

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

TOFAŞ Türk Otomobil Fabrikası A.Ş. 1H22 Financial Results Conference Call and Live Webcast

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Conductors:

Mr. Cengiz Eroldu, CEO

Mr. Fabrizio Renzi, CFO

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Conference Call Conducted by Chorus Call Hellas



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Q&A

OPERATOR: The first question comes from the line of Demirtas Cemal with ATA Invest. Please go ahead.

DEMIRTAS C: Thank you for the presentation and congratulations for very good results. My first question is about the profit before tax guidance. You mean, it's likely to be above 10%, and so far you are around 12% levels. Could we expect some decline in the third quarters related to euro/dollar or you see a upside to your 10% estimate? That's my first question.

And related to Stellantis, we see that there is no news but at least you have positive view and you're confident that you know, Tofaş will earn some project, which I totally agree. There's any timeline related to relations that we should be looking you know, not in the very short term, but let's say 3 to 6 months, because when we look at the timeline for Tofaş Fábrica, you know, the Doblois ending in 2 years. So, please, we should see some direction by the end of this year, considering the lead times and you know, the project time. So, maybe another, I know there are no major things but at least something...anything you share will be welcomed. Thank you

RENZI F: Good afternoon, Cemal, Fabrizio Renzi speaking. Okay, about PBT okay, I can confirm on the longer run the double-digit long-term sustainability of our PBT, why, because the result of 12%, of course, is the result of favorable condition, favorable condition, it means also the low level of the export that generates positive effect and also is the result of the local market profitability. So, this is the reason why we believe that sustainable is 10%.

But, of course, if the question is, if we will be able to keep this level in Quarter 3 and Quarter 4, my answer is if the condition will be similar to the Quarter 2, we can...we are confident to stay, to maintain, to remain above 10%. So, local market now, we improved our profitability, this is a result of many reasons, price discipline, of course, price positioning, so, our model now is the leader, Egea model is the leader in the last 3, 4 years. So, price positioning from this point of view.

And of course, in this moment, you know, the market is driven by the offer not by the demand. So, in this moment, we are more selective in terms of mix...product mix in terms of market mix. So, if this condition of the Quarter 2 will be replicated in the Quarter 3 and Quarter 4, we are confident that we can stay above 10%, including the low level of the exports that in this moment is a matter of fact.

About the Stellantis, as you know, we made 2 statements, 2 disclosures in June and July and today, I'm not able to add anything else compared to what we have already communicated to the market. General speaking and regarding to the position of Tofaş in Stellantis world, I can confirm what I have already mentioned in the previous session. So Tofaş is one of the more competitive production hub within Stellantis. Also there in the center is a very competitive and excellent R&D center. So we remain positive. We remain confident on our competitive position in the Stellantis world.

Your last question is related to when can we communicate or when can we expect news on this regard? I believe that in the second semester or before the year-end, we should have some news. Only because if we want to stay on the markets with the

new products hopefully in the second semester 2024, it's time to start to work on this project. So, this is what I can say on this regard today. Thank you.

DEMIRTAS C: Thank you. It's very helpful. Thank you very much.

OPERATOR: The next question comes from the line Kilickiran Hanzade with JP Morgan. Please go ahead.

HANZADE K: Thank you. I have a question about the exclusion of Doblo contracts impact next year. So how much export contract sides would you have, I mean, in 2023 when Doblo for Europe is excluded. And how much production of...should be assuming for next year because of this contract removal?

RENZI F: Okay, Hanzade good afternoon, Fabrizio speaking. So, to be honest for 2023, we don't expect a big drop because of the discontinuation of Doblo for the European market. So, we believe that we can compensate the Doblo for the European market with the Doblo for NAFTA. Also, we are very confident Doblo in the local market can perform very well. As you know, Doblo will remain the only local LCV in its segment in the Turkish market. So, we don't expect big impact when we will shift from 2022 to 2023.

HANZADE K: So Fabrizio, you are expecting the loss to be offset by strong market dynamics in Northern America and also Turkey right next year so that won't be a major production?

RENZI F: Yes.

- HANZADE K: Alright. Can I please ask one more question on Stellantis? I don't know how much you can comment around this, but you are showing this market share of other Stellantis brands which is roughly around 13% quoting the overall Stellantis over 30% market share in Turkey. So that's a very substantial market share versus the peers. And what is the action in other markets for all these brands. Are they all merged under one entity and is there a strategy to merge all these brands under Tofaş?
- RENZI F: Well, there is no joint venture. They are managing under one national sales company, all the brands together in all the European markets if this is the question.
- EROLDU C: Yes, in all the other...in all the other country in Europe, they are trying to unify the operation under the Stellantis umbrella.
- RENZI F: Because there is a important synergy possibilities by also managing all the brands together, just a normal way of managing the business.
- HANZADE K: Okay. So, this can be always a strategy for Turkey as well, right Cengiz-Bey?
- EROLDU C: Under normal conditions, yes.
- HANZADE K: But JV structure has hit ,I think a bottleneck.
- EROLDU C: Not a bottleneck, needs an agreement, because in other cases they meet directly, you know, first day of the...after one month, they took the decisions, and they act because there is no need to any further discussions and so on. So that's the complication of the JV structure. These are normal issues, I think.

HANZADE K: Okay, alright. Thank you very much.

EROLDU C: You're welcome.

OPERATOR: We have a question from the line of İğnebekçili Murat with HSBC. Please go ahead.

MURAT I: Hello, thank you for the opportunity. I just want to make sure that I missed...not missed this point. Have you talked about supply side issues and how do you see the second half coming along. Can you talk about on better environment in terms of supply issues? Thank you.

EROLDU C: Well, it's not easy answer, because in normal conditions our expectation is better supply from suppliers, but unfortunately every week we are facing with some new issues so frankly speaking is not easy to make the forecast. But from chip side, I can say that second half could be better. But the issue is not only the chip, because for example, the last week issue was the tires, because in Turkey the tire demand on after-sales market continuing to increase and the OEMs is the production capacities and so on. So, it is not only the issue of the chips, so the raw material and the capacity management also become important. But in normal conditions, we should see better supply conditions.

EROLDU C: Also, if I can link this with our guidance, Murat. So, the second quarter in terms of semiconductor was slightly better than the first one. So even though we don't have full visibility, we are assuming the Quarter 3 and Quarter 4 parallel to the Quarter 2 that so means, we will continue to have a problem but better than the beginning of the year, and this is what we reflected in our

guidance. So, also for this issue, the semiconductor availability we are reflecting the guidance of Quarter 3 and similar to Quarter 2. But the problem is still there, and the visibility is not complete one as of today.

MURAT I: Thank you very much.

OPERATOR: And now we will proceed with the written questions from the webcast. And I quote, the first question is from Alesia Yuka with Bearings]. And the question is, what is Tofaş ability to fill order books to utilize production capacity?

EROLDU C: Thank you for question. So, as you know, we are working in 2 shifts conditions in the Tofaş plant. And nowadays we are also working with the maximum speed with the daily capacity of 1,300. And our forecast is to continue with the speed until the year-end. So, we don't see issues on the production capacity side. So, the demand of what we can produce with the availability of the materials, sure the demand is higher than what we can produce. But we have also availability concerns. So, in these circumstances, we want to keep this daily speed for the second half of the year. Thank you again.

OPERATOR: Ladies and gentlemen. There are no further questions at this time. I will now turn the conference over to Mr. Renzi for any closing comments. Thank you.

RENZI F: Thank you, operator. I would like to thank all the participants and...for their interest and for the available questions. And I wish you all a good day.