

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

TOFAŞ Türk Otomobil Fabrikası A.Ş. 1Q22 Financial Results Conference Call and Live Webcast

Thursday, 28th April 2022, 17:00 (TR Time)

Conductors:

Mr. Cengiz Eroldu, CEO

Mr. Fabrizio Renzi, CFO

Mr. Mehmet Ağyüz, CFA - Investor Relations Manager

Conference Call Conducted by Chorus Call Hellas



CHORUS CALL HELLAS

PROVIDER OF TELECONFERENCING SERVICES

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

Q&A

OPERATOR: The first question is from the line of Lanka Sashank with Bank of America. Please go ahead.

SASHANK L: Yes, thank you very much for the presentation, and the opportunity to ask questions. I have one question only related to your guidance. Do you think like the passenger car segment volumes were impacted much more than the LCV segment? You maintained your guidance, so just wanted to understand what's driving that view given the supply shortages, and also wanted to understand in terms of the Chinese lockdowns and the Ukraine situation, how is that impacting your supply right now? And why do you expect the recovery at least even for the rest of the year? Thank you.

RENZI F: Good afternoon, thank you, Fabrizio Renzi speaking. So, let's start from the guidance. Of course, if you have a look to the result of the first quarter, our guidance seems optimistic, but there is a rationale behind, so in this moment, we don't have full visibility on the future. We have visibility on the second quarter and we are assuming that the second quarter will be not so different from the first one. So we are in April, we have a good view on May and June, so we can say that the first semester will be not so positive, but on the other side, we have a better view and we expect an improvement in the second half of the year. So this is the reason why the guidance imply a kind of normalization in the second half. I repeat, we don't have full visibility, as you know, the procurement process we are...in our procurement process, we are in the Stellantis

ecosystem, so also this is a problem in terms of visibility. So, this is the rationale behind our guidance.

Of course, for the full picture 2022, the second quarter will be crucial, so I believe that to better understand that is, if it is realistic or not, we need to wait the next session. So, this is, let me say the explanation of our guidance.

About China and Ukraine, let's start from Ukraine. At Tofaş, we don't have direct connection with Ukraine and in terms of suppliers, so we don't have Tier 1 and Tier 2 supplier located in Ukraine. Having said that, of course, the war could be the reason of a further increase in some commodity, so about Ukraine, we will...we don't expect a problem in term of logistic and supply problem, but may be, this will be the reason of further increase in some commodity like nickel and so on.

About China, you know, in this moment, it's difficult to decide which is the problem of the microchips coming from the constraint of the capacity which is the problem linked to the new lockdown in China. We will see, also this is...this new lockdown in China has just started as a problem for us. We will see. I repeat, so our guidance is based on this assumption of normalization in the second semester. We will see in the coming months if it's realistic or not. Thank you.

SASHANK L: Thank you for that.

OPERATOR: The next question is from the line of Kilikaran Hanzade with JP Morgan. Please go ahead.

HANZADE K: Thank you very much. Fabrizio, I just want to make a follow-up on the upcoming projects. I mean in the previous quarter call, you mentioned that there could be some sort of announcement by the first quarter, but we still didn't hear much around the CAPEX cycle. I mean, is there a change here or what's the reason of rather slow progress on these project announcements?

RENZI F: Good afternoon, Hanzade. I don't want to disappoint you, all that...about the future project but today we don't have tangible news compared to what we declared two months ago in our first session. Last time, if I'm not wrong, I mentioned that we could have some evolution in the first semester, so maybe in the next session, there could be some news, not today. What I can confirm is that we are working together with Stellantis in their location program. We are fully involved in this plan. As you know, Stellantis announced in their long-term Strategic Plan the launch of 75 new electric vehicle, and we are working to be fully involved with the part of this project. About the timing, let me say something and that is that we expect to have the new generation of vehicle in production in Bursa in the second half 2024. It's not late, it's not late in terms of timing because the time to market in Stellantis is reduced compared to the standard before. We are noticing that about the different models there are a lot of commonality, so the time to market is now reduced compared to the past. So, this is the reason why most probably we need to wait a bit more before to announce some novelties.

Last but not least, as you can understand, we are strictly linked to the Stellantis world and in terms of confidentiality, we

cannot announce something without their approval. So please consider that also this is...will be another issue in the coming months. So, when the time will come, we have to be in line...we have to be aligned with Stellantis in term of utilization of something new.

HANZADE K: Thank you Fabricio. I mean Doblo was going to expire by the end of this year, so for 2023 projections, could this be a threat on as like lower volumes because I don't know if you would be able to complete the projects before the expiry of the contracts or you will continue to produce Doblo next year as well.

RENZI F: On this point, I can comment positively what we are doing because there is not too much confidentiality because it's something that we are already producing in Bursa. So, we are working on possible prolongation of the actual Doblo on 2023 and might be on 2024. So, we are working on this possible progress. So you are right, the contract of Doblo will expire in 2022, but there is high chance to prolong it.

Also, we are really surprised about the good performance of the car in NAFTA. If you have seen the presentation delivered by Mehmet, so we are very happy with the performance of the Ram ProMaster in USA. So, I believe that 2023 we expect something very, very similar to this year in terms of volumes.

HANZADE K: Thank you very much.

OPERATOR: The next question is from the line of İğnebekçili Murat with HSBC. Please go ahead.

İĞNEBEKÇILI MI: Hello. Thank you for the opportunity. Recently, I think couple of weeks ago, there were news about Stellantis and Qualcomm collaborating to power new vehicle platforms. So, could this be something that can ease concerns about chip availability and therefore your production levels in the second half or maybe further into 2023? Thank you.

EROLDU C: Hi, this is Cengiz. I think it's not related issue, so what I see those are the two separate issues. So, the chip problem we had at the first quarter of this year and it continued also in April, but what we are seeing in the coming months, we will see improvements in our site. So because we are also finding ways to manage this problem, so in the market, I saw also lot of brands that are pessimistic for the chip problem for also 2023, but from our perspective, the trend is positive. That's all I can say about the chip issue. Thank you.

İĞNEBEKÇILI M: Thank you Cengiz.

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.

AGYUZ M: Thank you. Operator, I see an online question regarding Doblo continued to be produced at Bursa plant in the upcoming years. I think Fabrizio already addressed that question regarding the potential prolongation of this project for the next couple of years...and also what are Stellantis and Tofaş plans for the next 10 years in Turkey.

We have been communicating that we have been working on couple of projects, not only on the existing production portfolio but for new vehicles and as Fabrizio mentioned there is no tangible progress since the last meeting but discussions are ongoing and if Stellantis approves these projects, we will be sharing the new plan with you...but for the moment, due to confidentiality issues, we cannot further elaborate on this topic. Thank you.

OPERATOR: We do have another audio question, and the next audio question comes from the line of Demirtas Cemal with ATA Investments. Please go ahead.

DEMIRTAS C: Thank you for the presentation. My first question is about availability, that was an issue started by early 2021 and during Q2, there was expectations that concern could be eased by this year. What do you think...what change, you know, is the process globally going slower than expected and the companies are running out immensely, that is a big issue right now compared to six months ago, that's my first question? And then, there is in the media there is a new set of Stellantis will produce electric car in Serbia, does it mean that they can change their plans regarding Tofaş? Thank you.

EROLDU C: Thank you, Cemal, this is Cengiz for your question. So, first of all, I also tried to explain in the previous...my previous answer for the chip issue from our perspective is as a positive trend, so every month we are trying to improve our production numbers by the managing the issue and the...our visibility for the coming month are better than last year's and the past. So, first of all, this is the one point.

Second point, regarding the Serbia Investment of Stellantis, and also Mr. Tavares said, after 2030 Stellantis Group in Europe will sell only electrified cars. So, what...how we can read this, so all the plants that are working for exporting to the EU markets, they should align themselves in this position, so everybody at the end of the day will produce electrified cars. So, the production of the electrified cars, are much more simpler than also producing ICE engine cars. So, for this season, the Serbia Investment is regarding the second part of this decade and of course in line with the Stellantis projects. They are aiming to produce electrified cars also in Serbia. But, in all Stellantis plants, there will be production of electrified cars.

So, this is not making any differentiation between Serbia and other Stellantis plants, so Serbia is not a center of excellence for electrification, but all...I repeat all...all Stellantis plants that will sell the cars for the European market. We would like to produce electrified cars, because this is not a choice also, this is the...most of the business. So, nobody has possibility to choose this kind of investment, there is only one way, so if you want to stay with EU Exports markets, you should invest on this part. Thank you again for your questions.

DEMIRTAS C: Thank you, thank you.

OPERATOR: The next question is from our webcast participants, Luca Franza with Vixit Ventures. And I quote "What about the demand outlook in a domestic market please?"

EROLDU C: So, we are keeping unchanged our outlook, so what we are seeing there is a high demand in the Turkish market in different segments of customers, both corporate customers and also retail customers. So, what we feel is as I repeated in several answers that according to our position also the issue is improving, so for this reason, we are not planning for a moment to change our market outlook, and for the moment we are confident that Turkey market is continuing this way. 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. I would like to thank all the participants for their questions and their interest on Tofaş. I wish you all a good day.