

Otokar

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

1 JANUARY - 30 SEPTEMBER 2022

INTERIM REPORT

(TRANSLATION OF INTERIM REPORT ORIGINALLY ISSUED IN TURKISH)



OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
01.01.2022 - 30.09.2022 INTERIM PERIOD

INTERIM REPORT

The consolidated financial statements of our Company reflecting the first nine months of 2022 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 21.03.2022 and served the Board during the reporting period are shown below.

BOARD OF DIRECTORS :

<u>Name & Last name</u>	<u>Title</u>
Yıldırım Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Selin Ayla ÜNVER	Member
Haydar YENİGÜN	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 21, 2022 and would be serving until the Ordinary General Assembly Meeting in order to audit 2022 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:

Committee	Chairman	Member
Audit Committee	Kenan GÜVEN	Ali İhsan KAMANLI
Risk Management Committee	Kenan GÜVEN	Haydar YENİGÜN
Corporate Governance Committee	Ali İhsan İLKBAHAR	Levent ÇAKIROĞLU Hüseyin ODABAŞ

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

Partnership and Capital Structure

As of September 30, 2022, 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:

<u>Shareholder Title</u>	<u>Share Amount (TL)</u>	<u>Share %</u>
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>
Total	24.000.000	100,00

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:

<u>Subsidiaries</u>	<u>Country</u>	<u>Nature of operation</u>	<u>Area of activity</u>
Otokar Europe SAS	France	Sales and Marketing	Automotive
Otokar Land Systems Limited	United Arab Emirates	Sales and Marketing	Automotive and Defense Industry
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and Marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and Marketing	Automotive and Defense Industry
<u>Participation</u>	<u>Country</u>	<u>Nature of operation</u>	<u>Area of activity</u>
Al Jasoor Heavy Vehicle Industry LLC	United Arab Emirates	Sales and Marketing	Automotive and Defense Industry

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.

Dividends Distributed in the Last Three Years and their Ratios:

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

<u>Period</u>	<u>%</u>
2019	833,33
2020	1.666,66
2021	2.083,33

The Company made cash payments regarding all the 2021 accounting period dividends to its shareholders on March 28, 2022.

Our shareholders can access the Company's corporate and financial data under the section "Investor Relations" on the website 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 first months of 2022 in line with the OSD (Automotive Manufacturers Association) data as follows:

- Total vehicle production recorded year on year increase by 4% to 962.018 units in January-September 2022 period, while the automobile production increase by 4% to 571.006 units. The transportation vehicle market decrease by 6% with 549.630 units in the first nine months of 2022, while automobile market decrease by 8% with 399.224 units compared to first nine months of 2021.

In the first nine months of 2022, vehicle segment-based production showed the following developments year on year;

- Light Commercial Vehicles Segment;
 - 7% increase in minibus
 - 47% increase in midi-bus
 - 10% increase in pickup
- Heavy Commercial Vehicles Segment;
 - 40% increase in bus
 - 31% increase in truck

- The imported light commercial vehicle sales recorded 14% year-on-year decrease in the first nine months of 2022, while the domestic light commercial vehicle sales increase by 9%.
- The light commercial vehicle (minibus + pickup) imports had 41% 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>2022 9M</u>		<u>2021 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>
Small Bus	956	947	576	630	380	317	66	50
Bus	610	578	501	522	109	56	22	11
Armored Vehicles	61	66	104	129	(43)	(63)	(41)	(49)
Truck	523	546	420	335	103	211	25	63
TOTAL	2,150	2,137	1,601	1,616	549	521	34	32

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

Our Company's first nine months of 2022 revenue increase by 92% 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>2022</u>	<u>2021</u>	<u>Change %</u>
	<u>(January-September)</u> <u>(Thousand TL)</u>	<u>(January-September)</u> <u>(Thousand TL)</u>	
Domestic Sales	1.901.607	870.630	118
Export Sales	3.220.856	1.804.050	79
TOTAL	5.122.463	2.674.680	92

Our export total sales amounted to USD 200.626 thousand in the first nine months of 2022 (USD 223.914 thousand in the first nine months of 2021) accounting for 63% of the total turnover. (2021 9M: 67%)

In the first nine months of 2022, our capacity utilization was 30%. (2021 9M: 22%)

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 2022.

Our company made an investment of approximately USD 35 million with capitalizing the R&D expenditures as of the end of June 2022.

ADMINISTRATIVE ACTIVITIES

The names and positions of the Senior Executives of our Company in 2022 are listed below:

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

The number of end-of-period personnel employed within the Group is as follows:

End of the period	30.09.2022	31.12.2021
Office Employee	839	772
Field Employee	2.744	1.514
Toplam	3.583	2.286

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 12, 2022, and which came into force as of September 1, 2021.

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 30 September 2022 Interim Report

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, with the Principles of Corporate Governance. The "Corporate Governance Rating Report" can be found at www.otokar.com.tr/en

Our Company's Corporate Governance Rating rose from 94.89 (9.49) in 2021 to 95.53 (9.55) in 2022.

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

2021 Otokar Sustainability Report is available on the corporate website <https://www.otokar.com.tr/en>

FINANCIAL RESULTS

Our Company presents to the public its 2022 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 2022 are also presented for your information.

The consolidated revenues of our company as of September 30, 2022 totaled TL 5.122.463 thousand while gross profit totaled TL 1.584.388 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 595.538 thousand before tax, and a net profit of TL 600.543 thousand in the first nine months of 2022.

FINANCIAL RATIOS

As of September 30, 2022 our Company presents to the public consolidated condensed financial statements on our company website (www.otokar.com.tr/en) and KAP (Public Disclosure Platform). Our Company's financial and profitability ratios are presented below in comparison to the figures of the previous year:

	30.09.2022	31.12.2021
Liquidity Ratios		
1- Current Ratio (Current Assets / Short Term Liabilities)	1,09	1,39
2- Liquidity Ratio ((Current Assets-Inventories) / (Short Term Liabilities))	0,49	0,89
Financial Leverage Ratios		
1- Total Debt to Total Assets Ratio ((Short Term Liabilities+Long Term Liabilities / Total Assets))	0,85	0,75
2- Equity / Total Debt Equity (Equity / (Short Term Liabilities+Long Term Liabilities))	0,18	0,33
	30.09.2022	30.09.2021
Profitability Ratios		
1- Sales Profitability Ratios (Pre-Tax Profit / Net Sales)	0,12	0,18
2- Return on Assets (Pre-Tax Profit / Total Assests)	0,06	0,10
3- Return on Equity (Net Profit / Equity)	0,37	0,47

İstanbul, 26 September 2022

Hüseyin ODABAŞ
Assistant General Manager
Finance

Ahmet Serdar GÖRGÜÇ
General Manager