

# Otokar

**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.**

**1 JANUARY - 30 SEPTEMBER 2020**

**INTERIM REPORT**

**(TRANSLATION OF INTERIM REPORT ORIGINALLY ISSUED IN TURKISH)**



**OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.**  
**01.01.2020 - 30.09.2020 INTERIM PERIOD**

**INTERIM REPORT**

The consolidated financial statements of our Company reflecting the first nine months of 2020 activities and their results, prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") introduced by the Public Oversight, Accounting and Auditing Standards Authority ("POA") of Turkey and their annexes and interpretations pursuant to the provisions of the Capital Markets Board ("CMB") Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets ("Communiqué"), are presented to our shareholders and the public.

The members of the Board of Directors appointed at the Ordinary General Assembly Meeting on 16.03.2020 and served the Board during the reporting period are shown below.

**BOARD OF DIRECTORS :**

<b><u>Name &amp; Last name</u></b>	<b><u>Title</u></b>
Yıldırım Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Selin Ayla ÜNVER	Member
İsmail Cenk ÇİMEN	Member
Ahmet Serdar GÖRGÜÇ	Member-General Manager
Ali İhsan İLKBAHAR	Independent Member
Ali İhsan KAMANLI	Independent Member
Kenan GÜVEN	Independent Member

Our Board of Directors started to serve on March 16, 2020 and would be serving until the Ordinary General Assembly Meeting in order to audit 2020 accounts.

Provisions on the Members of the Board of Directors are outlined in Articles 11, 12 and 13 of the Company's Articles of Association and the Turkish Commercial Code provisions.

Following are the committees established under the provisions of the Corporate Governance Communiqué of the Capital Markets Board of Turkey and the information on the board members involved in these committees:

<b>Committee</b>	<b>Chairman</b>	<b>Member</b>
Audit Committee	Ali İhsan İLKBAHAR	Ali İhsan KAMANLI
Risk Management Committee	Kenan GÜVEN	İsmail Cenk ÇİMEN
Corporate Governance Committee	Ali İhsan İLKBAHAR	Levent ÇAKIROĞLU Hüseyin ODABAŞ

The working principles of the committees are available on the Company's website.

## **Partnership and Capital Structure**

As of September 30, 2020, our Company's registered capital ceiling is TL 100 million, and the issued capital is TL 24 million. Following is a list showing shareholders with more than 10% of the Company capital, their shares, and their ratio in our capital:

<b><u>Shareholder Title</u></b>	<b><u>Share Amount (TL)</u></b>	<b><u>Share %</u></b>
Koç Holding A.Ş.	10.722.750	44,68
Ünver Holding A.Ş.	5.954.944	24,81
<u>Other</u>	<u>7.322.306</u>	<u>30,51</u>
<b>Total</b>	<b>24.000.000</b>	<b>100,00</b>

The parent company Koç Holding A.Ş. is controlled by Koç Family and the companies owned by Koç Family. Shareholder, Ünver Holding A.Ş., is controlled by Ünver Family. The balance representing 30.51% of our capital consists of shares with a nominal value of TL 7.322.306, other shareholders and publicly held shares.

Information related to subsidiaries and participations of the Company subject to consolidation is as follows:

<b><u>Subsidiaries</u></b>	<b><u>Country</u></b>	<b><u>Nature of operation</u></b>	<b><u>Area of activity</u></b>
Otokar Europe SAS	France	Sales and Marketing	Automotive
Otokar Land Systems Limited	United Arab Emirates	Sales and Marketing	Automotive
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and Marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and Marketing	Automotive

  

<b><u>Participation</u></b>	<b><u>Country</u></b>	<b><u>Nature of operation</u></b>	<b><u>Area of activity</u></b>
Al Jasoor Heavy Vehicle Industry LLC	United Arab Emirates	Sales and Marketing	Automotive

Otokar Central Asia Limited is established in November 5, 2019 in Astana International Finance Center (AIFC) which is a region with special status that accepts the principles of British Law in Nur-Sultan, Kazakhstan, in order to organize export activities and increase export sales of Otokar A.Ş. in the region.

Also, the Company's participation Al Jasoor Heavy Vehicle Industry LLC (Al Jasoor) which owns 49% of Otokar Land Systems LLC was established on May 28, 2017 in the United Arab Emirates, for the purpose of automotive sales and marketing. Otokar Land Systems Limited is followed under the section "Investments accounted with equity method" in the financial statements.

### **Amendments to the Articles of Association:**

No amendments were made on the Articles of Association during the Ordinary General Assembly which took place on March 16, 2020.

### **Dividends Distributed in the Last Three Years and their Ratios:**

Otokar distributed cash dividends through its issued capital based on the following ratios:

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<u>Period</u>	<u>%</u>
2017	291,67
2018	300,00
2019	833,33

The Company made cash payments regarding all the 2019 accounting period dividends to its shareholders on March 23, 2020.

Our shareholders can access the Company's corporate and financial data under the section "Investor Relations" on the website [www.otokar.com](http://www.otokar.com)

## **AUTOMOTIVE INDUSTRY AND OTOKAR**

Otokar operates in the automotive industry's commercial vehicles segment. Its product range consists of minibuses, midibuses and bus-like vehicles that are preferred for public transportation services and shuttle transportation for the commercial market. On the other hand, it comprises various types of tactical wheeled/tracked military vehicles, and their variants for the defense industry services. In addition, the Company manufactures light trucks under the brand of Atlas for the transportation and logistics industry.

## **MARKET – SALES - PRODUCTION**

It is possible to summarize the industry-specific developments in the nine months of 2020 in line with the OSD (Automotive Manufacturers Association) data as follows:

- Total vehicle production recorded year on year decrease by 19% to 854.227 units in January-September 2020 period, while the automobile production decrease by 18% to 575.761 units. The transportation vehicle market increase by 76% with 508.239 units in the first nine months of 2020, while automobile market increase by 70% with 388.690 units compared to first nine months of 2019.

In the first nine months of 2020, vehicle segment-based production showed the following developments year on year;

- Light Commercial Vehicles Segment;
  - 20% decrease in minibus
  - 12% decrease in midi-bus
  - 24% decrease in pickup
- Heavy Commercial Vehicles Segment;
  - 14% decrease in bus
  - 7% decrease in large size truck
  - 77% increase in minor size truck
- The imported light commercial vehicle sales recorded 52% year-on-year increase in the first nine months of 2020, while the domestic light commercial vehicle sales increased by 144%.

The light commercial vehicle (minibus + pickup) imports had 37% market share in this period.

## **PRODUCTION AND SALES**

Our Company's production and sales figures by product type are presented below in comparison to the figures of the previous year:

	<u>2020 9M</u>		<u>2019 9M</u>		<u>Change (Units)</u>		<u>Change %</u>	
	<u>Production</u>	<u>Sales</u>	<u>Production</u>	<u>Sales</u>	<u>Production</u>	<u>Sales</u>	<u>Production</u>	<u>Sales</u>
<b>Small Bus</b>	634	678	534	496	100	182	19	37
<b>Bus</b>	372	344	601	688	(229)	(344)	(38)	(50)
<b>Armored Vehicles</b>	109	90	137	124	(28)	(34)	(20)	(27)
<b>Truck</b>	102	206	-	227	102	21	-	(9)
<b>TOTAL</b>	<b>1.217</b>	<b>1.318</b>	<b>1.272</b>	<b>1.535</b>	<b>(55)</b>	<b>(217)</b>	<b>(4)</b>	<b>(14)</b>

According to our consolidated financial statements prepared in line with the relevant legislation,

Our Company's first nine months of 2020 revenue decrease by 7% compared to same period of last year.

The distribution of our revenues in terms of domestic and international sales, and in comparison to the previous year, is as follows:

	<u>2020</u>	<u>2019</u>	<u>Change %</u>
	<u>(January-September)</u> <u>(Thousand TL)</u>	<u>(January-September)</u> <u>(Thousand TL)</u>	
<b>Domestic Sales</b>	470.493	347.210	36
<b>Export Sales</b>	1.278.906	1.530.133	(16)
<b>TOTAL</b>	<b>1.749.399</b>	<b>1.877.343</b>	<b>(7)</b>

Our export total sales amounted to USD 189.014 thousand in the nine months of 2020 (USD 267.573 thousand in the first nine months of 2019) accounting for 73% of the total turnover. (2019 9M: 82%)

In the first nine months of 2020, our capacity utilization was 12%. (2019 9M: 13%)

Due to reasons, originated from COVID-19 (Coronavirus) which affected the whole world, such as developments / slowdown in the sector in which the Company operates and in general economic activity, production activities has

interrupted between 25.03.2020 - 20.04.2020 for total of 22 working days until the disclosure of the interim report of the first nine months of 2020.

Otokar owes its growth to the products of its own design and intellectual property rights, developed through engineering and research development capabilities. Defining its strategies as growing in the defense industry, increasing the share of exports in its turnover expanding on the backdrop of new models, Otokar carries on activities to reach these targets.

## INVESTMENTS

The "Otokar R&D Center" investments that started several years ago following a major decision to accelerate research and development with the aim of attaining the rapid growth targeted in vehicles with owned intellectual property rights continued in 2020.

Our company made a capital expenditure of approximately USD 23.7 million with capitalizing the R&D expenditures as of the end of September 2020.

Our Company's application of Investment Incentive Certificate which covers the total investment of 398.169.189 TL foreseen to be made in the next 4 years within the scope of modernization investment has been approved by T.C. Ministry of Industry and Technology, General Directorate of Incentive Implementation and Foreign Capital. Thus, Investment Incentive Document No. 512845 was issued on our behalf.

## ADMINISTRATIVE ACTIVITIES

The names and positions of the Senior Executives of our Company in 2020 are listed below:

<b><u>Name &amp; Last name</u></b>	<b><u>Title</u></b>
Ahmet Serdar GÖRGÜÇ	General Manager
Hüseyin ODABAŞ	Assistant General Manager-Finance
Uğur Sedef VEHBİ	Assistant General Manager-Military Vehicles Marketing and Sales
Hasan Basri AKGÜL	Assistant General Manager-Domestic Sales and Marketing

<b>End of the period</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Office Employee	703	676
Field Employee	1.528	1.281
<b>Toplam</b>	<b>2.231</b>	<b>1.957</b>

No disputes and workers' movements were observed during the period.

Our Company is subject to the Collective Labor Agreement signed between the Turkish Metal Workers Union and MESS (Turkish Employers' Association of Metal Industries) on January 29, 2020, and which came into force as of September 1, 2019.

Our Company has agreed to comply with the Principles of Corporate Governance issued by the Capital Markets Board, and to undertake the necessary amendments in line with changing conditions. Otokar has been rated by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in accordance with CMB's (Capital Markets Board) Communiqué on "The Principles Regarding Rating Activity in Capital Markets and Rating Agencies", and pertaining to rating the compliance of corporations listed on the BIST (previously the ISE - Istanbul Stock Exchange), with the Principles of Corporate Governance. The "Corporate Governance Rating Report" can be found at [www.otokar.com](http://www.otokar.com)

Our Company's Corporate Governance Rating rose from 94.02 (9.40) in 2019 to 94.67 (9.47) in 2020.

Otokar has been included in the BIST Sustainability Index for the fifth time in a row with its efforts aiming to create long-term value by combining economic, environmental and social factors with corporate governance principles.

2019 Otokar Sustainability Report is available on the corporate website [www.otokar.com](http://www.otokar.com)

## **FINANCIAL RESULTS**

Our Company presents to the public its 2020 first nine months consolidated financial statements, which have been prepared in accordance with the Turkish Financial Reporting Standards (TFRS) that were implemented by the Public Oversight Accounting and Auditing Standards Authority (POA) pursuant to Capital Markets Board's (CMB) "Communiqué on the Principles of Financial Reporting in Capital Markets", numbered II-14.1. Appendices and comments related to these standards were also considered in preparing consolidated condensed financial statements.

The financial tables, notes, and ratios showing the results of our activities in the first nine months of 2020 are also presented for your information.

The consolidated revenues of our company as of September 30, 2020 totaled TL 1.749.399 thousand while gross profit totaled TL 684.538 thousand.

Pursuant to CMB regulations and according to consolidated financial statements prepared in accordance with Turkish Financial Reporting Standards, the Company has posted a profit of TL 332.282 thousand before tax, and a net profit of TL 320.039 thousand in the first nine months of 2020.

## **FINANCIAL RATIOS**

As of September 30, 2020 our Company presents to the public consolidated condensed financial statements on our company website and KAP (Public Disclosure Platform). Our Company's financial and profitability ratios are presented below in comparison to the figures of the previous year:

	<b>30.09.2020</b>	<b>31.12.2019</b>
<b>Liquidity Ratios</b>		
1- Current Ratio (Current Assets / Short Term Liabilities)	1,53	1,87
2- Liquidity Ratio ((Current Assets-Inventories) / (Short Term Liabilities))	0,81	1,13
<b>Financial Leverage Ratios</b>		
1- Total Debt to Total Assets Ratio ((Short Term Liabilities+Long Term Liabilities / Total Assets))	0,81	0,76
2- Equity / Total Debt Equity (Equity / (Short Term Liabilities+Long Term Liabilities))	0,23	0,31
	<b>30.09.2020</b>	<b>30.09.2019</b>
<b>Profitability Ratios</b>		
1- Sales Profitability Ratios (Pre-Tax Profit / Net Sales)	0,19	0,16
2- Return on Assets (Pre-Tax Profit / Total Assests)	0,09	0,11
3- Return on Equity (Net Profit / Equity)	0,44	0,50

İstanbul, 27 October 2020

Hüseyin ODABAŞ  
Assistant General Manager  
Finance

Ahmet Serdar GÖRGÜÇ  
General Manager