

Türk Traktör ve Makineleri A.Ş. 6M23

Financial Results Meeting

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Aykut Ö. (Translated from Turkish): Good morning everyone, welcome. We announced the financials last night if you've had the chance to look. Today, Federico and I will try to provide support if you have any questions. I also want to inform you on the market. You must be wondering how we will see the currencies in the next period. I will talk about our tractor business in general. We'll discuss the agricultural and construction equipment, and then Federico will proceed with our financial results. Let's talk about how the business is going. As those who participated before are used to it now, we'll first try to comprehend and check the dynamics of agriculture in Turkey under 4 to 5 main topics. Topics such as precipitation, production, pricing, state aids, etc. I'll go over each of them with a short slide. We'll start with precipitation. Climate change is on the agenda of the whole world. We used to talk about it as something very far away, like the melting of glaciers. But it is in our daily lives now. It's probably 5-6 degrees colder these days compared to 2 days ago. You see the weather is nice, then suddenly a rainstorm breaks out. The climate does not really function the way we are used to, with shifts between seasons. If we had given this presentation in March, we would have been discussing the driest rainy season in the last 64 years. That's what the precipitation data shows. Then, as you'll remember, the weather changed again around April and May and then got warmer again. So, we see shifts between seasons. We see some places going backward. Thereby, since the rainfall for the last 3-4 months has been above the seasonal normals, the precipitation has almost reached the last year and is normal. We look at these things on a periodic basis because months don't mean much in agriculture. So we were probably a little more pessimistic in February this year, but then rainfall came, and there was a slight decrease in agriculture, at least in certain regions. But it is no trouble because we don't expect any negative effects. On the contrary, we have a very positive situation going on. In fact, it rained so much that the farmers were not even able to plow the field. We currently see an increase in yield in many regions. And there is this one forecast that I'll talk about in a second. TURKSTAT makes production forecasts every year. They are predicting a roughly 2% increase at this level for last year and this year. Therefore, although 2-3% increases are quite marginal, there can also be a serious decrease, especially in periods when the climate is challenging. As I just explained, we expect an increase in production this year with the rainfall and general climatic conditions. This is going to go on like this for a while apparently. There is no problem in terms of yield this year, especially since harvests started in some regions around May. Costs. Inflation, input cost, and PPI are probably the last two years' expert subjects in our daily life. The inflation was very high last year. Input costs were ahead occasionally, and good sale prices were lagging behind. But lately, especially in the last year, I can say that input costs have turned to normal. Maybe it's not the right term. It would not be right to say that agriculture has become 30% normal, but at least the unchecked increases in the last year have been regulated. At least producers started managing themselves in a more planned way. When input costs decreased, product prices also decreased.

But, if we look at it, product prices are still ahead of input costs. Therefore, farmers had a bit difficult situation when the first inflation started in the last two years. Because fuel and input cost increased highly and rapidly. And periods are critical factors in this regard. The rapid cost increases in the October-December period especially affect the cost of the next first product. Therefore, considering the costs, we expect new product prices to be good, especially this year. Yesterday, the Central Bank also announced 57% inflation, right? So inflation is expected. The increase in the next period will affect next year's cost structure. We have to follow that data to see how it will affect the market. Excuse me, I'm a little sick.

Agricultural support. There are a couple, but I will talk about Ziraat Bank. There is also 54 billion worth of support, which we call agricultural support. These support cash. We used this much fuel, this much money, or seed support. And there are investment supports apart from those. Say you'll install an irrigation system in the field. All of these are costly processes. In fact, if you look at it, the total support is 142 billion. But the 54 billion matters the most for us now. Because we can see the 54 billion as the expense support given to agricultural activities that year. That is what matters to us the most. Because others are longer-term irrigation investments. 54 billion is the part that will affect the production in the annual market. You may have followed it recently, especially in July, the period was announced as three months. And an additional 52 billion budget was announced for agriculture. We don't know how much of this is part of the 54 billion that we follow or how much of it goes to the 142 billion, but since inflation is high the government adds, from time to time, to the supports it has announced before. It announced additional support for the remainder of the year, at least to protect agriculture a little more against inflation. Agriculture is receiving around 200 billion in support in total this year. The most important support, as you all know, is the Ziraat Bank loans. You're all in the financier. I don't need to comment here, but until the last two years, Ziraat Bank was giving loans at 5%. Now it has increased by 10% 4-5 year loans, 10% per year. That is quite a tempting rate. But in the end, it's not like they're going to give 1 billion per tractor plus three tractors to a farmer. 1 billion per farmer in total. Therefore, there is limited space, and it was the same last year, looking at it in general. Ziraat Bank supports 70% of sales in Turkey. In the past it was 55-60%. Ziraat Bank has been supporting agriculture for the last 8-10 years already, and the treasury is the part of this support that reduces the interest. This year too Ziraat Bank continued to support the sales of tractors and equipment, not just tractors. This has always been the case with Ziraat Bank for the last ten years in the market. Therefore, as in all countries, Turkey also strategically supports agriculture with various subsidies. The summary of these issues is that we always look at it that way. How was the situation last year? Last year was an individual example, more or less the closest we've ever experienced. We're looking at how the dynamics between last year and this year have changed. Last year was good. The year before that was really awful if anybody remembers. And we're having a good year this year. There is no negative expectation due to precipitation. We're expecting good things. We did not give the input green, of course, it wouldn't be right to say it is good, but it was more manageable than the previous year. I don't know if it's because we're used to it, but we give it yellow because there aren't many instant ups and downs, at least. But at least it is better than last year. This overinflation, starting at the end of 2021 last year, affected the whole year significantly. The prices weren't established, so the outlook wasn't promising. As I said, we see 3-4% increases in plant production. But it is an increase anyway. No significant yield but no decline either. Now, let's go over to product prices. There is a reason we're giving yellow to the product prices. The government announced the purchase prices in Turkey. So here is the thing that we need to watch out for. Food prices are dropping around the world. It even had its "peak," dropping in the FAO index in 2022. It is dropping in dollars, almost dropping by half from that "peak" to this day. So this is putting us in pressure here. Not just in Turkey but the whole world. After all, you get the goods you produce cheaper

from abroad. You are doing business after all. So here we give it light yellow. It's not bad, but the decrease in intermediate input prices in dollars creates a slight pressure in the market compared to last year. I won't go one by one, others are also supports. Let me remind you again why emission is in this table because it actually shouldn't. For the last 2-3 years, we have seen fluctuations in emissions. Maybe some of you remember, but as of July 1, we would have passed to Stage-5 emission. It's quite retrospective, so I'm not sure if it's true. We were going to pass to Stage-4 in 2022, on April 1 to be exact. We had prepared for 3-4 years of investment, and the new emission levels were announced that day. They directly announced Stage-5. A one-and-a-half-year period was granted for transition. They wanted to continue with the old Stage-3 levels until it was over. This 3-year period is not enough for us, really. That's why every 6 months, once a year, we ask for another 6-month extension together with our competitors. They gave some more extensions, and now it's down to January 2025. But I still think many producers will not be able to keep up. I think another 3-5 months is needed, but at least they are green, and this uncertainty is removed. Because we had difficulties in the emission transition in 2022 as well. We transitioned, but the others remained. Then we made an effort for old level production for 3-4 months. But we don't have that kind of uncertainty for this year. The second-hand market is also very good because it also affects the first-hand. But we have seen some normalization in the last three months. So, this is a sound outcome. You are probably following this in automotive. Second-hand cars are more expensive than the new ones. It's the same in here. This is not a general problem, however. That's why I think it's healthy for the second-hand market to normalize a bit. Now, let's get to the numerical growth. We'll go over it quickly. In the first six months, there was a market of 40,000. We already shared it in the predictions, but it will be in the 70-80 billion range all year. July-August are already low passing months, with factory holidays and so on. We are expecting a robust market afterward. This year, we sold 17,000 units. Our market share is 42%. It was 46% in the same period last year. We closed the end of the year with 42% again last year. So it fluctuates between 42-50%, and the market share we want to achieve is 50%. It's the same this year. Altogether, there is a strong demand in the market. And it has everything to do with our capacity to produce faster and more. A special supply chain was affecting us much more last year, but this year it is picking up. However, we cannot reach a production speed that will meet such high demands unfortunately. They are leading, and we are lagging behind. Although we made a record in production, the demand in the market is very strong, I can assure you. This year, it is currently 42%, but it was 48-49% in the first three months. There is a slight slowdown in Europe in imported brands especially. Imports began to come from there. The market has been affected not by demand but supply for the last two years. Companies' performance is also affected by it, at least our company is, I can't talk about others. I'll be quick in this section again. Our main export markets are the US and Europe. We included other countries as a reference. Our main export markets, especially the USA, are predicted to be slightly lower this year if you look at the forecasts. The first four months started like that. We'll share the details in the final slide. We drew back our other predictions a bit. As of the end of the year, we made record exports for the first seven months. Then, there will be a slowdown in the last 3-4 years. This is partly due to the slowdown in our main markets, and especially our business partner is trying to analyze the blowouts. Therefore, we slightly drew back our predictions for exports this year. By the way, we predicted that we would achieve a similar export rate to last year. And we grew rapidly in the first seven months. I'll leave this here if you don't have any questions. But we can discuss your questions in the Q&A. I mentioned this in the previous slide. This year, we exported around 9,000. The highest export volume in our first six months so far. We have a share of over 80% in Turkey's exports, which is very important. As I just mentioned, 80% or even 85% of our sales take place in the American and European markets. And the production is 26,215. There is an increase of 18% compared

to last year. I just highlighted that the supply chain had a huge impact on us last year. In 2022, if you remember, we had a slower pace compared to 2021. The emission that I just described had a great impact on this. In particular, going back to Stage-3 for the April-August period and removing the entire supply chain interrupted our business. But we see a significant increase this year. We almost seem to have recovered our loss of the entire year in these first six months. Let's establish this year's plan to close the year with a record production above 2020. The first six months' production has already been a record for us. A record in production that we haven't seen in the last ten years. Equipment. I especially want to focus on the combine harvester. We have a good growth in that. After all, it is a product that we sell in the 400-550 range per year, but I always say that it is worth 10 tractors. In other words, the return of the product is even more than 200 thousand Euros. So it is important. And it's going well this year too. There is no loan for it either. This sector mostly thrives on leasing. It stands with leasing sales. There is some slowdown in this period. In leasing, everyone thinks we should wait for the 20th of the month and wait for the decision, but the main season is behind us now. The main season for this is March, April and May. The second half of the year is slower. We are proceeding in line with our plans. We put it here as turnover, but we also attach great importance to the small equipment business besides the combine harvester. We continue our rapid growth here too. 5-6 pieces of equipment on average are used in a tractor in Turkey. Grain drills, plows, spraying etc. Here, too, we have a heavy load. I looked at last year, and our turnover has tripled on foreign currency basis in the last three years. Construction equipment is important. It is our own growth area. This year, after we started to produce this backhoe loader additionally for the last 2-3 years, our certainty has increased even more. As it stands, TürkTraktör has already been producing construction equipment. The other actors in the industry already know it. Gradually, we are turning into an important player with our tractor construction equipment. We are increasing our recognition. And our performance in parallel to that. The power of the construction machine is increasing within the company. I'll now pass it over to Federico to talk about expectations. I talked about the market. The first six months is 40,000, we know that. July and August are seasonally lower months. We're talking in ranges because we have only predictions in Turkey, but unless something important comes up, the market will go in the 72-80 range. We don't give our point of view in predictions, but you ask it anyway. It is going from upside to around 80 now, so why do we talk about 72? Well, that's because we don't know what's going to happen in the future, it's Turkey after all. But we have more of an expectation going this way. We went over our tractor sales. Here, we add the tractors we import to the ones we provide. Also, we increased this standing quite a bit compared to the first prediction to be around 33,500-36,500. If the market goes the way we want, we think that we will be in the middle, not in the lower 33,500s. Of course, the supply chain in production is also important here. Not only the market demand, but as I mentioned before, our market share and performance are determined more by our production capability for the last two years. We drew back a bit in export. We sold 17,000 last year. And 16,200 in the first year. Both were records, and I'm sure we'll be in this range again. But we were expecting growth this year. And we had growth in the first 6-7 months, as I said, but people expect a slowdown in Europe and America, especially recently. We reflected that in here. Our investment is in the range of 1 billion to 1 billion 300. We have lots of investments. Distributions, public production, etc. But these things take time. So we don't have much loss in that regard. When you look at the years, you see there is an investment budget that we can produce very actively according to our size. Maybe it will increase a little more next year because the timing always shifts to the next year.

So, I think my turn is over.

Federico P. : Thank you, Aykut, good morning to everyone. You have all seen our financials yesterday. We released a very positive second quarter accelerating on a very successful trajectory that we started back in 2021. We improved the profitability. We improved the cash generation, strengthening our net financial position. The first six months of this year represented a record in volume for what concerns total tractor volumes and export volumes which basically reflects this positive momentum we are showing on the financials. The revenue grew in real terms. So, we are internally monitoring in Euro base to discount for the inflationary trends. So, the revenue grew in real terms in all businesses. All businesses improved the year over year. We increased our domestic tractors margin. We grew export sales and performed very well in spare parts, Agriculture equipment and construction equipment. You have seen some volumes, so all the businesses are contributing very well. EBITDA margins improved, sustaining an outstanding cash generation. Entering a little bit more into the details, the total revenue was 20.3 billion TL up 129% year over year, as I've said, with all business contributing to this growth. The contract, revenue as Aykut has already been highlighted represented 20% of the total revenue percentage. That is very similar to what we experienced in the first six months of last year. The domestic revenue was 14.8 billion TL, up 157% year over year. Domestic tractor volume increased by 28% thanks to a higher industry, which grew as we have seen from the numbers by 36%. And unfortunately, we experienced a lower market share compared to last year for the province that Aykut has already anticipated. We continued our ongoing price discipline, monitoring and following the economic trends we see on our cost base. Our export revenue was 264 million euro, up 33% year over year, driven by volumes which increased by 19%. We anticipated in prior meetings the introduction of a new utility model for the export market. In the second half of last year, we launched this model for the European region. These are all incremental tractors before we used to provide components to our sister company in Italy. Now we are providing finished tractors. We have gone through a very nice ramp up period. And in the first six months, the volume of these tractors represented almost 10% of the total export. In perspective, next year we'll be introducing these tractors also for the North America region with some further upgrades. Moving to the gross profit, in the first six months of this year, we had a relatively quieter economics in terms of materials. Some commodity prices stabilized after the strong increases we experienced last year, energy cost went down. So, from a constant perspective, the situation was better than what we experienced at the beginning of the previous year. We priced in line with inflation, and we were able to increase our profitability. EBITDA was 4.5 billion TL at 22.2% of revenue with a nice trajectory as we would see a little bit later. The net profit was 3.6 billion TL, almost four times what it was last year. We are generating again, income from financial income expenses thanks to our higher liquidity and a nice spread between the interest deals on our deposit in TL and the cost of funding, which is relatively very low. We have not reflected in the net profit the recent increase in corporate tax, which moved from 20 to 25%. In any case, the materiality for the first six months would've been very limited since the increase of the tax base would be offset by an increase in the deferred tax asset resulting from future tax benefits on the fixed tax evaluations that we did in prior years. So while for the balance of the year, obviously this 5% will increase the tax bill for the six months. This was offset by the fair tax assets. We generated 4.8 million of free cash flow, improving the cash conversion ratio compared to last year where actually we were using some cash to finance the operation. As we will see later, the cash flow is sustained by strong profit generation and a negative working capital. I will speak more about this in a moment. Finally, our available liquidity was 6.5 billion TL and the net financial position 3.1 billion on the cash side. We can skip this page and move directly to our profit margin evolution. As you can see, we have improved quarter over quarter across the board. The improvement on the gross profit is reflected at the EBITDA and the PBT margins level at the same extent. Moving to the net profit, you might remember in

the previous meeting I explained the fourth quarter of 2022, which was exceptionally high since we had a negative tax provision for the fix tax evaluation. And we booked a significant deferred tax asset. With that said Q1 and Q2 of 2023 are a representative of a more normalized profit margin which follows the pattern of the other layer of margin. In the first half, we have also accounted for about 140 million of earthquake tax, which is fully covered for the balance of the year. Moving now to the cash flow. As I said, we generated 4.8 billion of free cash flow thanks to strong earnings reduction in the working capital and relatively low Capex. Moving to the interest and tax payments. As I said, we have generated cash from our interest income expenses, and along with credits, we were able to offset the tax payments. On the loan side, we repaid the equivalent of about 2.4 billion of loans, and we raised 1.3 billion of new loans, mostly in the first quarter slightly reducing the cost of funding compared to the position we were in December. We paid 2.1 billion of dividends, and we increased our available cash by 1.6 billion in the six months, moving our liquidity from 4.8 billion, which was our position in December last year to 6.4 billion. You can see the split of these 6.4 billion in both the right chart with 5.2 billion TL and 42 million of Euros. We need to maintain of course deposits in Euro to offset and to hedge our flows. We imported materials from foreign countries. We imported the finished goods. We have commitments for Capex, so we are monitoring very closely our foreign currency reserves in order to hedge a property in all our flows. And moving to the working capital, as I said we are sitting on a negative working capital. The collection is very positive. Actually, we reduced the DSO from 24 to 18 days. Dealers have liquidity and prefer to take our cash terms in exchange for the discount that we offer. The inventory was also a little bit lower compared to December last year. And on three tables, we have nice support from our suppliers as production continues to increase. Obviously at a certain point the production will normalize, and we expect some normalization also in the working capital. And if you look at historical average typically, we are with a positive day of working capital in the single digits. So, at a certain point, we expect some normalization on the working capital. On the next page I'm showing the evolution of our net financial position with the improvements that I have already mentioned. Finally, I would like to remind you of our historical performances on dividend distribution. Nothing new to say here. This was the last slide for this presentation. I will turn back to Aykut for the final remarks and the Q&A.

Aykut Ö. (Translated from Turkish): That's all we have to say. As I said, we didn't want to stretch it out. Now we can answer your questions if you have any. And we prefer easy ones, please. We would like it if you didn't pester us with challenging questions on a Friday, ha-ha. Well, we have had an excellent performance for the last 2-3 years. Now, when we look ahead, we can open the general conversation by saying that we see the future in a similar way. Let's get to the questions now.

Volkan A. (Translated from Turkish): What do you think about the research and export updates abroad? Do you think we have delays? Or is it necessary to take it like this in the upcoming days as always?

Aykut Ö. (Translated from Turkish): First of all, as I said, we anticipated that this year. In fact, we sold 16,200-17,000, the level we are currently talking about is the 2023 level instead of 2022. Federico spoke about it too. Apart from our regular export models, we have new products that we launched two years ago. One of them started, and the second will be here in the last quarter. We have another product for the following year. This is the global garden tractor, it will come in too. So, I see this as the normalization of the extremely high tempo of the last two years. Actually, let me clarify this high tempo. We were talking about problems in the supply chain. This year would be much higher compared to last year. We talked about the foreign market when we talked about the domestic one. While the supply chain problems such as worker problems affect everyone, especially in exports, I am speaking about that level. If we had a

standard supply chain, we could have easily produced over 2 to 3 thousand each, which you saw last year. Therefore, that demand normalized gradually. We expect that it enters a growth trend again next year with new products. But if you ask whether we expect it to enter a growth trend, let me give you an example. If we could in 2022, we would have produced 4,000 more, we would have produced maybe 5,000 more. But we don't expect such revenue. I don't think it's possible in the short time, in six months. And you need something global for that anyway. It was a situation that started with COVID. Anyway, we're getting positive predictions now. But it is not very hopefully positive. All I can say is that with new product launches and markets getting more organized, we will also launch new products and continue to grow in the market. The US and Europe are especially very useful markets. Since 80-85% of our sales are in those markets, even a 10% growth or contraction makes a serious difference. That's why we're trying to grow faster with new products. These markets are more stable. They don't experience much ups and downs or sudden crisis. Federico also talked about the gearboxes we'll produce next year. We used to talk about this, next year we will have another task to produce high-volume gearboxes in another factory.

Ece M. (Translated from Turkish): Thank you for your presentation. That was beyond our expectations. Of course, we interpret that the domestic pricing and margins, whose results we announced in the second quarter, had a significant contribution. I believe we can assume that this trend will continue in the third and fourth quarters. Prices will continue to increase in this high inflation environment and current inflation forecasts in the upcoming period, right? How should we predict the turnover for the following months or in general?

Aykut Ö. (Translated from Turkish): In fact, we have already returned to where we started with last year's high inflation. We update our pricing every month, by the way. In the past, tractors used to be priced twice a year, 4-5 years ago. But we're like the automotive sector in this regard. These are reasonable prices with 2 points or 3 points, that's normal. The reason we update the pricing is to protect our costs and margins. Last year's figures were really high because of the inflation. But I don't remember what exactly. The figures we are talking about belong to June, July, August. For a 7, 6 or 9 month maybe. Sadly, we already started pricing since inflation is all over the place, especially with the effect of the increase in the exchange rate and the minimum wage. The important thing here is to be able to be ahead, to estimate the costs well and to protect the margin. You said it too. It can change around 1-2 points, which is very high, but we do not expect a major increase in the third and fourth quarters. We do not see any challenges in terms of prices when we look at the demand in the market. I don't know what will happen in 2024-2025, this is a general estimation of course. For the next 2 to 3 years, it's hard to predict when the markets will turn to normal and when the competition intensifies. I can make the same predictions for the automotive sector. The same applies to it too. There are some rumors in the domestic market that slowdown has begun a little. We see an intense demand. Especially in the cash flow, you see it too probably. The inventory is low or there is no inventory. Dealers have very little stock. Things are going really well in that regard. Both us and the network are in a really good place. We think that we will manage the next process very easily. That's why I talked about the previous year. Last year, we were able to reflect the cost 100% by making 5 to 10 pricing every month. We don't see any need to do that this year. We just talked about the prices in August. We made it 9 just for the politics so we wouldn't have double digits. But we should. You would know better, what was the rate after the May elections, was it 40% or 50%? After all, it is an important input that will affect everyone. Raw materials are affected by the foreign currency over time. We were trying to manage that. Especially when our friend in purchasing calculates the cost of this in one day with the escalation

formula, it becomes much more challenging. We are trying to make and manage both in parallel by spreading this over pricing and time.

Ahmet D. : If you have any questions, you can ask now. I didn't know about 9 percent.

Aykut Ö. (Translated from Turkish): I'll say it once again. Just because you talked about the pricing. We were making pre-sales in the previous years. That was really good in terms of cash flow. We still continue that this year. Just recently. That is our dealers' payments to us. Dealers already bring cash from a significant part of the sales. Also, since there is a lot of demand, we are going to make the sales of the next month in advance. We were leading 2-3 months in the previous years. We had problems there due to sudden increases. What we can see now is that we are trying to set the prices upfront so that the company will not have a problem due to the pricing in the next 45 days. It's quite beneficial actually. That working capital collected from the dealers. We're also able to give a price for the next months' sales to the customers.

Oğuzhan K. (Translated from Turkish): Hello everyone, I had a few questions. First, you say we increased the prices as the exchange rate increased. I'm curious about the foreign currency entry percentage. TürkTraktör has been operating here for years. So I believe it should be producing everything here. So why are we so sensitive in terms of currency? Also, the Central Bank published a chart yesterday, maybe you've seen it. It announced the price pass of the foreign exchange increase by 24%, right? It also says that it is reflected in low prices, that is, a quarter of the price. But we see a much higher price. I'm curious about the specific impacts on TürkTraktör. Do we need to increase prices because the exchange rate has increased? Or how much should we increase them? This is my first question. Two, I care a lot about your construction equipment business. It is a really special diversifier for the business. What percentage of the turnover does it make up? I'm curious about this too. Third, I actually asked Federico casually at first. But could this really be our cyclical peak? I'd like to hear his analysis in that regard. Because isn't the EBITDA really the highest in history at 25%?

Aykut Ö. (Translated from Turkish): I don't know about the history. Curious stuff could happen in our history. I don't want to talk without knowing it. But 2012-13 are interesting years that I remember in automotive. Let's take a look and say, we actually know about our history. Ahmet can look at it now. But we know that it's high. It is at the highest or very close to it. Well, we'd already seen such high numbers before. It may have happened in the past, when the competition was not so intense. Or maybe way before that, before 2000s. I'll make some comments and then pass it over to Federico.

I will make general comments, but before the end you may provide more details. And also, apart from the tractors, you may give percentages for the other businesses.

I say foreign currency because most people use it that way. But foreign exchange is not a price itself, of course. Foreign currency is only an input. We have inflation. It has lots of inputs on its own. So I call it foreign currency by force of habit. Especially if it increases by 40% in the last two months, it will have a significant impact on us. We have unemployment, we have minimum wages. They also increased greatly from time to time. I mean, we have electricity. Lots of things to consider, but I will talk about the foreign exchange inflow now. Its 90 in our domestic arm. But two things get mixed up. I will make a claim on the raw material foreign currency, as commodity. You know, we see it as domestic, but it is a difficult question to answer in that regard. The amount of materials we import is very low. Maybe Federico knows the exact numbers, but as I recall, the material we import directly from India or Italy is 10, maybe 20% at most. We

get and export the engines for certain products. So, the engines are also produced here, I don't know if the Central Bank has fully announced the filling effect, but it is high. In other words, if you buy an engine, a cast iron commodity, from Turkey today, its rate worldwide is calculated in dollars. I'm talking about it in that way. So it is high even in an industry like automotive. Because the whole thing is commodity. But our foreign exchange supply chain is in a very low band. Imported models are very low import models, especially among domestic models. In some models, we get the engine from a partner to integrate it into the tractor and sell it. It can be a little higher in that area. The domestic exchange rate is 90%. But the domestic rate does not reflect the exact truth sometimes. There may be a lot of foreign currency items in the parts we buy. All raw materials are plastic, cast, and copper today. Since Turkey is not a main production center, well there is production of course, but since it is not a main producer, the domestic prices are somehow affected by the prices in the global markets.

Federico, do you know import supply chain percentage versus domestic?

Federico P. : All in all, we are talking about around 30%. But as you said, this is the direct exposure that we have. At the end of the day our suppliers are exposed in terms of their raw material, energy cost. I mean, you already mentioned all these elements.

Aykut Ö. (Translated from Turkish): In some side industries, especially in the polystyrene side, the materials are traded in Euro. Even if the price is in Turkish Liras, when we do the bimonthly escalation, 30% of the cost incurred is in Euro because of raw materials. Like this much is TL and that much is the inflation. Roughly 30% Euro is included in our escalation formulas.

Federico P. : Construction Aykut first represented about 3.5% of the total business. It was lower in the past. We have seen this increasing over time. It's now 3.5%. And in terms of profitability, it is aligned with the average of the company. So, the revenue is less than 5%.

Aykut Ö. : In 5% because we are targeting our tractor business, major business. But as Federico mentioned, it's a very profitable business. So, our profit level also is very high. It was not this level three, four years ago. After local production we significantly improved construction equipment contribution to the profit. It's a profitable business line for us.

Oğuzhan K. (Translated from Turkish): What about five, 10 years now? Do you think that construction materials will become?

Aykut Ö. : In It's a growing area. We cannot disclose any future, let's say that undefined item, but it's a growing area for us because second business line of our partners is construction globally, say in Asia. And we just started three years ago. So, we are looking for further opportunities on how we can grow the construction business in Turkey. Turkey is a good base for construction, similar to tractors. There are good companies in Turkey manufacturers, so competitive country in terms of construction equipment production. So, our aim is to somehow grow in coming years that we said. Currently we are only producing TLB. We are importing the big machines from different places in Japan to Europe, etc.. But also, the volume is low, like two days, 400, maybe in 4 years it can be 800. But combine harvester is equal to 10 tractors minimum. TLB is equal to 6-7 tractors. Distributor is probably too big. Revenue wise they are not contributing to construction market share. They are just in the market share by revenue not in unit production. It's an important business for us to grow. This is the equipment. These are the two growth areas we have been focusing on the last two or three years.

And let's talk about the "peak" while we're at it. Are we talking about a seasonal "peak"? I will talk about it very broadly now, but we can talk about this in the upcoming quarters again. I'll just mention one thing. Market conditions are hardy. I see this in the entire automotive group. I do not know what will happen next year, or what will happen in 2025, but it is obvious that this cannot go on forever. By the way, when I say it cannot go on forever, I don't necessarily mean it will get worse. And how much of a "peak" are we talking about here? I think this is the appropriate question to ask. Like, can we say half of your margin is the "peak"? I don't think there is that big of a "peak"? There is definitely something extra that the conjuncture has created for us. But if we look at our margins for the last 2 years, we see that the item you call "peak" is not something like this. Let's say that, our gross margin has increased to 24-26. I say half of this as an example, I cannot say that it is the conjuncture created by this period. It definitely isn't, I can assure you that. But here, last year, with seasonal opportunities and risks this year, there are definitely 2-3 point effects brought by the conjuncture. Maybe if we can get through that we can find it normal. So "peak" is only a certain part. And I don't think that happens very frequently. So we should also look at the overall performances. I remember that we always talked of 2022 until today. I'm serious, we were talking about last year, we were talking among ourselves. We shouldn't look at it in quarters, that's what I'm saying. Let's say that we are producing less one quarter, and the factory is closed for holiday. There are such elements in this. That's why if you look at it from a ground here, I think there is more of a "peak" effect. But if you look at it long-term, you can say we improve our turnover every quarter. And it's not only about pricing either. We have serious cost reduction efforts, especially in the last three or four years. So I'm not just talking about this year. In fact, we maintain the discipline we gained in 2019, our cost reduction efforts in those years of crisis.

Bayram Veli S. (Translated from Turkish): Thank you. I am Bayram Veli S. Now, as the mark-ups come, Ziraat Bank has a limit of 1 million. At that, for some areas the down payment will be higher. I've heard some information about this. I could not confirm it, but I think Ziraat Bank also reduced the maturity and had a new maturity plan, which was reduced from 5 years to 3. This of course makes the situation a little more difficult for the ones that paid those stuff. Despite this, can you confirm that there is a strong demand in the 3rd and 4th quarters? I just wanted to know about this. Thank you.

Aykut Ö. (Translated from Turkish): In That 1 billion limit was 500 anyway, I don't remember the last time and it was 1 billion in 2022. The bank already adjusts it according to the prices at times. Farmers strongly demand right now from Ziraat Bank to set this right. Less implementation of the loan, they give three years in certain regions. Never six months, nor one year. Three years looks pretty good when you look at it under these conditions. But there is nothing for overall as you said. Ziraat has no general implementations. Customers can prefer that. Because, as I said, this limit is given to them. It is not given to each tractor. So, if you want to purchase a second tractor, you see that you've reached the limit already. Some of the customers prefer this. There is high-level inducement in certain regions. But no general practice for 4-5 years.

Mehmet G. (Translated from Turkish): Hello, I also want to congratulate everyone for the results. I have a couple of questions as well. My first question is kind of similar to the ones we've just discussed. Do you anticipate selling in the domestic market for the rest of the year at least as much as the first half? There are those trying to slow down the demand, though since yours is a more functional product, it is more difficult to use for trading purposes. So maybe it can go in a more healthy way. But given the regulations on the issue, getting loans is not an easy thing to do. Although it may not be applied very much on the agriculture, will you be able to sell at least as much as the first half? This is my question regarding the

domestic market. And it's the opposite in export, you've reduced the guidance a bit. America is relatively better there. America is your market too, can you arrange the sales to be more flexible there, for example by sending more products?

Aykut Ö. (Translated from Turkish): In We anticipate a strong domestic market presence in the rest of the year. As I said, we look at our production capability and give a range more or less accordingly. There is this thing that is discussed a lot in automotive, "I bought it and sold it in 3 months". "Wait for 6 months." I've wandered off the subject but these things count too. In fact, this makes the second-hand market somewhat fall backward. Because it is on loan, loan settlements are not that easy. If those 75 are Ziraat, the remaining 25 have someone else. There aren't many there either, I know because they know that those who have reached the limit in Ziraat Bank either get it from the dealer or financially, so our current system balances the second hand a bit. But I'm not an expert in automotive. They discuss if such a slow-down exists. But we are expecting a powerful presence for the remainder of the year. This is my first explanation. Secondly, we have a customer list waiting for us. We're also keeping up with that. We have a high customer waiting list. I've talked about this before. This high number of customers waiting means that we have almost no stock. Normally, we don't see anything for the second 6 months. I can only say that we'll sell how much we produce.

There is decrease in export for the second 6 months. We are talking about a record for the first 7 months, and it's a pretty high record. We are trying to close it somewhere between 2022-23. I don't see much increase in the export this year. But we can go into a little more detail, if you like. We don't count on November-December for export much. You see it as sales, but we can sell what we produced in December almost next year. This is their choice. The stocks are very serious in this regard. Thus, if we see what you say in exports, then it will be a stronger start in the first quarters next year. This year, we're giving a range of plus or minus 200. There won't be a lot of fluctuation, but if you think about workflow order time, material, supplier after this now, it will be a piece of cake. If I get an order today, I will catch it the last day of October, maybe November at best. And this is if we assume that the supplier has no capacity problem. So we have 3-4 months to take action. We don't expect anything like that in exports this year. I don't think export will be affected in any way. What you say is more likely to happen at the beginning of next year.

Mehmet G. (Translated from Turkish): I wonder if Stage-5 production has started, where does that stand?

Aykut Ö. (Translated from Turkish): In I can just say this off the top of my head. We got 27 products that way. So we literally started it. We began Stage-5 after the calendar was announced. By the way, we had a problem there. A one and a half year calendar is an irrational one. To do everything in a year and a half. If you have an engine ready, you can do it right away. Some products did not have an engine and we commissioned 27 products. And it will continue until the end of the year. 80-90% of our Stage-5 products will be ready on January 1.

Mehmet G. (Translated from Turkish): In general, will there be a lot of sales on the export side?

Aykut Ö. (Translated from Turkish): In No, export and Europe is already in Stage-5. We're the ones producing the Stage-5 for Europe. We produce 4 items for the US. Since Turkey is completely in Stage-5, all of what I said refers to the Turkish market. When I talked about our production for the US and Europe, I was talking about a ready-made three-cylinder engine that we produced in Stage-5. We were already producers of it. Therefore, since the engine is ready for the types of the same item we use in Turkey, we can very easily develop products in around two years. We actually have to step into the main four-cylinder engine. And we already started to work on it. We'll produce it here too. Thus, what I am saying is that all

products in the Stage-5 domestic market should turn to Stage-5. We should transform the entire product base from 50 hp to 130-140 hp.

Mehmet G. (Translated from Turkish): Can we expect a new wave of demand when we step into that?

Aykut Ö. (Translated from Turkish): In I don't think there will be additional demand. Because construction equipment is our field anyway. They both do the same thing. Stage-5 is only different in that it is more eco-friendly. But its price will be higher accordingly of course.

Mehmet G. (Translated from Turkish): I understand. And one last thing I want to ask. What is this 72-80 range, which we see as normalized in the domestic market, as the regular demand range?

Aykut Ö. (Translated from Turkish): In I can give you some information on that. This is a very hot topic, I'm quoting from yesterday's presentation. I'll say that 2018, 2019 and 2020 were years of crisis. 2017 was 72,000. 2018 was 48,000, where we felt the crisis in half. And it was 24,000 in 2019, which is pretty low. Then it took off again, it was 48,000 in 2020. If you exclude these years, if you look at 2018 and 2012, the average of the market was around 60,000. It was seen in the 55-70 range. If we look at it now, we see it goes one step higher. For example, if you look at last year, it was 60-odd, we may even expect 80 this year, but this market that we see has a fair market size of 65-70. If it is tight, it should be 60-70. We expect it to be between 60-70 in an environment where there is no excess demand, competition is more normalized, and where normal production is experienced, not from the supply chain. We already had our own plans. We talked about these in the annual plan.

Mehmet G. (Translated from Turkish): Also, its market share has decreased slightly. Other companies were working in more idle capacity. Was it for a reason such as your idle capacity stepped up when the demand was high?

Aykut Ö. (Translated from Turkish): In Some competitors have different reasons. I won't share it here because it's private. There is a capacity of 54,000. Our 54,000 capacity is in 2 shifts. and there's still a third shift. In other words, we do not have a capacity problem in Erenler. If you go to the 60,000s in Ankara, maybe you will very small investments in certain gearboxes. We also need small investments like this. In other words, we do not have a capacity problem, but its rate of removal in the supply chain decreased to 45 last year. Now it's going back to 50 this year. It also affects emissions transitions a lot. Stage-5 is a more technological product. Once inside, the chips start. Sometimes if someone is selling, there can be different profiles too. We need to go over the domestic market separately. And we need to talk about imports separately.

Mehmet G. (Translated from Turkish): I understand. Thank you.

Aykut Ö. (Translated from Turkish): In If there are no further questions, let's have some tea.

Do you have any additional comments?

Federico P. : No.