

FORD OTOSAN



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



COMPANY INFORMATION

Board of Directors and Committes

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
William R. Periam	Member
Levent Çakıroğlu	Member
Haydar Yenigün	Member
John Davis	Member
Fatma Füsun 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 Füsun Akkal Bozok and Prof. Dr. Katja Windt have been elected to the Audit Committee membership. Fatma Füsun Akkal Bozok has been elected as the chairman, and Haydar Yenigün, William Richard Periam, 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 Füsun Akkal Bozok has been elected as the chairman, and Haydar Yenigün and William Richard Periam as the members of the Early Determination and Management of Risk Committee. Fatma Füsun 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 June 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	62,786,070	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. Domestic Automotive Industry and Ford Otosan

In the first 6 months of 2024, Turkish automotive market witnessed a 3% growth with total sales reaching 598,016. In this period, despite last year's strong basis, PC and MCV sales experienced an increase of 7% and 29%, respectively, while the LCV and Heavy Trucks segments shrank by 28% and 9%. This performance can be attributed to i) the increase in the base price for the SCT-exemption applied to disabled individuals, ii) pull-forward domestic demand in the pre-election period, iii) the General Safety Regulation (GSR) compelled market to adopt competitive pricing strategies, iv) the increase in availability of MCVs, which had been limited due to the dominance of PCs in the market in the previous year, v) lower LCV availability in the market.

Turkish automotive industry sales were as follows in 1H24.

	1H24	1H24	Change, %
Passenger Car	462,955	431,372	7%
Light Commercial Vehicle	59,575	82,976	-28%
Medium Commercial Vehicle	55,451	43,021	29%
Heavy Commercial Vehicle	20,035	22,305	-10%
Total ⁽³⁾	598,016	579,674	3%

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

Source: Automotive Distributors' Association (ADA) and TAİD

While PC industry share increased 77.4% (1H23: 74.4%), LCV industry share decreased to 10.0% (1H23: 14.3%).

The share of PCs in the total industry						
1H24	1H23	2023	2022	2021	2020	2019
77%	74%	76%	72%	73%	77%	79%

Source: ADA

In the first half of the year, share of import vehicles in both PC and LCV increased YoY, and reached to 70% and 68% respectively. In total, the share of import vehicles was 69%.

Share of import vehicles	PC	LCV	Total
1H24	70%	68%	69%
1H23	66%	49%	62%
2023	68%	54%	65%

Source: ADA

In 1H24, Ford Otosan maintained its 3rd rank with a market share of 8.2% (9.7%)⁽⁴⁾ in total industry. Ford Otosan's retail sales decreased by 13% to 49,217 (56,457) units compared to the same period of last year. In the passenger car segment, while retaining our profitability focus our market share reached to 3.3% (3.2%). We maintained our undisputed leadership in the commercial vehicle segment with 25.6% (29.3%) market share. Our market share was 18.1% (29.1%) in light commercial vehicles, 34.1% (29.7%) in medium commercial vehicles and 24.3% (29.2%) in heavy commercial vehicles.

(4) Data inside the paranthesis represent 1H23 numbers throughout the report.

2. Production and Capacity

In 1H24, our total production volumes increased by 1% to 313,619 (310,114). In the second quarter of the year, there were production suspensions due to the Ramadan and Eid al-Adha Holidays in Turkey and the Easter Holiday in Romania.

The capacity utilization rate was 81% in Gölcük Plant, 82% in Yeniköy Plant, 59% in Eskişehir Plant and 90% in Craiova Plant. The total capacity utilization rate was realized as 84% (94%). Our production volumes by model were as follows.

Plant	Model	1H24	1H23	Change, %
Gölcük	<i>Transit</i>	83,625	82,172	2%
	<i>Custom</i>	-	75,043	N/A
Yeniköy	<i>Courier</i>	-	45,623	N/A
	<i>New Custom</i>	100,757	-	N/A
Eskişehir	<i>Ford Trucks</i>	6,668	10,348	-36%
Craiova	<i>Puma</i>	82,204	96,928	-15%
	<i>New Courier</i>	40,365	-	N/A
Total		313,619	310,114	1%

3. Export, Domestic and Wholesale Review

Export Markets

According to the European Automobile Manufacturers' Association (ACEA) (www.acea.be), while the passenger car market grew by 4.7%, the light and medium commercial vehicle market grew by 12.9% in 1H24 YoY in Europe, our largest export market. The growth in the heavy commercial vehicle market was 2.5%. As a result, despite the strong base effect of the previous year, the commercial vehicle market grew by 11%.

	1H24	1H23	%
PC ⁽⁵⁾	6,690,606	6,388,608	4.7%

	1H24	1H23	%
CV ⁽⁵⁾	1,228,386	1,106,717	11.0%

	1H24	1H23	%
LCV & MCV ⁽⁵⁾	1,018,619	901,981	12.9%

	1H24	1H23	%
HCV ⁽⁵⁾	209,767	204,736	2.5%

⁽⁵⁾ Including 26 markets in Europe and UK.

Exports

In the first half, Ford Otosan's export figures increased by 3% YoY and reached to 259,824 (253,337) units. Export revenues showed a slight increase of 1% YoY, reaching TL 187.2 (186.1) billion, due to a 3% YoY growth in volume.

Domestic Sales

Domestic wholesale volumes were down 17% to 49,559 (59,456) units in 1H24. Due to the decrease in the sales volume and lower pricing environment in the market, our domestic sales revenues declined by 19% YoY to TL 54.2 (67.1) billion.

Total Sales

Total sales volumes were down 1% to 309,383 (312,793). Total Revenues decreased by 5% to 241.4 (253.2) billion TL. The share of exports in sales revenues was 78% (1H23: 73%).

4. Investments

Capital expenditures were TL 13.3 (12.4) billion including capitalized R&D spending.

5. R&D Activities

TL 4.2 (2.4) 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 2,356 (December 31, 2023: 2,298).

6. Employees

As of June 30th, 2024, Ford Otosan had a total of 24,315 employees: 5,159 salaried and 19,156 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 1H24, Ford Otosan experienced a dilution in profitability due to

- I. lower YoY domestic performance,
- II. the increase in the share of export revenues in the overall revenue mix
- III. extended ramp-up period of new Custom & Courier,
- IV. deferrals in launches leading higher YoY inventory levels,
- V. relatively weak exchange rates (average EUR/TRY up 25% in 1H24 vs up 61% in 1H23 YoY).

Gross Profit stood at TL 24.6 billion, exhibiting a 26% YoY decline primarily due to 1) the 17% decrease in domestic volumes combined with competitive pricing environment in 1H24 and 2) the impact of inflation accounting on inventories and its subsequent influence on the cost of goods sold. Net Other Income also witnessed a YoY decline of 98%, amounting to TL 96 million (vs TL 6.0 billion in 1H23) (impact of sharp TL depreciation in 1H23 on operations vs strong TL in 1H24), leading to a 51% YoY decrease in Operating Profit to TL 13.7 billion. In this period EBITDA and EBITDA excluding the currency impact were TL 19.2 billion and TL 19.1 billion, respectively, experiencing declines of 41% and 29%.

During the first half of 2024, a monetary gain of TL 10.6 billion (1H23: TL 6.8 billion) was included into the Profit Before Tax, resulting in a total of TL 15.5 billion, down 37% YoY. On the other hand, TL 5.3 billion Tax expense (one-off impact of earthquake tax payment in 1H23) turned to TL 166 million Tax income and as a result the Net Income realized as TL 15.7 billion, indicating a YoY drop of 19%.

Margins: Gross 10.2% (-3.0 pps YoY); EBITDA 8.0% (-4.9 pps YoY); EBITDA excluding other income 7.9% (-2.7 pps YoY); Operating 5.7% (-5.4 pps YoY); PBT 6.4% (-3.4 pps YoY) and Net 6.5% (-1.2 pps YoY).

8. Financing

€521 million and TL 1.3 billion loan repayments were made in 1H24 where €830 million and TL 3 billion were borrowed in new loans. Total debt level was TL 84 billion as of June-end, up from TL 80 billion at the beginning of the year. Cash balance as at the end of the period is TL 17,855 million (December 31, 2023: TL 18,990 million).

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	30.06.2024	31.12.2023	YoY Δ
Current Assets	136,599	128,378	6%
Current Liabilities	115,932	117,418	-1%
Property, Plant and Equipment - Net	76,155	71,345	7%
Total Assets	278,439	270,684	3%
Total Liabilities	191,106	179,618	6%
Shareholders' Equity	87,333	91,066	-4%
Summary Income Statement, Million TL	30.06.2024	30.06.2023	YoY Δ
Total Revenues	241,404	253,194	-5%
Export	187,215	186,066	1%
Domestic	54,189	67,128	-19%
Gross Profit	24,639	33,339	-26%
Operating Profit	13,669	28,160	-51%
Financial Income / (Expense)	-9,771	-10,201	-4%
Profit Before Tax	15,537	24,738	-37%
Net Income	15,703	19,397	-19%
Other Financial Data, Million TL	30.06.2024	30.06.2023	YoY Δ
Depreciation & Amortization ⁽⁶⁾	5,554	4,608	21%
EBITDA ⁽⁶⁾	19,222	32,768	-41%
EBITDA (excluding other income/expense) ⁽⁶⁾	19,127	26,802	-29%
Capex	-13,251	-12,367	7%
Cash Flow Statement, Million TL	30.06.2024	30.06.2023	YoY Δ
Beginning Balance of Cash & Equivalents	18,952	20,778	-9%
Net Cash from Operating Activities	3,725	37,197	-90%
Net Cash Used in Investing Activities	-13,224	-12,300	8%
Net Cash Used in Financing Activities	13,037	2,628	396%
Monetary Gain/(Loss) on Cash & Equivalents	-4,683	-4,199	12%
End of Period Balance of Cash & Equivalents	17,833	44,426	-60%

Financial Ratios	30.06.2024	31.12.2023
Current ratio	1.18	1.09
Liquidity ratio	0.68	0.69
Net Debt / EBITDA ⁽⁷⁾	1.92	1.19
Current Assets / Total Assets	0.49	0.47
Current Liabilities / Total Liabilities	0.61	0.65
Total Liabilities / Total Liabilities and Equity	0.69	0.66
Return on Equity ⁽⁷⁾	65.8%	67.2%
Margins	30.06.2024	30.06.2023
Gross Margin	10.2%	13.2%
EBITDA Margin	8.0%	12.9%
EBITDA Margin (excluding other income)	7.9%	10.6%
Operating Margin	5.7%	11.1%
PBT Margin	6.4%	9.8%
Net Margin	6.5%	7.7%

⁽⁶⁾ Straightline 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

- Taking into consideration the views of the Audit Committee, the Board of Directors resolved to nominate Güney Bağımsız Denetim ve SMMM A.Ş. to audit our Company's financial reports for the year 2024 accounting period and to fulfil all other obligations required for the auditors by the Turkish Commercial Code numbered 6102 and the Capital Markets Law numbered 6362 and related regulations, is approved by the General Assembly.
- The Board of Directors resolved in their meeting on April 4, 2024, In accordance with the resolution made at the Ordinary General Assembly Meeting dated April 3, 2024 regarding the election of Board Members, task assignments were made and Yıldırım Ali Koç was assigned as the Board Chairman and James Kieran Vincent Cahill was assigned as the Vice Board Chairman. In this sense, the Board of Directors is composed of Chairman Yıldırım Ali Koç, Board Member & Honorary Chairman Mustafa Rahmi Koç, Vice Chairman James Kieran Vincent Cahill, Board Member & General Manager Mr. Güven Özyurt, Board Member & Deputy General Manager Josephine Mary Payne, Board Member Haydar Yenigün, Board Member Levent Çakıroğlu, Board Member Mr. William Richard Periam, Board Member Johan Egbert Schep, Board Member John Michael Davis, Independent Board Member Fatma Füsün Akkal Bozok and Independent Board Member Katja Windt. It was resolved that the task assignment of the Board of Directors will be registered in Trade Registry and promulgated in Turkish Trade Registry Gazette.
- The Board of Directors resolved that in accordance with Capital Markets Board's Communiqué II-17.1. on Corporate Governance; Fatma Füsün Akkal Bozok and Katja Windt have been elected to the Audit Committee membership. Fatma Füsün Akkal Bozok has been elected as the Chairperson, and Haydar Yenigün, William Richard Periam, 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 chairperson, and Haydar Yenigün and William Richard Periam as the members of the Early Determination and Management of Risk Committee. Fatma Füsün Akkal Bozok has been elected as the chairperson, and Haydar Yenigün and James Kieran Vincent Cahill as the members of the Remuneration Committee.

- BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc and Société Générale have been mandated for selling our Company's bonds to qualified investors outside Turkey within the format of "Rule 144A" and/or "Regulation S". In this context, it was arranged a series of investor meetings in the UK and the USA with the participation of our Company's Senior Executives from April 15th, 2024.
- International rating agency Fitch Ratings has assigned a final rating of "BB+"; Standard & Poor's Ratings, has assigned a final rating of "BB-" to Ford Otosan's 2029 USD 500 million Eurobond.
- The sale of a debt instrument to non-resident investors that approved by the Capital Markets Board on September 20, 2023, and quoted on the Euronext Dublin Stock Exchange, was completed on April 25, 2024. The amounts related to a debt instrument issued & sold abroad with a nominal value of USD 500 million, maturity of 5 years, redemption date April 25, 2029, priced at 7.125% repayment yield and coupon rate has been determined as 7.125%, transferred to our Company's accounts.
- Mr. Murat Senir, who has been serving as the Purchasing Leader at Ford Otosan, will retire as of May 31, 2024. It has been decided to merge the Purchasing Leadership with the Material Planning and Logistics Leadership under the umbrella of the Supply Chain Platform Area Leadership. Consequently, Ms. Oya Başak Akyol, the current Human Resources & Transformation Platform Area Leader in our company, has been appointed as the Supply Chain Platform Area Leader, effective from May 31, 2024. Mr. Osman Özdemir has been appointed as the Human Resources & Transformation Platform Area Leader, also effective from May 31, 2024.
- The resolution of the general assembly dated April 3, 2024 regarding the election of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the independent audit firm for the auditing of the financial reports for the 2024 accounting period has been registered on May 23, 2024.
- There will be a shutdown period in our plants due to scheduled annual vacation as below. During this time periodical maintenance will take place in all our plants. There will also be preparations in production lines in Yeniköy Plant for new investments.

	Shutdown Date	Production Commencing Date
Gölcük Plant	28 July 2024	12 August 2024
Yeniköy Plant	28 July 2024	12 August 2024
Eskişehir Plant	28 July 2024	15 August 2024
Craiova Plant	2 August 2024	20 August 2024

- With the authorization granted by the Capital Markets Board (CMB) to carry out corporate rating activities in accordance with the Corporate Governance Principles, Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate) published Corporate Governance Compliance Rating Report for Ford Otosan. As of June 21, 2024, our Company's Corporate Governance Rating has been determined as 9.57 (95.7%).
- David Joseph Cutbert Johnston, who has been serving as the Ford Otosan Leader - Battery and Partnerships Officer in our Company, will be leaving his position effective June 30, 2024, due to a change in his role within the Ford Motor Company organization.

11. Guidance

Expectations for the total industry volume for 2024 were revised upwards due to the strong demand expected in the market throughout the year. Other items have not been changed.

2024 Guidance			
	2023A	2024 Old Guidance	2024 New Guidance
Total Industry Volume	1.278 K	800 K- 900 K	1,000 K- 1,100 K
Ford Otosan:			
Retail Sales Volume	114 k	100 k – 110 k	100 k – 110 k
Export Volume	492 k	560 k – 610 k	560 k – 610 k
Turkey	312 k	350 k – 380 k	350 k – 380 k
Romania	180 k	210 k – 230 k	210 k – 230 k
Wholesale Volume	610 k	660 k – 720 k	660 k – 720 k
Total Production Volume	590 k	650 k – 700 k	650 k – 700 k
Turkey	399 k	400 k – 430 k	400 k – 430 k
Romania	191 k	250 k – 270 k	250 k – 270 k
Capex (fixed assets)	€ 900 mn	€ 900 – 1,000 mn	€ 900 – 1,000 mn
General Investments	€ 96 mn	€ 170 - 190 mn	€ 170 - 190 mn
Product Related Investments	€ 804 mn	€ 730 - 810 mn	€ 730 - 810 mn

FORD OTOMOTİV SANAYİ A.Ş.