

**Türk Traktör ve Makineleri A.Ş. 4Q23
Financial Results Conference Call
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Aykut (Translated from Turkish): Good morning, everyone. The sound doesn't echo, right?

Sıla (Translated from Turkish): No, there is no problem, Mr. Aykut.

Aykut (Translated from Turkish): Okay. Let's start then. Because we have limited time and I guess everyone is already busy. Greetings again. The presentation consists of two parts. First, I'll evaluate last year roughly. I'll try to keep it as short as possible. If you have questions, I will answer them in the last section. Then Federico will share our financials. We already published our financials last night. This year is an important year for us. Maybe you've seen it in press, we are celebrating our 70th anniversary. I want to underline that. TürkTraktör is Turkey's first company in automotive industry and a pioneer in agricultural equipment. The other day we celebrated producing our 1,111,111th tractor. A lot of things happened at the same time. We closed a successful year. Hopefully we will proceed successfully this year too. Let me move on to my presentation immediately. I'd like to talk a little bit about what our metrics were in the Turkish agricultural market last year and how the market developed. Let's move on to our numerical results and then to financials. I will talk about 5 main sections again while I talk about last year. First, I would like to talk about Agricultural Sector and Agricultural Production. Last year, there was an increase in agricultural production compared to the year before that. If you remember, although the precipitation remained at similar levels the previous year, imbalances occurred in 2021-2022. There was a well-balanced precipitation last year. This had a positive impact on agricultural production. We always remind and underline the general statistics. The Turkish agricultural sector is still essential to Turkish economy. It has more than 5% share in the gross national product. In particular, the agricultural sector accounts for approximately 15% of employment, and it is the number one agricultural economy in Europe- although France may get that title from time to time. Therefore, we said that the importance of agriculture increases even more with COVID. As you can see with the recent protests in Europe and India, which we have been following in the press, issues related to agriculture appear on our agenda more and more every day. Maybe it was also important in the past and we didn't pay that much attention, but now it is always in the spotlight. I will talk a little about the precipitation. In fact, one of the important factors in increasing the yield is rainfall. Although there was a 2% decrease, the entire season was much more steady last year compared to the year before that. This affected the yield positively. Additionally, we did not include the October 2023-January 2024 data here, but we wanted to give general information since it is just the beginning of the season. The amount of precipitation this year has increased significantly compared to the previous year. In fact, these are the first indicators that this year's yield will be good. Especially the period from October 2023 until today is when the seed is

planted. Therefore, October started with heavy rainfall this year. If there won't be any problem such as a drought or rapid cooling in the upcoming period, we predict that the yield will be high this year as well. Let's move on to the next section. These are agricultural product prices and input costs. I will start by reminding 2021-2022. Especially in that period, there was a rapid increase in input prices in parallel with inflation. This caused problems, especially in agricultural pricing for a while, especially in the early part of 2022. In fact, costs were lower than price increases. But especially from the beginning of 2023, there will be a more stable, more controlled input and cost increase. Accordingly, there is an increase in product pricing. The reason why we included the PPI-CPI in particular was that the increase in agricultural input costs was slightly below the PPI. In parallel with this, pricing actually remained slightly below the CPI. As a result of that, we observed that although there are periodic problems in pricing, the average farmer did not have any major problems in pricing last year. I'd like to emphasize this. There may be differences from sector to sector. There may be ups and downs from time to time. This is actually due to periodic imbalances economic conditions bring. But in total, pricing last year was above agricultural input costs.

Support programs. I want to draw your attention to investment incentives. We've been sharing the agricultural incentives every year, as you can see on the left. These were mostly fuel, fertilizer and payments to support production. The 2024 budget was also announced. It rises by 44% to over ninety million. We especially care more about what you see on the right. Because these are longer-term investment incentives. This has been increasing rapidly, especially in the last two years. Since those investment incentives are for a more sustainable agriculture, we predict it will contribute vastly to the improvement of agricultural ecosystem in the long run. I want to underline that the allocation of additional resource budget to the earthquake region is among the reasons for the increase this year.

Consumer finance. Ziraat Bank was also an important player last year, supporting tractor sales. The usage rate was up to 70%. Ziraat Bank interest rates were advantageous almost throughout the year. Especially since September, Ziraat Bank's loan rates started to increase in parallel with the interest rate increase in the Central Bank. Currently, as of January-February, the interest rate, which is still around 22%, is quite advantageous compared to market conditions. Additionally, the amount of credit to be used per tractor in January was increased to two million TL. This was one million TL last year. Therefore, Ziraat Bank's active role in tractor sales continues in January and February. I would like to note something especially about TürkTraktör Finans. Our penetration rate decreased because Ziraat Bank was very active and interest rates were low. But again, starting from November-December, TürkTraktör Finans' penetration rate increased again to 15-20%. Therefore, this year, especially in parallel with Ziraat Bank, we will start to see the positive impact of TürkTraktör Finans on our sales. We foresee that it will increase our sales rate above 2022-2023 rates.

World market. There is some relaxation in the world market. You might know that these issues are always on the agenda in the automotive industry. There is a total relaxation of around 5%. It's not very much. The relaxation began especially since the end of the first quarter of this last year. In our pharmaceutical markets, there is a contraction of 8% in North America and 3% in Europe. Of course, this is the general market. The segment and intended purpose of the product we sell actually affects our sales. I'll talk about it in a moment. We also have new product projects that will be put into operation this year. But the recession or contraction we saw in

agriculture in the world remained at a certain, limited extent. The point I especially want to underline is that the world market size between 2020 and 2015 was around 1600-1500. Especially when you look after 2021, although there is a contraction, it has reached a different level and we expect tractor sales in the world market to continue at these new levels from now on.

Another issue is exports. Now I want to talk about numbers. Last year was a very successful year. We closed the year with an export of over 16 thousand units. We have managed to stay above 16 thousand for the last three years. Especially, as I said, the sales in the American and European markets and also our own sales have shrunk a little. Approximately 80% of our exports come from the American and European Markets. Even though it's only the first month of this year yet, I can say that we've started very strongly. The beginning of last year was also stronger. This year we started with 1550 units, which is approximately 5% below the previous year. I will share our expectations with you regarding the export market for this year at the end of the presentation.

Production. We produced more than 51 thousand units. This is actually the highest output in TürkTraktör's history. Our previous record was 48 thousand 560, and that was in 2012. We had previously produced around 48 thousand and 47 thousand units between 2014 and 2017. The main reason for the decline in 2022 was the significant problems experienced especially in the supply chain such as issues regarding chips. To sum up, we resolved most of the main problems related to supply chains as we move into this year. Although some minor supply chain problems continue, we closed the year on a record note, with a significant increase compared to the previous year. Approximately 56% of Türkiye's production was met by our company last year. We started this year with a strong production tempo. We carried out 64% of all production in Turkey. I will try to talk about my expectations for this year in more detail later on. I'm trying to proceed as quickly as possible now. If you have more specific questions, I think I can answer them in the Q&A session.

Let's proceed with market. It broke a historical record with 78 thousand. In the last 10 years, except for the crisis years, the Turkish market size was between 58 and 65 thousand. Last year, many sectors saw an increase in demand due to the need for investment caused by inflation. Starting from the last quarter of 2022, demand also increased in tractor segment too. We successfully closed last year with more than 34 thousand. We also increased our market share by two points. I also would like to note that we have two brands. First, New Holland has already been a leading brand for 17 years. We have come a long way with the Case brand in the last three years too. We usually close as second or third and also last year we closed third due to production losses. This year, we came second again with the Case brand.

Tractor sales. Let me talk a little bit about January here. You might also ask that in Q&A. We started with approximately 2 thousand sales in January this year and 3 thousand units last year. There seems to be quite a decline. The main reason here is not actually loss of production, which we've already stated when announcing the number of sales at the end of January. I just shared the production with you, which is more than 4 thousand units. The main reason here is that the details of the regulation we were waiting for, regarding the Phase 3-Phase 5 transition were published later than we expected. The Presidential decree regarding the Phase 3-Phase 5 transition had already been published in the official gazette on December 29. Normally, the implementation principles should've been published within the following 10 days. However,

there was a serious delay this year. It was released on February 7. Although we did not experience any loss in production, this affected our sales. Because the notice regarding Phase 3 production was not published, we could not make our Phase 3 sales, especially in the first quarter, in January. The Phase 3 products we sold were mostly the ones which we already have in stock. We also sold Phase 5 products, which we have just started to produce. But as of February 7, our sales have rapidly increased to a normal level again. But no worries. You'll see that there won't be a significant change in sales when you look at the two months in total after we published our sales amount at the end of February.

We continue to grow in the field of construction equipment. Especially after putting our backhoe loader into operation in 2020, we are growing rapidly in terms of numbers every year. Last year, we sold over 700 units. We especially care about this place. Construction equipment is the second main business branch of one of our partners. We also want to be successful in construction equipment market as much as we are in tractor sales. We have ambitious goals in this regard for this year as well. Of course, it took many years to be this successful in tractor sales but our intention is to take it one step further each year and become one of the important players in construction equipment business.

Combine harvester and equipment sales. Just to remind you, the combine harvester market is actually a relatively shallow market in terms of numbers. Turkey's average market size is around 500 to 650 units in the last 10 years. 2021-2022 were years of high demand, just like in the tractor market. In fact, this started to normalize a little in 2023. We sold approximately 400 units last year. Our market share remains above 70%. Therefore, the total sales reached 600 units last year. But we continue to grow, especially in other equipment. In other words, when you look at the total of combine harvesters and other equipment, although there was a decrease in numbers compared to the previous year, there was growth in turnover, net and foreign currency in our equipment business line. Likewise, this is an area that we see as a growth area, similar to construction equipment. In this regard, we strive to grow every year, especially by acquiring new products in the field of other equipment.

I've tried to be as quick as possible. Let me spend some time on this slide. Then we'll talk in more detail in the Q&A. What do we foresee for 2024? Again, as I just mentioned, we see the market size is around 60 and 68 thousand, which is actually parallel to the average of the last 10 years. In parallel with this, we plan to sell around 31 thousand and 35 thousand in domestic market. Here, especially in the last two years, our market share was 42% and 44%. But if you look at the last 10 years, we can easily maintain our market share within the 45-50 band. Our goal this year is to increase our market share back to its previous levels. I also stated that we have remained above 16 thousand units in tractor exports for the last three years. This year, due to the contraction we saw last year in USA and Europe, which I just mentioned, when we look at the current domestic order numbers, we predict that it will remain in the 14 thousand-15 thousand 500 band. Our investment expenditures will be in the range of 80-90 million dollars. This is actually slightly more than previous years. There are a few factors affecting this. First, we especially accelerated our solar panel investments. We commissioned the Erenler Factory last year. This year, we accelerated new solar panel investments on the roof of the Ankara Factory and on a land in Sivas. It will come into effect in the third quarter of the year. When these come into play, we will meet nearly 83% of our energy needs from here. This is one of the factors that will bring us a serious cost advantage in the long term.

Another investment, I haven't spent much time on it, but the Phase 3-Phase 5 transition has been on our agenda for the last two years. As of December, we had already made 75% of the Phase 5 transition products ready. This rate has even increased much more within the last 1,5 months. As of July 1, Phase 5 transition will be completed. We'll be completely ready for the Phase 5 transition by the end of June. The importance of this transition is; we had already planned new investments, especially in the engine department, transmission department, and the machine park related to the transmissions we had recently acquired, especially in our Ankara factory. Some of it happened last year. Some of it will be in the first 6 months of this year. That's the second factor effecting the increase in our investments. Thirdly, we started cabin assembly, especially at the Erenler Factory, in late 2022. Last year, we assembled more than 2300 cabins in the Erenler factory. We started our cataphoresis investments, which is the second phase of this, in the last quarter of last year, in November and December. The cataphoresis investment will show its effect at the end of this year. This is third factor effecting the increase in our investment expenditures. Especially producing the cabin entirely in the Erenler factory will positively affect our competitive advantage in the long term. One last thing before I turn it over to Federico. Phase 3-Phase 5 have been delayed for the last two years. Finally, as I just mentioned, it was published on December 29th. In the last 6 months, Phase 3 production rights were granted to all producers, again with certain criteria. As of July 1, there will be a transition to Phase 5. This is the last delay we'll see. I can see that almost all brands started to show and present their Phase 5 products in the fairs I attend. I say that we foresee a complete transition to Phase 5 on a Turkey-wide basis, especially after the third quarter, and I give the floor to Federico.

Federico: Thank you Aykut, and good morning to everyone. First of all I'd like to remind that the information included in this part of the presentation has been adjusted to comply with the hyperinflationary accounting standard of IAS 29. In order to comprehend our financial performances of the fourth quarter, we have included in an annex a couple of pages reporting financials with nominal values. So you will have the possibility to download this presentation from our website to access these additional tables. I will make some high level remark before entering more into the numbers. So Q 4 was another very strong quarter for TürkTraktör and we have accelerated this positive trajectory that we started at the beginning of 2021. We have improved profitability and cash flow, strengthening our net financial position. As I already mentioned, 2023 was a record year for production and total tractor sales volumes. And the financial situation of the company basically reflects this continuing positive momentum. Our revenue grew in real terms on all our core business areas. We performed well in tractors. We had a strong growth on construction, and also our agricultural equipment and spare part businesses were all increasing year over year. Our EBITDA margins were strong also in the fourth quarter, supporting an excellent cash generation. Lastly, the local demand was strong and with some more stability in the supply chain, we were able to increase our market share with a consequent benefit on our top line. Now entering a little bit more into the numbers, the total revenue was 58.4 billion TL, plus 41% year over year, with all our core business contributing at different levels. As I said, 2023 was our all time record year for tractor sales and tractor revenue increased 46% year over year. Also on the non-tractor, the growth was significant with 23% growth. Non-tractor revenue represents in 2023, 17% of the total revenue.

So this is a couple of points below what we told you previously. Because this strong performance on tractor has made a shift into the weight of the revenue towards tractor. But still the non-tractor revenue increased significantly. Our domestic revenues were 44.8 billion, plus 60% year over year. Domestic tractor volumes increased 31% thanks to a higher industry, plus 16% year over year. And the increasing market share. Our export revenues were €441 million plus 5% year over year despite 6% decline in volumes. The global trading conditions are becoming less favorable as I already mentioned, and we have adjusted our guidance accordingly.

Moving to the gross profit. We manage this inflationary environment relatively well by adjusting pricing as we start seeing tension on the cost side. We also worked very hard on cost reduction, both technical cost reduction and some infrastructure investment that Aykut has already mentioned. For instance, the installation of solar panels on the Ankara plant, which was completed this summer, has already started providing some benefits on our cost base and this will continue as we expand on these projects in 2024. So these two elements, effective pricing and cost management in combination with a favorable mix, more growth on domestic than export, enabled us to amplify our gross profits. EBITDA was 13.2 billion TL, representing 22.6% of the revenue, with a nice trajectory over the quarters as you will be able to see in the annex. The net profit was 9.3 billion TL, more than twice compared to last year. The tax provision in 2023 is more normalized and the tax rate is around 23%. So in 2022 we had one of benefits which came from the revaluation of fixed assets, which we did in the statutory account and which generated on the IFRS the creation of a deferred tax asset with a consequent benefit on the tax provision. But 2023 is more a normalized year with a normal effective tax rate around 23%. Moving to the free cash flow we generated 10.8 billion, significantly improving our cash conversion ratio. We will see more in detail the cash flow in a couple of slides. Finally, we ended the year with 12.3 billion of available liquidity, an increase of 4.3 billion year over year, and our net financial position was 6.6 billion on the cash side, recording an increase of 5 billion year over year. Moving to the next page, I don't have any particular comment here because I already covered all these metrics in the previous page. I would like only to mention that we have a table with this type of metrics in the annex at nominal values for your reference.

Moving now to the cash flow. As I mentioned, we have generated 10.8 billion of free cash flow, which equates to a cash conversion ratio of 82%, so a significant improvement compared to the previous year. On the financial side of the cash flow we have used about 6.3 billion of cash between tax payments dividend. And we have also repaid a good portion of our loans, opening new lines both in TL and Euro. So at the end we have generated 4.4 billion of cash, increasing our liquidity to the level of 12.3 billion that I mentioned already. You can see the split of the liquidity between TL and Euro in the bottom chart. A couple of words on the working capital. So the working capital absorbed about 600 million TL in 2023. And considering the record production year and our expectation for a strong beginning of 2024, I have to say that is not bad. Trade receivables. We performed very well. The collection actually improved, as you can see from the days of outstanding sales. On the less positive side, there was an increase in inventory which was not completely offset by the trade payables. There are a number of reasons which I'm not going to explain too much now, but let's say that inventory is a top item in our agenda for 2024, and we will work on this. Finally, I would like to remind

again our net financial position. We closed the year with the 6.6 billion TL on the cash side, with an improvement of 5 billion over 2022. So this ends my part of the presentation, and I will turn back to Aykut for final remarks and the Q&A.

Aykut (Translated from Turkish): Thank you, Federico. Thank you for your participation. If you have more questions about last year or this year, let's try to answer them with Federico. I think Ms. Ece raised her hand.

Ece (Translated from Turkish): Hello. Can you hear me?

Aykut (Translated from Turkish): Yes.

Ece (Translated from Turkish): Hello. Congratulations for these great results. I have a few questions. Inflation accounting has a certain effect on us. Plus, there is the Phase 5 transition. Maybe we should be thinking in dollars. Should we accept that tractor pricing will be around the same as before in dollars in 2024? Or is there a possibility of growth in dollars? Because as far as I remember, Phase 5 products should be higher priced because they are technologically more advanced. This is my first question. My second question is, are you aiming to gain market share anyway? I understand that the Phase 5 transition will also contribute to this. I'm a little curious about pricing. The second question is about cash creation. It will normalize a little with the increase in investment expenditures, but still, in the past years, for example in the 2014-2016 period, there were years when we distributed dividends above the net profit. Could 2024 be a similar year? And when will you announce the dividend figure? Frankly, I'm curious about this. These are my questions. Thank you.

Aykut (Translated from Turkish): Let me answer your first question. Phase 5 transition is in dollar terms. Meanwhile, we have been observing the dollar and euro ourselves for a long time. Of course, we always said that during the transition to Phase 5, product prices increase compared to Phase 3. This will have an impact in dollars. But a couple of years ago, we were able to share an estimated price because we could assume the transition process. For example, Phase 3 is 100 liras and 5 is 120 liras. The numbers you see now include Phase 5 to a certain extent. Because we have put into use the products that were ready since March last year. And they are increasing day by day. You will see it in December, January, February, when we publish the first quarter. For example, we sold mostly Phase 5 in January because Phase 3 was not available. But there will still be an increase. You will see the effect of this mostly in the last quarter and at a lower rate. Because Phase 3 and Phase 5 will go parallel to June. After July, we will move to Phase 5, but we will actually be selling wholesale. You may not be able to see it fully in July and August because the stocks still stand in the market for a while or our stocks are sold, but in summary, I can say that our wholesale sales will all be in Phase 5 after September. All of the last four months. But again, the increase you will see here is very high. Two years ago, we said that the Phase 3-Phase 5 transition creates differences between 15 and 25 products. I want to underline that. There will be no such increase on a foreign currency basis. Because you've already seen a significant part of it right now. I can see that it might be difficult to fully understand this. Maybe if we sell more large products, a significant portion of

them may already be included in the turnover section. I think we will see a more reasonable dollar or euro basis in the last 4 months, with lower rates. We will also announce the dividend next week. We are also curious about it. I'm joking, of course. We need to announce it next week after confirming it with our partners. That's all for now.

Ece (Translated from Turkish): I understand. Do you have a comment about margins? You were saying that we can accept around 20 as the new normal. I'm talking about EBITDA margin.

Aykut (Translated from Turkish): Federico, do you have any comment for margins? Did you get the questions?

Federico: I think it's fair to expect it to continue as in the exit of 2023 is a fair assessment. The global environment is a little bit more competitive so we'll be spending a little bit more marketing funds in order to achieve a lot of objectives of higher market shares. But we're entering 2024 very strong from last year and at the very least it's fair to expect a normal scenario with a continuing demand.

Aykut (Translated from Turkish): Let me add a general comment. So, I wouldn't say that the margin will stay exactly like this. Our targets are not only for last year or recent years, and they are certainly not only in terms of pricing discipline, but also in terms of cost savings every year. And especially the delay in the transition to new products has given us some opportunity. While launching new products, we actually spent more time focusing on cost. Therefore, let me underline that some of today's margins are due to the pricing convenience in the supply-demand balance in the market, and a significant part is cost savings. Now, when we move on to this year, the different margins since the quarter of last year are still stand strong. It wouldn't be accurate to give an exact ratio anyway, but our investments in the new transmission engine continue in Ankara. We are working on placing a few products. I especially underlined the cabin investment. We attach great importance to it because it is an essential component of the tractor and constitutes a significant part of the cost. Federico already mentioned that. If we can manage it, we will meet 83% percent of our power use from our own renewable resources after July. Therefore, we predict that margins will be strong again with the introduction of our investments, which we started long ago and have even begun to reap the fruits of, in order to keep the margins above the figures you mentioned. You know, the new normal may be different from the old one and it would not be right to give an exact ratio, but we predict that our margins will remain strong again.

Ece (Translated from Turkish): Thank you. By the way, good luck with your new position.

Aykut (Translated from Turkish): Thank you, thank you. That's why you have to ask your questions right here and right now. You won't be able to catch me again!

Mehmet (Translated from Turkish): Good morning. I'm Mehmet. Mr. Aykut, I want to congratulate you. I have always appreciated the investor relations standard at TürkTraktör. The company's performance is already outstanding. It has been going on like that for years. It is one

of the rarest performances in Borsa Istanbul. I congratulate the whole team for this. I have a request from you, a personal request. I congratulate you too. I want you to establish the same investor relations standard in Otokar. TürkTraktör's standards are extraordinary, but perhaps Otokar may not want to be as transparent as it is in defense industry. But I still want to express that we expect similar standards there as well. Good luck again.

Aykut (Translated from Turkish): Thank you, Mr. Mehmet. You just gave me another task, just like my bosses. I haven't even joined in the company's management yet, but I'm suddenly responsible of everything! I am kidding, of course. All jokes aside, Otokar operates in two different sectors. One of them is quite regular. Let's call it bus sector, which is a similar sector to ours. However it also operates in defense industry, which is related to military. Therefore, there may be very specific issues that need to be handled sensitively and discreetly.

Mehmet (Translated from Turkish): By the way, can we get to know the new general manager? We couldn't even tell whether it was French or Italian from his name.

Aykut (Translated from Turkish): Let's say he's both French, Italian and Turkish. Matthieu Séjourné. By the way, my friends told me that he has five names. He has many other names. I don't know them either. Let me give you some information. Matthieu is someone who personally worked in Turkey between the end of 2009 and the end of 2015, that is, for approximately 5,5-6 years. In other words, he is not like a fish out of the water and he certainly knows about Turkey and its market. He also has a business background. He was a deputy general manager of marketing. Therefore, he has strong communication skills and a huge network for dealers in Turkey. By the way, I already knew him before. Although we did not work together, we have met several times in the last 5 years.

Therefore, he knows the Turkish market, knows the team here, a significant part of our team has worked with him and knows him. Therefore, our French friend who will adapt and adapt much faster. You can call him Matthieu. It's okay if you miss out on his other names. No one uses them really anyway.

Mehmet (Translated from Turkish): Thank you very much, good luck to you again. Congratulations to the new general manager. I really congratulate the whole team. I hope the point we have reached is not the peak, because it is said that descent begins from the peak.

Aykut (Translated from Turkish): It's not the peak. We'll continue to grow more and more.

Mehmet (Translated from Turkish): I hope. Thanks a lot. Good luck.

Aykut (Translated from Turkish): You're welcome. I guess there aren't many other questions. We explained a lot in the financials section. Yes, it seems like there isn't. If there are no more questions, we can end the meeting in order to spend the day productively. You can always reach Meriç and Sila if you have detailed questions. We try to respond to you quickly.

Sıla (Translated from Turkish): Then thank you very much for participating.

Aykut (Translated from Turkish): Thanks everyone.

Sıla (Translated from Turkish): Have a good weekend.