

RATING NOTIFICATION

Rating Agency : JCR AVRASYA DERECELENDİRME A.Ş.
Rated Company : Otokar Otomotiv ve Savunma Sanayi A.Ş.
Address : Maslak Mahallesi Taşyoncası Sokak No:1/F F2 Blok Kat:2 34485 Sarıyer, İstanbul- Türkiye
Phone & Fax No : 0212 352 56 73 – 0212 352 56 75
Date : 31/05/2023
Subject : Article 26 of the CMB Serial VIII, No. 51 Communiqué on Principles

Capital Markets Board of Türkiye (SPK)- To the Accounting Standards Department
Central Securities Depository of the Turkish Capital Markets (MKK)– Public Disclosure Platform

JCR Eurasia Rating has evaluated "**Otokar Otomotiv ve Savunma Sanayi A.Ş.**".

- Sales revenue growth especially stemming from commercial vehicle business with rising sales figures in FY2022
- High level of export share in the turnover providing natural hedge
- Considerable liquid asset level, easing liquidity management in a certain extent
- Competitive advantages through strong R&D center and new product-brand creation power
- Diversified external financing sources through bond issuance in FY2023
- Strong presence in Turkish defense industry and commercial vehicle industry with reputable brands and proven successful track record in various countries
- High level of compliance regarding corporate governance implementations
- Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding
- Decreasing trend in operational profit margins in two consecutive years and net loss in 1Q2023
- Notable increase in financial leverage and decreasing equity share
- Negative cash flow generation from operations in FY2022 mainly due to high level of working capital needs
- High level of inventory due to risk management measures against supply chain bottlenecks
- Increasing share of short-term financial debt in the funding structure, pressuring liquidity metrics
- High correlation with macroeconomic dynamics of the automotive sector
- Defense industry specific operational risk related with trade barriers of countries
- Tight financial conditions, accompanied by global banking concerns, disrupt global growth projections

The Long-Term National Issuer Credit Rating rating of "**Otokar Otomotiv ve Savunma Sanayi A.Ş.**" has been revised from '**AA+ (tr)**' to '**AA (tr)**' considering the above mentioned issues. All notes of the Company are determined as follows.

Long-Term National Issuer Credit Rating : **AA (tr)** / (Stable Outlook)
Short-Term National Issuer Credit Rating : **J1+ (tr)** / (Stable Outlook)
Long Term International Foreign Currency Issuer Credit Rating : **BB** / (Negative Outlook)
Long Term International Local Currency Issuer Credit Rating : **BB** / (Negative Outlook)
Long-Term National Issuer Specific Rating : -
Short-Term National Issuer Specific Rating : -

Regards,
JCR AVRASYA DERECELENDİRME A.Ş.

Zeki Metin ÇOKTAN
Executive Vice President

Şevket GÜLEÇ
Executive Vice President