

TOFAŞ

TÜRK OTOMOBİL FABRİKASI A.Ş.

**TOFAŞ Türk Otomobil Fabrikası A.Ş. 9M22
Financial Results Conference Call and Live Webcast**

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Conductors:

Mr. Cengiz Eroldu, CEO

Mr. Fabrizio Renzi, CFO

Mr. Mehmet Ağyüz, CFA - Investor Relations Manager

Conference Call Conducted by Chorus Call Hellas



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TEL: +30 210 94 27 300 FAX: + 30 210 94 27 330

Q&A

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

DEMIRTAS C: Ah, thank you for the presentation and congratulations for very good results. My first question is possibly the question to be asked by everybody, and sorry for that in advance. I would like to understand what's the...what might be the expectation regarding the Stellantis. Do you have any timeline for that or anything you can share for the future as we are approaching to the end of the year? That's my first question.

And the second question is the market conditions. I think you are gaining market shares. But overall, the market's expectations, you had little bit cut the market growth expectations, not a significant figure, but still a little bit down. I would like to understand the financing conditions in the markets currently, you know, the interest rates and the financing environment, how do you see the impact on the demand side? And could you mention also about the availability Side? Thank you, thank you very much.

RENZI F: Good afternoon, Fabrizio Renzi speaking. I don't want to disappoint you, but as I mentioned in my introduction speech, we cannot comment about the new projects, new products. For sure, you have read the reports of the interview of Mr. Tavares at the Paris Auto Show. And I believe it's clear enough, we don't want to comment further.

Okay. I don't know, Cengiz, if you want to add.

EROLDU C: Okay, Fabrizio, thank you. Regarding the second question, the local market last months and financing issues. What we are seeing financing a problem for corporate customers, not for retail customers because in the market for the retail customers, we don't see any issue regarding availability of loans from the...both public and private banks. So that part is working.

What is not working is the financing of corporate customers. So unfortunately, here there is also a good customer base. They want to renew their cars, but they are not able to find the...adequate financing in the market. So, this can impact also last 2 months of the year because, as you know, always November and December are the high sales months and mainly the demand is coming from the corporate customers who want to use also the depreciation and so on. So, for this season as a market, we can have some problems.

From our perspective, what we see, we are not so much linked with the market conditions. We have a certain target of sales quantity. So, we will follow whatever the market will be. We will continue in our direction because we are...I think with the existing product range, we are out of the market. And we don't see a problem for the Fiat brand in the last coming 2 months.

Material availability point of view, as Fiat Tofaş we had a better visibility in August, September, October. We have visibility for November, but frankly for a moment, I cannot comment on December. So unfortunately, the problems are still ongoing, but we will try to do our best, until now we succeed. You are seeing also from our production and the local market numbers. The Fiat brand is one of the most availability brand in the Turkish market. So, I hope we will end the year with good numbers. We have this

potential, and we will see how we will manage. So, we can face also some problems, but we are confident that we will be better than the others.

DEMIRTAS C: Thank you, Cengiz Bey. Thank you, Fabrizio.

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

KILICKIRAN H: Hello, thanks for the presentation. I have a question about your North American Doblo exports. Are these contract...I mean, are these exports also on take-or-pay contracts. And how do you see 2023 trends? You previously said that it will be similar to Doblo sales? I mean you will offset the loss from the European market through North American sales but given the weakness across the globe in consumer products. So, I just wonder how do you see the trend for 2023. And it's very important, whether it is on take-or-pay contract or it's a normal contract. Thank you very much.

EROLDU C: Thank you Hanzade for the question. So, first of all, let's start to comment where we are with Doblo. As I mentioned in the introduction for Doblo, there is a strong commitment to extend the production, to prolong the production. The reason why we cannot announce officially is because we are still working to investigate the capacity of the supplier to support us for how long, under which conditions. So, it's only a question of time, but we are in the final stage, and we will announce this by the year-end. What we are investigating in this moment is to prolong for the Turkish market, for sure, for the MENA market, but not for the European market, as you know, because there is the new generation of Doblo produced in Spain that will be used for the European market.

But unfortunately, also the NAFTA market recently announced that they don't want to continue the commercialization of the actual Doblo. This was not the case 3 months ago in our previous call because there was, at that time, a strong interest and strong commitment also from NAFTA to prolong the Doblo. But due to ecological reasons, regularity reason in the NAFTA, not only Stellantis but also other carmakers decided to step out from this segment. So, the bad news for us is that we can continue to produce the Doblo, but not for Europe and NAFTA region.

So, about the take-or-pay, okay, we have to prolong the contracts, and we will discuss this. For the moment, it's not an issue, but for export, basically, we will export in the MENA region. So, there will be a take-or-pay, but I don't believe it's something that is tangible under these circumstances.

KILICKIRAN H: So, we should be experiencing a sharper decline on your exports next year given that there is no new project that's coming on next year as well?

EROLDU C: Next year, for sure, not. I can elaborate a bit, of course, for sure, we will see a decline in LCV for what I have just declared for the Doblo. Fiorino will be there, but the...we expect a stable situation for Fiorino that by the way is performing well.

About passenger car, okay, we will see. We started to just work on the budget 2023. We can assume some increase for 2 reasons. First of all, this year, we had a problem with the export in Egypt. In 2021, we exported around 15,000 units in Egypt. This is not the case this year. We have lost around...we are going

to lose around 10,000 vehicles for some...let me say, bureaucratic or regulatory reason. So, this is a potential upside for next year.

Second, this year, we suffer also another problem that is the availability of some kind of engine. In particular, the hybrid and the 1-liter engine that in this moment of scarcity over material and powertrain, we didn't receive this kind of engine from Stellantis, so, if there will be a kind of normalization in the production of this kind of engine, maybe we can also have some upside. As I mentioned in the previous call, in this moment, Stellantis prefer to address some powertrain production to other models like Jeep and Alfa Romeo. And so, maybe in passenger car, we can recover something, okay? But in LCV, we will see a decline for sure.

KILICKIRAN H: Thank you very much.

OPERATOR: The next question comes from the line of Afacan Funda with Tera Yatırım. Please go ahead.

AFACAN F: Well, thank you for the presentation. I wanted to follow-up on the Stellantis issue. I know you don't want to give any numbers right now, but I was wondering when do you think we could hear more about this thing. I mean, the new model, the new production, expectations, when do you think would be a reasonable date for the market to know more about this issue? Thank you very much.

EROLDU C: Sorry, but I need to repeat again. So, Mr. Tavares stated that in a few weeks, we will know something more about the ongoing negotiation. I cannot add anything else to this declaration because.

AFACAN F: Okay. Thank you.

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. Thank you all for the participation and for your question and interest on Tofaş. I wish you a good day.