⁵⁾	1,728,069	1,648,039	4.9%

	9M'24	9M'23	%
LCV & MCV ⁽⁵⁾	1,438,537	1,337,664	7.5%

	9M'24	9M'23	%
HCV ⁽⁵⁾	289,532	310,375	-6.7%

⁽⁵⁾ Including 26 markets in Europe and UK.

Exports

In 9M'24, Ford Otosan's export figures increased by 8% YoY and reached to 395,325 (366,231) units. Export revenues showed an increase of 5% YoY, reaching TL 316.1 (300.6) billion, due to a 8% YoY growth in volume.

Domestic Sales

Domestic wholesale volumes were down 16% to 75,348 (89,816) units in 9M'24. Due to the decrease in the sales volume and lower pricing environment in the market, our domestic sales revenues declined by 21% YoY to TL 88.6 (112.3) billion.

Total Sales

Total sales volumes were up 3% to 470,673 (456,047). Total Revenues decreased by 2% to 404.7 (412.9) billion TL. The share of exports in sales revenues was 78% (9M'23: 73%).

4. Investments

Capital expenditures were TL 23.3 (23.3) billion including capitalized R&D spending.

5. R&D Activities

TL 6.8 (7.2) billion pre-capitalization R&D expenditure was made for various product development projects. R&D projects are carried out in line with product programs and the number of R&D engineers is 2,402 (December 31, 2023: 2,298).

6. Employees

As of September 30th, 2024, Ford Otosan had a total of 24,610 employees: 5,198 salaried and 19,412 hourly. (December 31, 2023: total 23,701 employees: 5,338 salaried and 18,363 hourly). Ford Otosan continued to have the highest employment rate in the Turkish automotive industry. Our hourly employees are part of the Collective Bargaining Agreement signed on January 18, 2024, between Turkish Metal Union and Turkish Employers' Association of Metal Industries (MESS) and valid in between 1st September 2023- 31st August 2025.

7. Profitability

In 9M'24, our profitability contracted due to:

- i) the YoY decrease in domestic performance,
- ii) rising manufacturing costs as a result of the inflationary environment
- iii) the increased share of export revenues in the overall revenue mix,
- iv) extended ramp-up period for the new Courier and Custom models,
- v) the impact of relatively stable exchange rate in 9M'24 (EUR/TL: +17%) vs 9M'23 (EUR/TL: +46%) on operations.

Gross profit reached TL 40.3 bn, reflecting a 38% YoY decline, primarily driven by i) a 16% decrease in domestic volumes coupled with a competitive pricing environment in 9M'24 resulting increase in sales incentives, and ii) a 5% increase in the cost of goods sold, attributed to a 2% rise in raw material and 24% rise in production overhead costs. Net other income also saw a significant YoY decline of 87%, totaling TL 1.1 bn (compared to TL 8.3 bn in 9M'23). This resulted in a 57% YoY reduction in operating profit, which amounted to TL 22.9 bn. EBITDA and EBITDA excluding the currency impact were TL 32.3 bn and TL 31.2 billion, respectively, reflecting declines of 47% and 40%.

In the first 9 months of 2024, net financial expenses realized as TL 15.7 bn, up by 31%, mainly due to 234% increase in net interest expenses up from TL 1.9 bn to TL 6.2 bn (as a result of increased total financial debt and borrowing costs). In this period, a monetary gain of TL 16.8 bn (compared to TL 7.4 bn in 9M'23) was included in profit before tax, leading to a total of TL 26.9 bn, a decrease of 45% YoY. Consequently, net income was recorded at TL 25.7 bn, indicating a YoY drop of 38%.

Margins: Gross 10.0% (-5.6 pps YoY); EBITDA 8.0% (-6.7 pps YoY); EBITDA excluding other income 7.7% (-5.0 pps YoY); Operating 5.7% (-7.3 pps YoY); PBT 6.7% (-5.2 pps YoY) and Net 6.3% (-3.7 pps YoY).

8. Financing

€577 million and TL 1.6 billion loan repayments were made in 9M'24 where USD 500 million Eurobond, €1 billion and TL 7.5 billion were borrowed in new loans. Total debt level was TL 115 billion as of September-end, up from TL 87 billion at the beginning of the year. Cash balance as at the end of the period is TL 30 billion (December 31, 2023: TL 20 billion).

Ford Otosan continues to follow financial risks very closely and maintains prudent policies. The main policies regarding various risks are summarized in the Note 2 of the financial statements.

9. Main Financial Indicators

Balance Sheet, Million TL	30.09.2024	31.12.2023	YoY Δ
Current Assets	155,743	139,828	11%
Property, Plant and Equipment - Net	86,830	77,708	12%
Total Assets	314,934	294,826	7%
Current Liabilities	128,958	127,890	1%
Total Liabilities	213,556	195,638	9%
Shareholders' Equity	101,378	99,188	2%
Million TL	9M'24	9M'23	YoY %
Total Revenues	404,666	412,874	-2%
Export ⁽¹⁾	316,071	300,596	5%
Domestic	88,595	112,277	-21%
Gross Profit	40,265	64,427	-38%
Operating Profit	22,943	53,704	-57%
EBITDA ⁽⁶⁾	32,292	60,676	-47%
EBITDA (excl. other items) ⁽⁶⁾	31,203	52,363	-40%
Profit Before Tax	26,941	48,978	-45%
Net Income	25,666	41,243	-38%
Other Financial Data			
Depreciation & Amortization ⁽⁶⁾	7,473	6,588	13%
Financial Income / (Expense)	-15,748	-12,050	31%
Capital Expenditures	-23,341	-23,323	0%
Cash Flow Statement, Million TL	30.09.2024	30.09.2023	YoY Δ
Beginning Balance of Cash & Equivalents	20,642	22,631	-9%
Net Cash from Operating Activities	20,019	56,185	-64%
Net Cash from Investing Activities	-23,067	-23,266	-1%
Net Cash from Financing Activities	19,301	2,810	587%
Monetary Gain/(Loss) on Cash&Equivalents	-6,817	-13,199	-48%
End of Period Balance of Cash&Equivalents	30,134	45,514	-34%

Financial Ratios	30.09.2024	31.12.2023
Net Debt / EBITDA ⁽⁷⁾	2.45	1.19
Return on Equity ⁽⁷⁾	50.4%	67.2%
Current Ratio	1.21	1.09
Liquidity Ratio	0.77	0.69
Current Assets / Total Assets	0.49	0.47
Current Liabilities / Total Liabilities	0.60	0.65
Total Liabilities/Total Liabilities & Equity	0.68	0.66

Margins	30.09.2024	30.09.2023
Gross Margin	10.0%	15.6%
Operating Margin	5.7%	13.0%
EBITDA Margin	8.0%	14.7%
EBITDA Margin (excluding other items)	7.7%	12.7%
PBT Margin	6.7%	11.9%
Net Margin	6.3%	10.0%

⁽⁶⁾ Straight-line expenses related with embedded lease in Türkiye and Romania operations are included.

⁽⁷⁾ The EBITDA and Return on Equity figures are based on a rolling 4-quarter basis.

10. Other Material Developments

- On 25.09.2024, pursuant to the authority granted by Article 7 of our Company's Articles of Association, the Board of Directors has decided to issue debt securities in accordance with the Capital Markets Board's Regulations on Debt Instruments, up to a total amount of 12 billion Turkish Liras, to be issued in various series and maturities, either privately placed and/or sold to qualified investors, and to be listed on the relevant market of Borsa Istanbul A.Ş. during a one-year period, subject to market conditions.
- William Richard Periam, who was elected to the Board of Directors at the Ordinary General Assembly Meeting held on 03.04.2024, has resigned from his position. David Joseph Cuthbert Johnston has been appointed to fill the vacant Board membership until the next General Assembly Meeting. In accordance with the Capital Markets Board's II-17.1 Corporate Governance Communiqué, it has been decided that David Joseph Cuthbert Johnston will be elected to fill the committee memberships that became vacant due to the resignation of William Richard Periam from the Corporate Governance Committee and the Early Detection and Management of Risks Committee.
- On 17.10.2024 Ford Otomotiv Sanayi A.Ş. Board of Directors has concluded the following decision for Extraordinary General Assembly approval;
 - According to the Dividend Communiqué numbered II-19.1, TL 5,000,467,500.00 to be paid to shareholders as dividend in cash, out of TL 5,000,467,500.00 which is subject to distribution according to the records prepared in accordance with Tax Procedure Law, TL 3,291,881.69 to be covered from other reserves, TL 1,404,233,752.74 to be covered from legal reserves, TL 3,592,941,865.57 to be covered from extraordinary reserves, and out of TL 500,046,750.00 second rank legal reserve, which will be allocated: TL 329,188.17 to be covered from other reserves, TL 140,423,375.27 to be covered from legal reserves, TL 359,294,186.56 to be covered from extraordinary reserves.
 - In accordance with the financial statements prepared within the framework of Capital Markets Board regulations, out of TL 5,000,467,500.00 proposed to be paid as dividend in cash, TL 3,596,233,747.26 to be covered from extraordinary reserves, TL 1,404,233,752.74 to be covered from legal reserves; out of TL 500,046,750.00 TL second rank legal reserve, which will be allocated: TL 359,623,374.73 to be covered from extraordinary reserves, TL 140,423,375.27 to be covered from legal reserves.

- Based on the calculations made in accordance with the tax regulations, TL 5,000,467,500.00 dividend to be distributed by paying gross TL 14.2500 (1.425,00%) and net TL 12.8250 (1.282,50%) for each share with a nominal value of 1-TL.
- To make the dividend distribution in accordance with the dematerialization regulations of Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency Corporation) starting from November 22, 2024.
- Ford Otomotiv Sanayi A.Ş. Board of Directors, in the meeting dated 23.10.2024, has resolved to invite the General Assembly for its Extraordinary Meeting, on 20.11.2024 Wednesday at 11:00 to review and resolve the agenda specified at Company Headquarters located at "Akpınar Mahallesi, Hasan Basri Caddesi No:2, Sancaktepe / İstanbul (Tel: +90 216 564 71 00, Fax: +90 216 564 73 85)"; to duly perform the invitation procedures; to announce the invitations at Turkish Trade Registry Gazette, at the internet address of the Company of www.fordotosan.com.tr, at the Central Registry Agency A.Ş.'s E-Company Portal and Electronic General Assembly Systems and at the Public Disclosure Platform.
- In accordance with the authorization given by article 7 of the Company's Articles of Association and in compliance with the provisions of the Capital Markets Board's Communiqué on Debt Securities, the issuance debt securities were made was made on 25.04.2024 for sale in foreign markets, with total value of 500 million USD. In this context, the first coupon payment of our company's bond with ISIN code XS2782775345 was made on 25.10.2024.

11. Guidance

Total Turkish Automotive Market volume and Ford Otosan domestic retail sales guidance was increased as a result of the stronger than expected demand outlook in the domestic market for the full year. Export and production volumes are updated due to the sign of slowdown in the main export markets. CAPEX guidance have been revised due to calendarization of some of investment spending.

2024 Guidance				
	2023A	2024 1 st Guidance	2024 2 nd Guidance	2024 Last Guidance
Total Industry Volume	1,278 K	800 K- 900 K	1,000 K- 1,100 K	1,100 K- 1,200 K
Ford Otosan:				
Retail Sales Volume	114 k	100 k – 110 k	100 k – 110 k	105 k – 115 k
Export Volume	492 k	560 k – 610 k	560 k – 610 k	530 k – 580 k
Turkey	312 k	350 k – 380 k	350 k – 380 k	320 k – 350 k
Romania	180 k	210 k – 230 k	210 k – 230 k	210 k – 230 k
Wholesale Volume	610 k	660 k – 720 k	660 k – 720 k	635 k – 695 k
Total Production Volume	590 k	650 k – 700 k	650 k – 700 k	630 k – 680 k
Turkey	399 k	400 k – 430 k	400 k – 430 k	380 k – 410 k
Romania	191 k	250 k – 270 k	250 k – 270 k	250 k – 270 k
Capex (fixed assets)	€ 900 mn	€ 900 – 1,000 mn	€ 900 – 1,000 mn	€ 700 – 800 mn
General Investments	€ 96 mn	€ 170 - 190 mn	€ 170 - 190 mn	€ 130 - 150 mn
Product Related Investments	€ 804 mn	€ 730 - 810 mn	€ 730 - 810 mn	€ 570 - 650 mn

FORD OTOMOTİV SANAYİ A.Ş.