

TOFAŞ 31.12.2018 RESULTS

WEBCAST PRESENTATION



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.



AGENDA



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

- Highlights
- Turkish Automotive Industry
- Production
- Domestic Market Developments
- Tofaş Domestic Market Performance
- Export Markets & Tofaş Performance
- Financial Performance
- Investments
- Expectations

HIGHLIGHTS



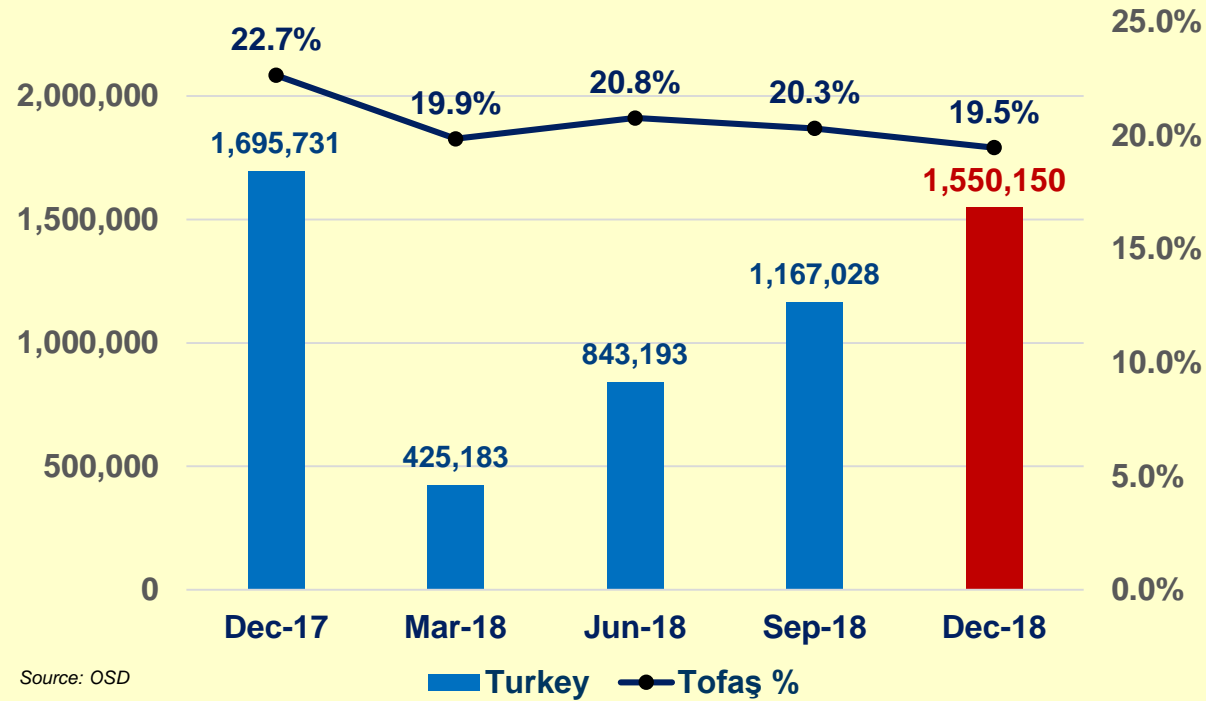
- We are happy to conclude 2018, the 50th year of our foundation, with all-time-high readings of **TL 18.6B Net Revenues** (+11.5% YoY), **TL 2.5B EBITDA** (+24% YoY) and **TL 1.3B Consolidated Net Profit** (+4% YoY).
- **FY18 Export volumes are down by 9.9% YoY in 2018.** After being adjusted for the PSA contract which has expired in 2017, the LfL (like-for-like) contraction stands at **4.9%**. Despite the 6% LfL growth achieved in the LCV segment, changing consumer preferences and higher than expected WLTP effect in 4Q18 pressurized PC shipments.
- **Domestic market** contracted by 52% YoY in 4Q18, despite the relief the incentives brought in the last two months, bringing **FY18 figure to 35% YoY contraction**. We have managed to increase our market share in this environment in 4Q18, while maintaining profitability.
- We have maintained our strong position in the Turkish LV market, sustaining our second position with our Fiat brand in 2018.
- **Fiat Egea, has been crowned as the best-selling passenger car in Turkey** for the third consecutive year, obtaining **7.5% market share** in FY18, continuing its strong performance.

TURKISH AUTOMOTIVE INDUSTRY

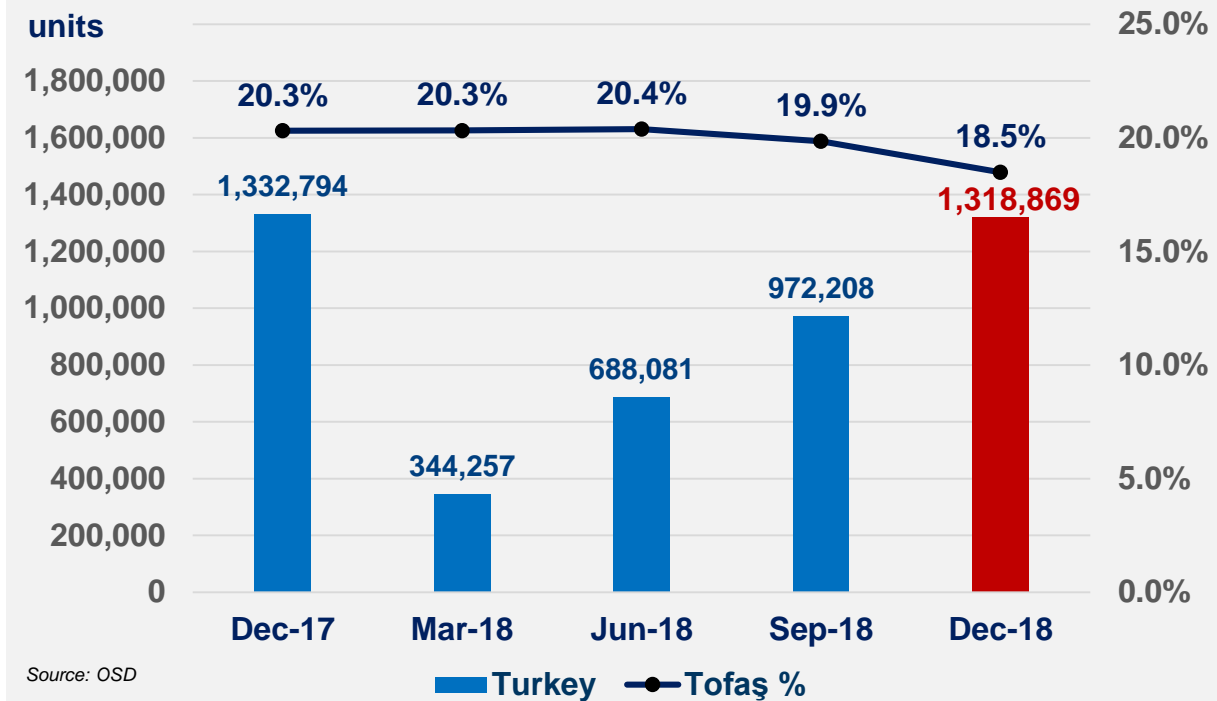


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Turkish Auto Production - Cumulative



Turkish Auto Exports - Cumulative



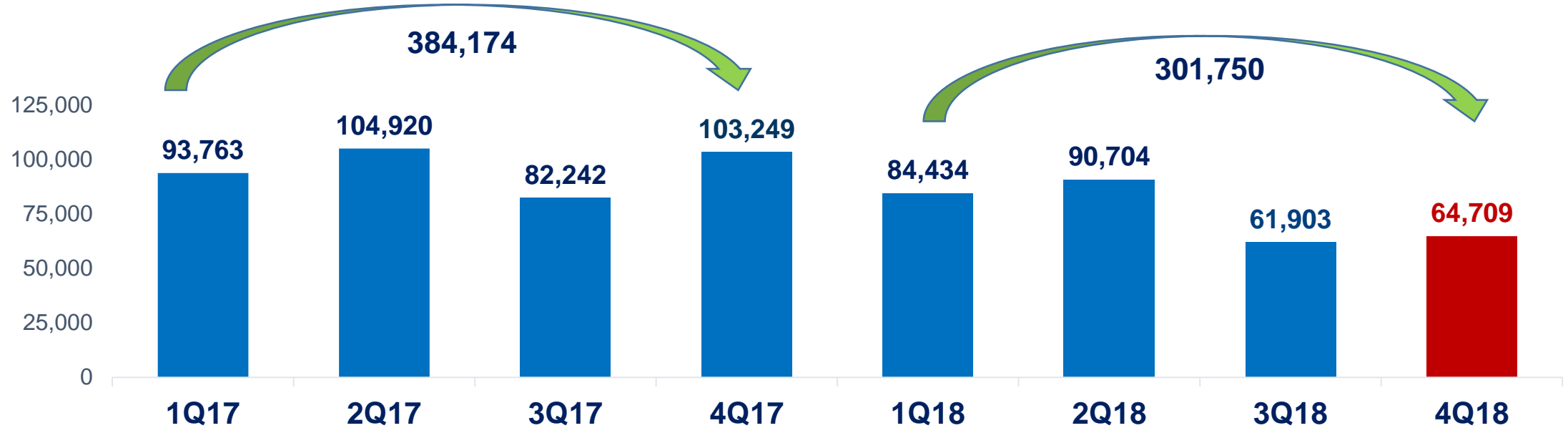
- In FY18, total Turkish motor vehicle production declined by 8.6% YoY, to 1.55mn units.
- Tofaş constitutes ~20% of the industry in FY18, with a production figure of 302K units.
- Export volume of Turkish auto industry declined by 1.0% YoY, at 1.32mn units.
- Every one out of five vehicles exported from Turkey originated from our plant in Bursa

TOFAŞ PRODUCTION



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Tofaş Production Volume - Quarterly units



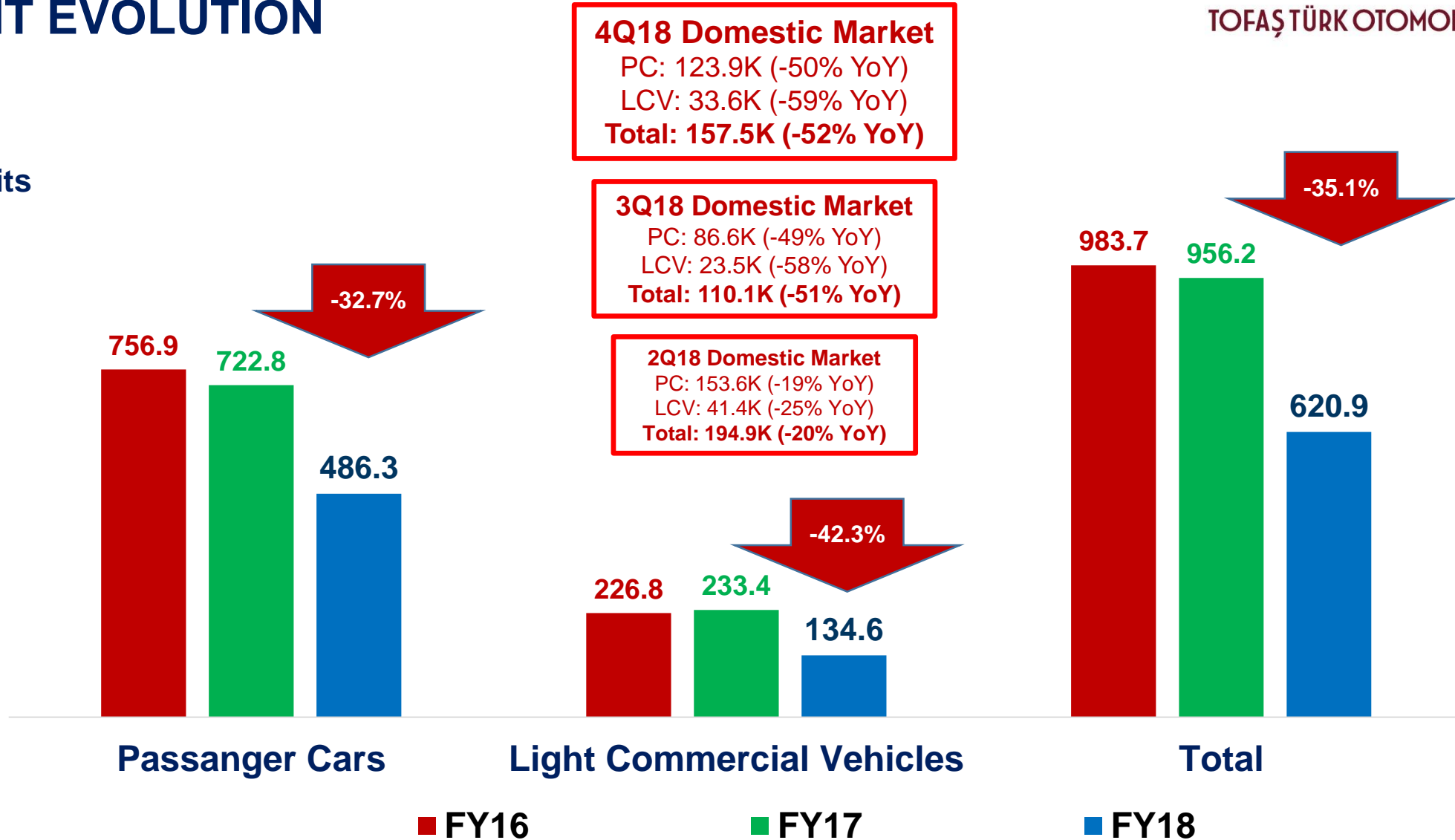
- Tofaş FY18 production declined by 21% YoY to **302K units**.
- Decline in the domestic market – especially in 2H18 stands as the major culprit here, while the absence of MCV production for PSA also contributed to this decline
- Tofaş FY18 production mix is **56%** Passenger Cars & **44%** Light Commercial Vehicles.

DOMESTIC MARKET SEGMENT EVOLUTION



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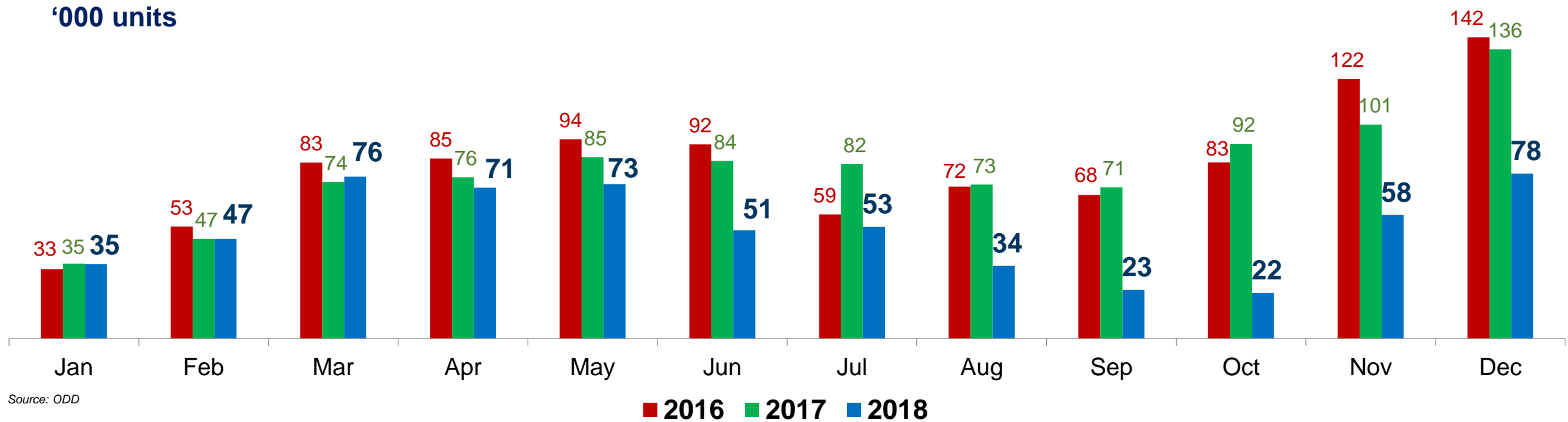
'000 units



Source: ODD

TOTAL DOMESTIC MARKET

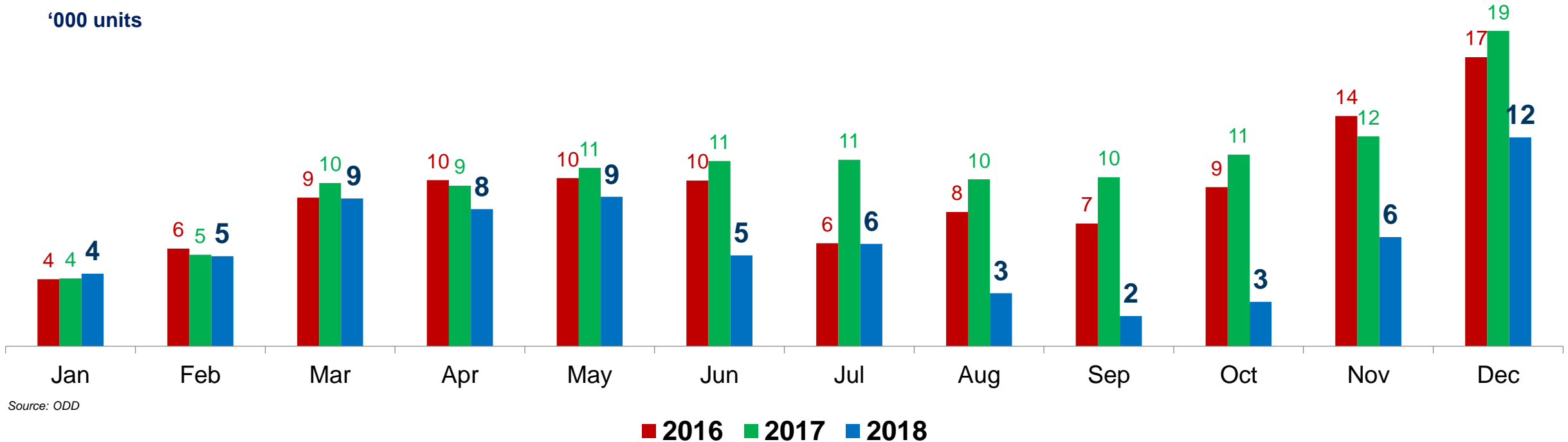
PC & LCV MONTHLY RETAIL SALES



- Total domestic market retail sales declined by 35.1% Y-o-Y and reached **620.9K** units in FY18.

TOFAŞ DOMESTIC SALES

PC & LCV MONTHLY RETAIL SALES



- Tofaş local market retail sales declined by 40.8% YoY reaching **72.8K** units in FY18.

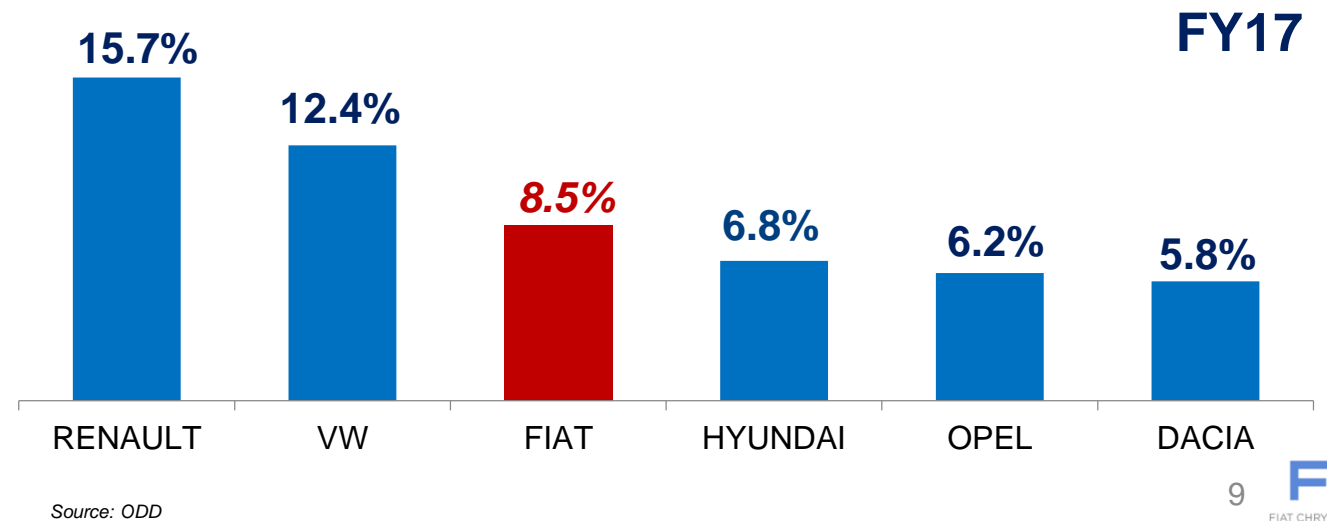
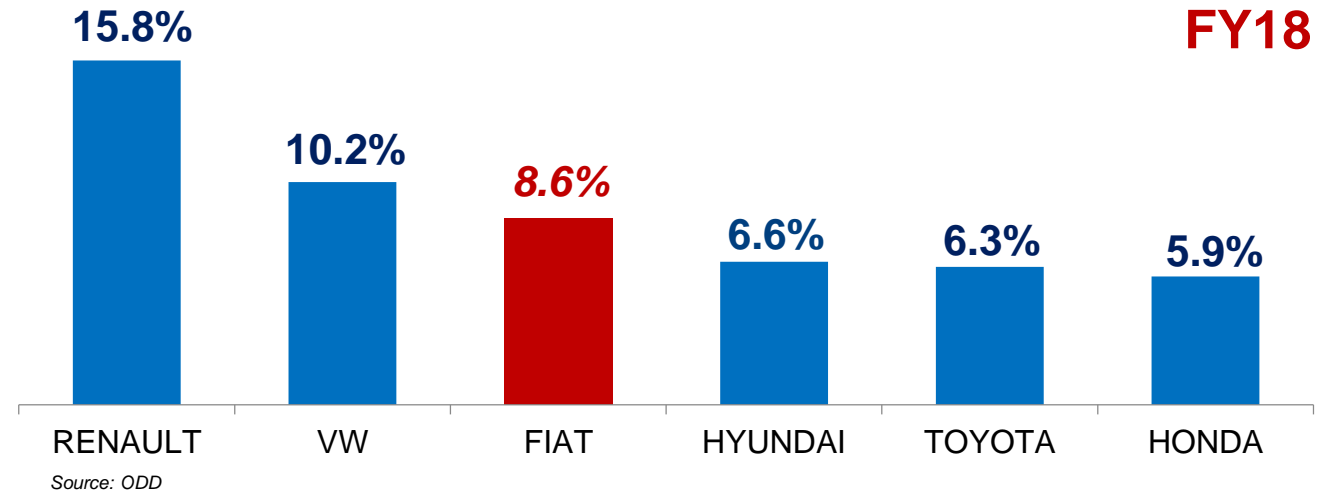
FIAT DOMESTIC MARKET SHARE

PASSENGER CARS MARKET SHARES



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- Including Premium brands FY18 market share is **9.1%** vs. 8.9% in 2017.
- **94%** of Tofaş domestic sales come from locally manufactured vehicles
- In FY18, Fiat Egea has **7.5%** market share, earning around 90bps over the previous year while maintaining its title as the best selling PC in Turkey third year in a row



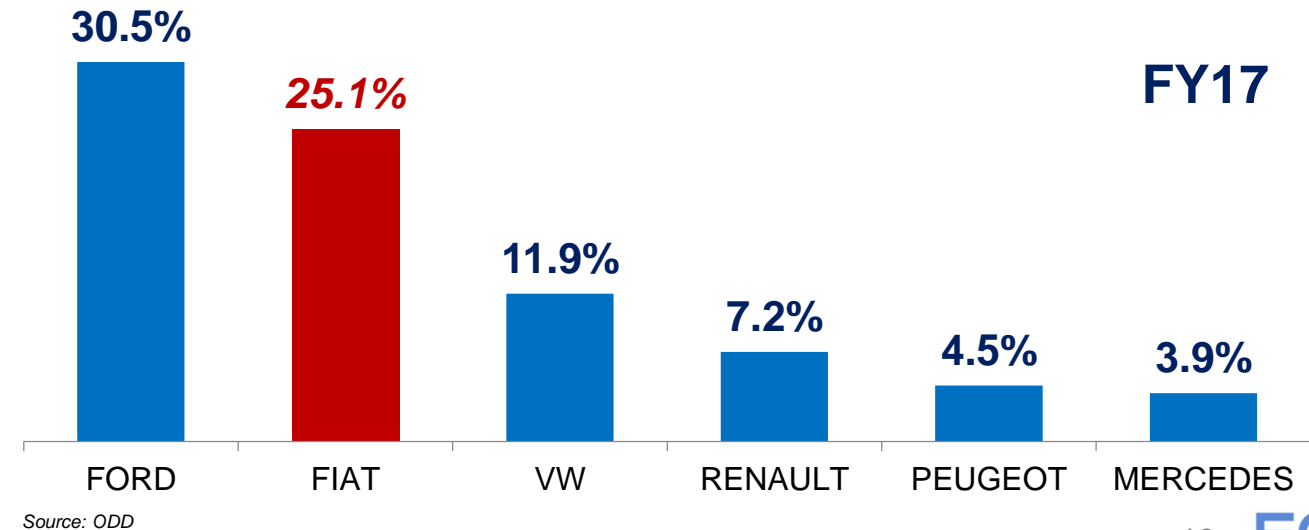
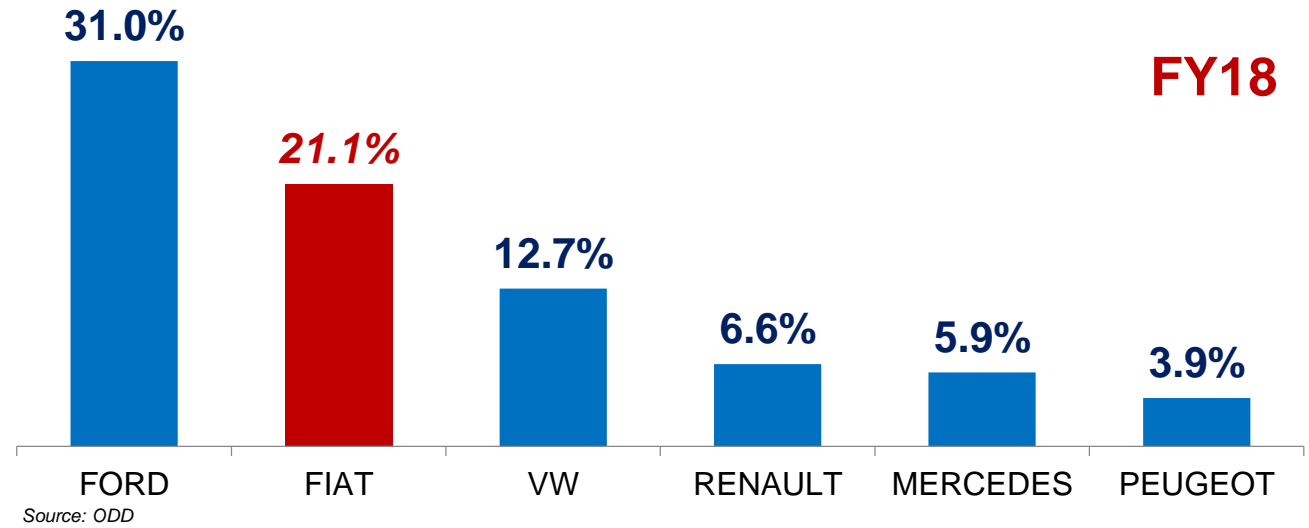
FIAT DOMESTIC MARKET SHARE

LIGHT COMMERCIAL VEHICLES MARKET SHARES



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- The share of CDV segment, which we maintain our leading position by a wide margin, declined by ~4.5pps to 50% in FY18 in LCV sales, causing the decline in total LCV share of Tofaş



FIAT DOMESTIC MARKET SHARE

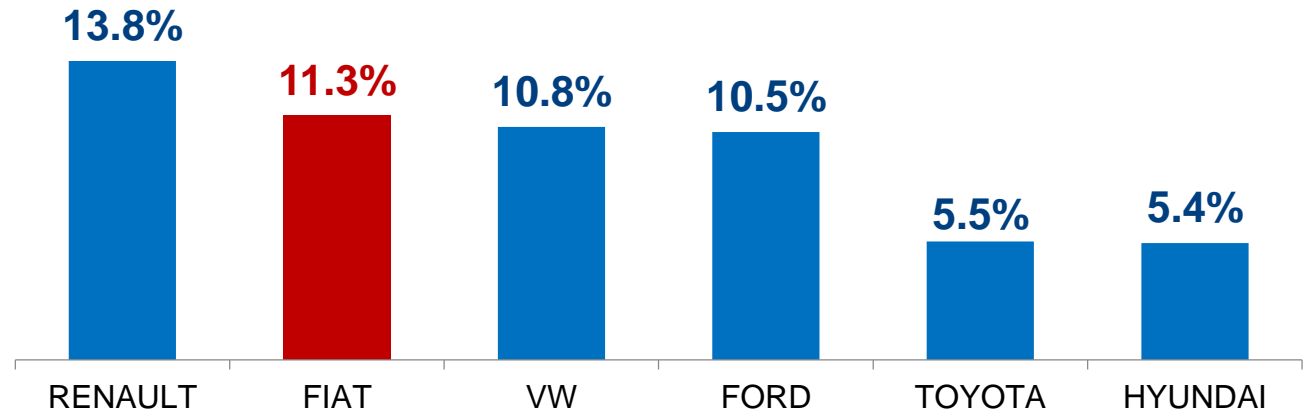
MARKET SHARES PC + LCV COMBINED

- Tofaş market share including Premium Brands is 11.7% in FY18



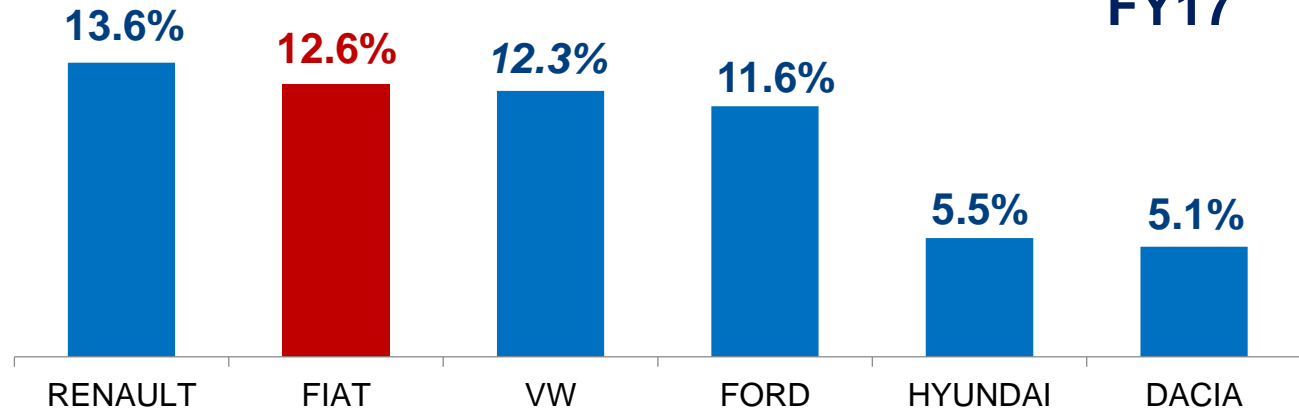
TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

FY18



Source: ODD

FY17



Source: ODD

TOFAŞ EXPORTS



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.



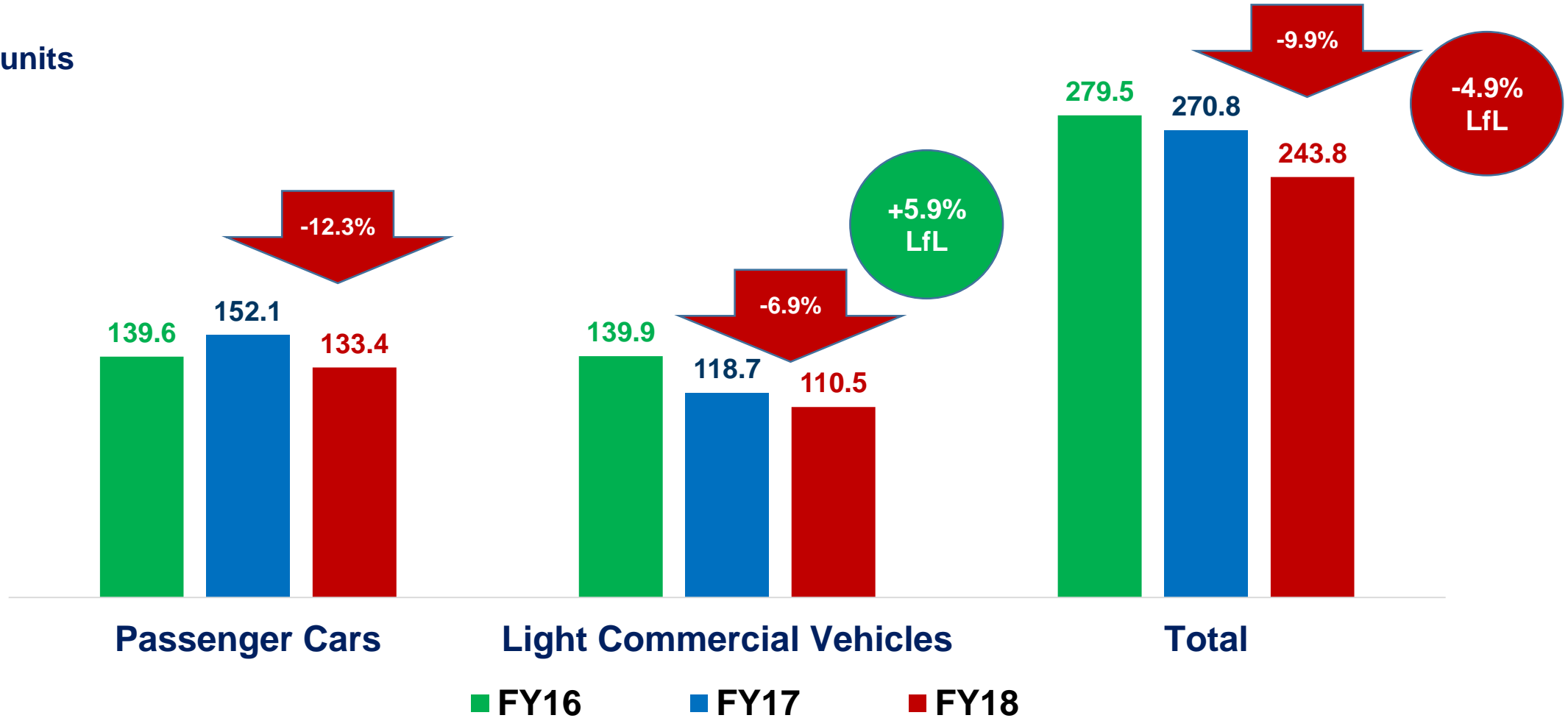
TOFAŞ EXPORTS

SEGMENT EVOLUTION



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

'000 units



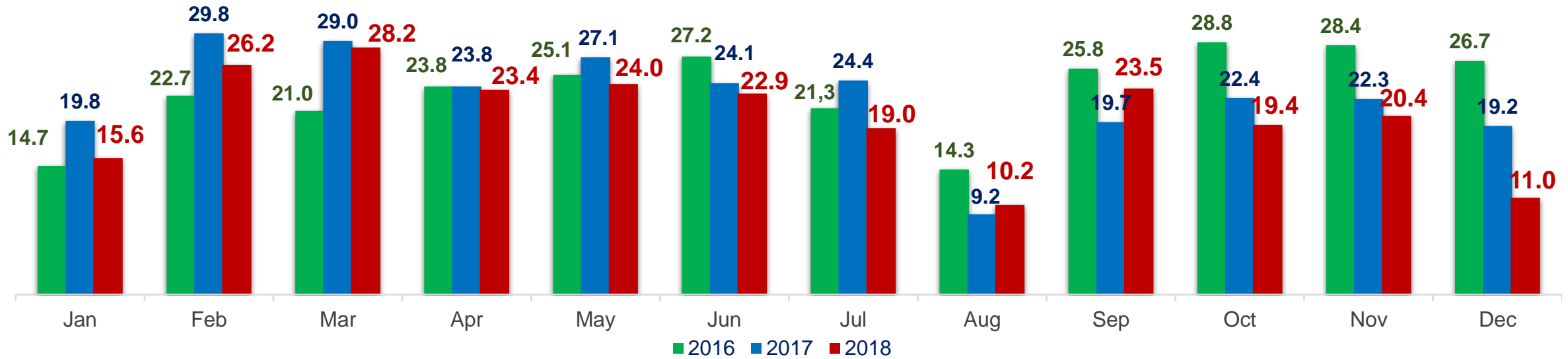
TOFAŞ EXPORTS



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

Tofaş Monthly Export Volumes

'000 units



- Tofaş exports declined 9.9% Y-o-Y to **244k** units in FY18
- The absence of MCV production for PSA was the major culprit here, while the WLTP transition effect in the European PC market left its mark on 4Q18 shipments
- Adjusted for PSA shipments, FY18 export volume is 4.9% lower than the same period of the previous year

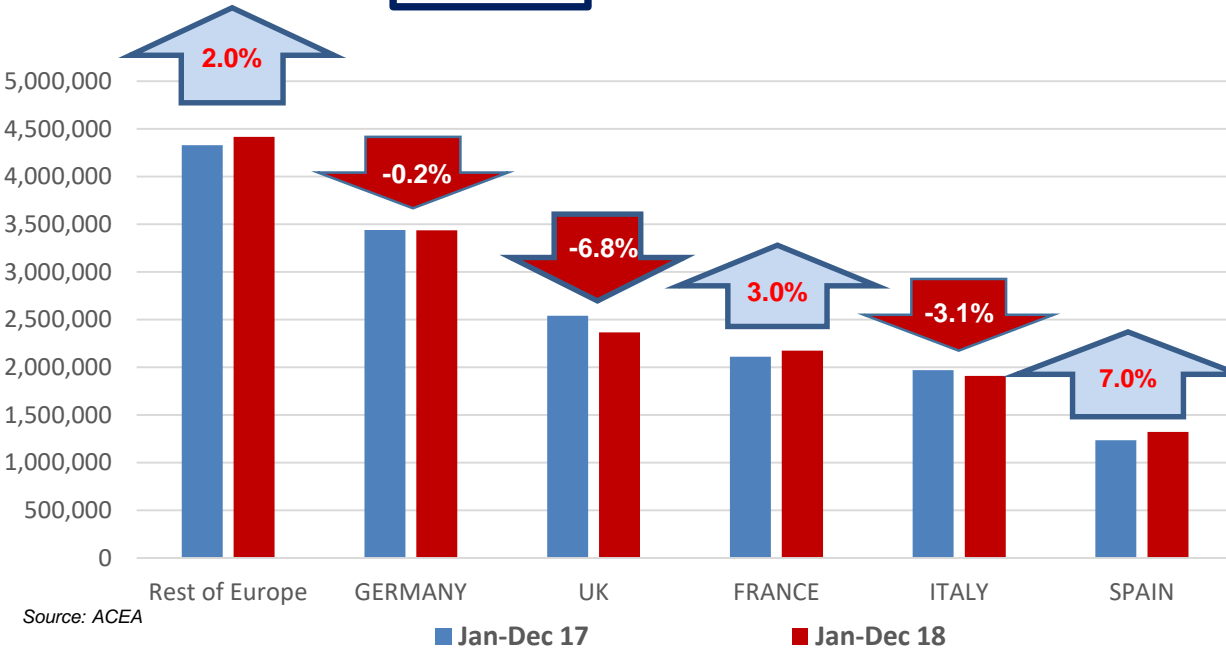
EUROPEAN MARKETS



Total European PC Market

units

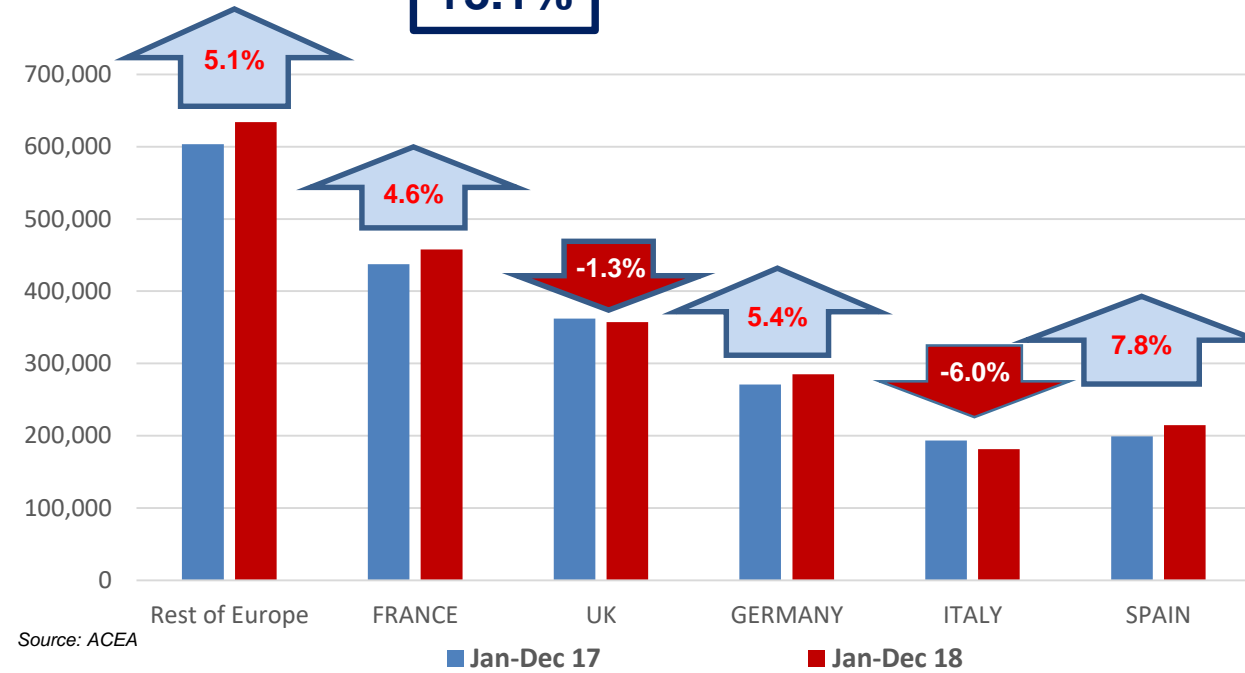
-0.04%



Total European LCV Market

units

+3.1%



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

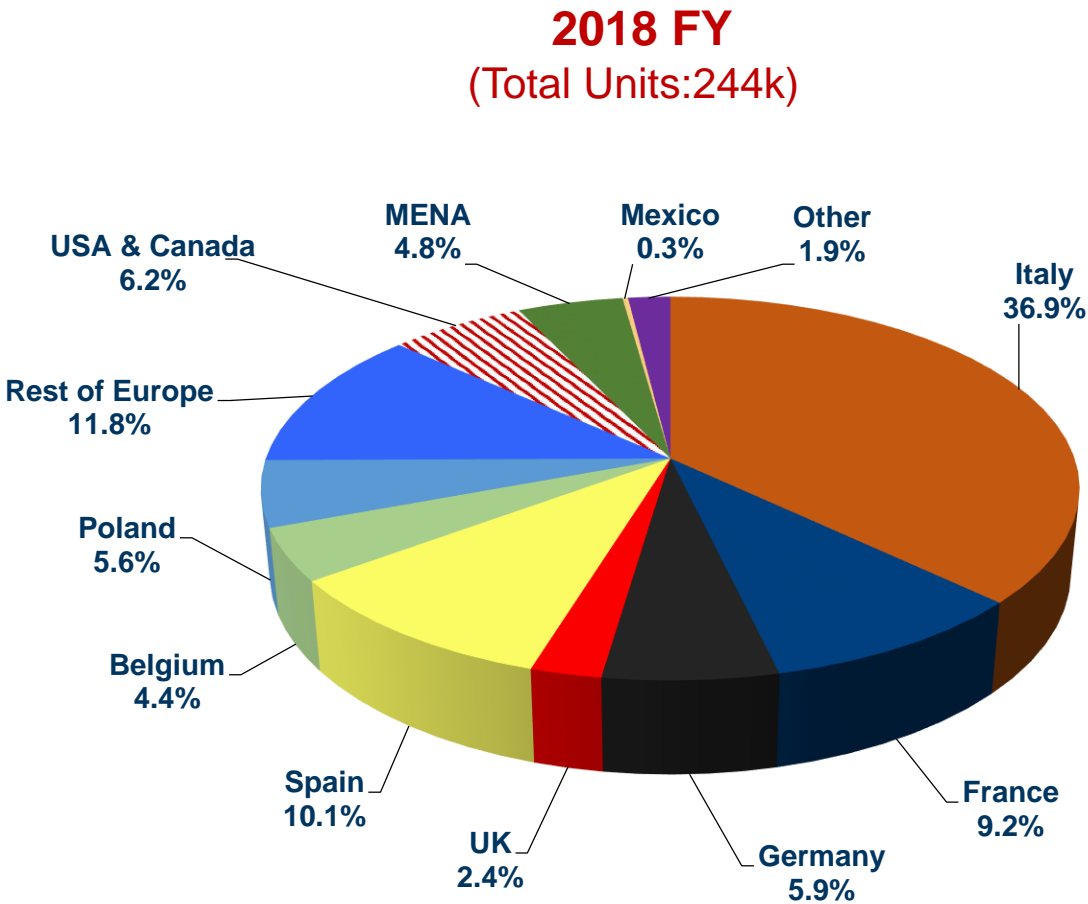
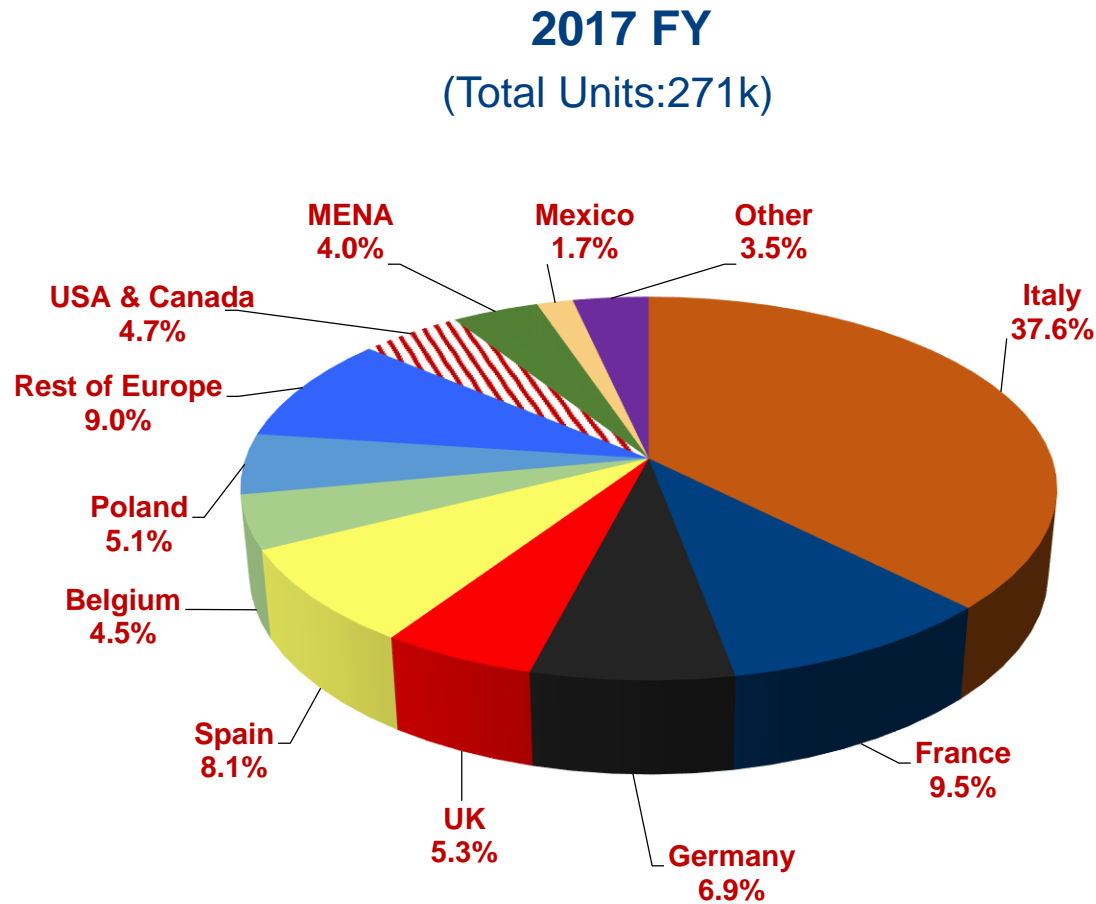
- European LCV markets continue to grow on low single digit figures, while the WLTP transition in Europe squeezed the PC market in 4Q18
- UK market continues to feel the negative influence of Brexit, while the Italian market trails behind other markets, due to issues regarding political stability

EXPORT MARKETS

SALES BREAKDOWN



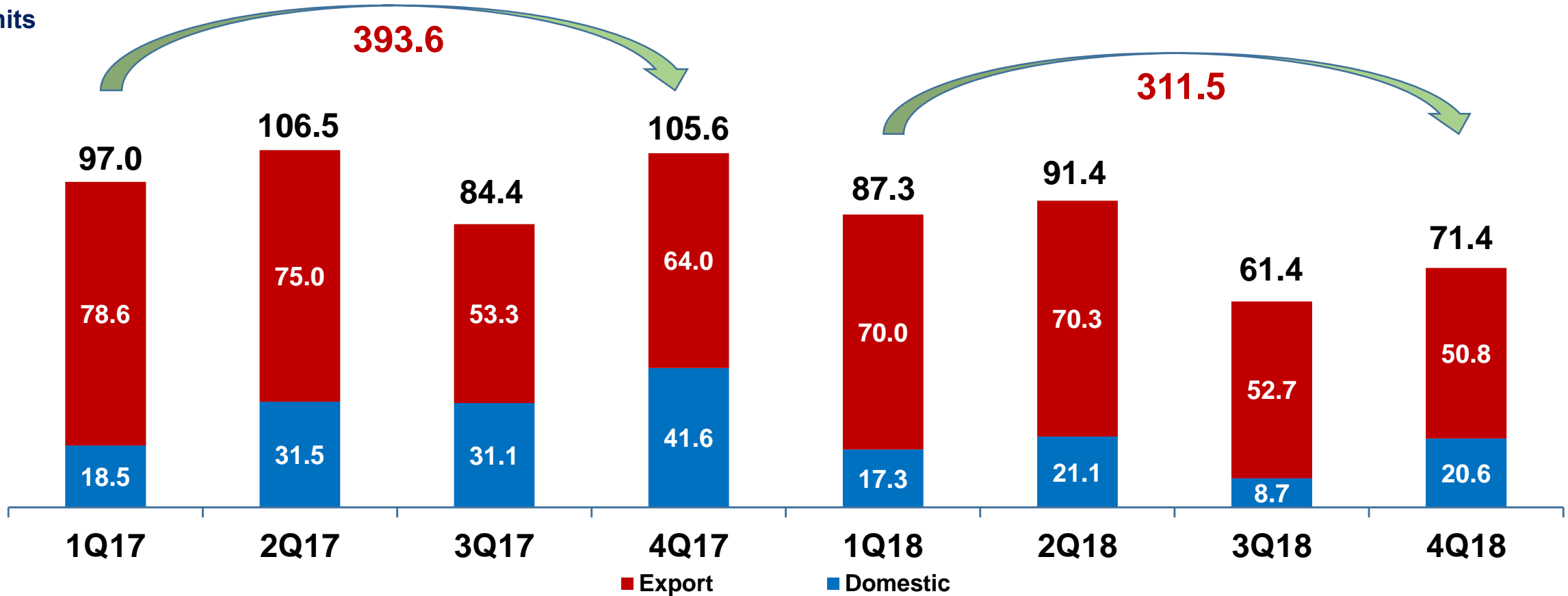
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TOFAŞ SHIPMENTS

PC&LCV QUARTERLY BREAKDOWN

'000 units



- Tofaş **FY18** shipments declined by 20.9% YoY to **311.5K** units, while **4Q18** shipments declined by 32.4% YoY to **71.4K** units
- The sharp deceleration in the domestic market due to unfavorable macro environment was the major reason here.

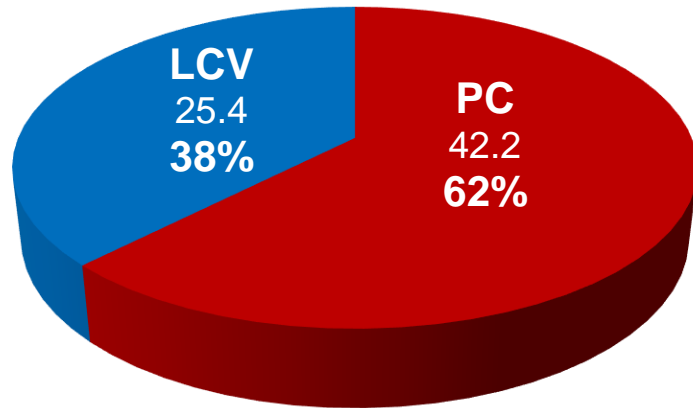
SHIPMENTS BY BUSINESS

FY18



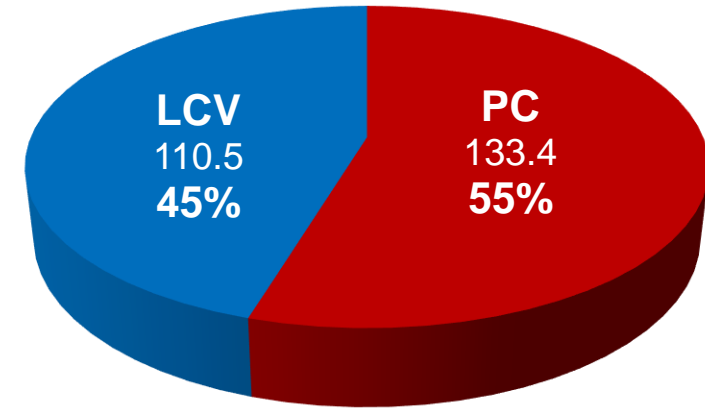
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Domestic ('000 units)



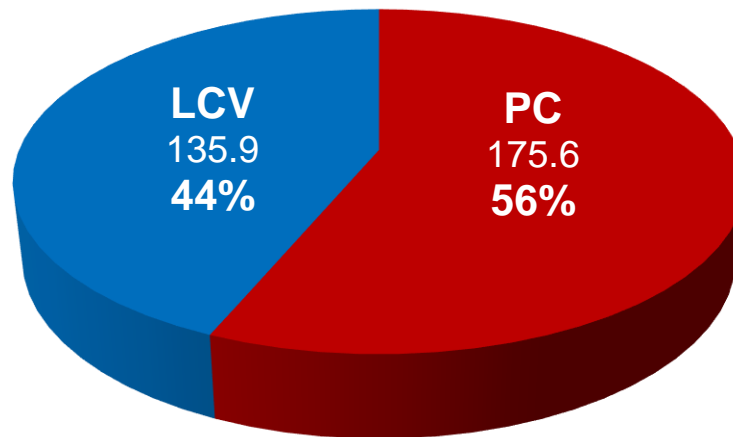
■ PC ■ LCV

Exports ('000 units)



■ PC ■ LCV

Total ('000 units)



■ PC ■ LCV

SHIPMENTS BY MODEL

FY18

units

	2018	2017	Δ
Exports			
Tipo Sedan	24,600	30,473	-5,873
Tipo HB & SW	89,578	98,191	-8,613
New Doblo	65,447	58,289	7,158
GM (Opel, Vauxhaul)	11,956	19,346	-7,390
Ram Promaster City	15,407	12,651	2,756
MCV Fiat	36,811	37,351	-540
MCV PSA	0	14,395	-14,395
Others	34	64	-30
Exports Total	243,833	270,760	-26,927



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	2018	2017	Δ
Domestic Market			
Linea	1,461	8,436	-6,975
Egea Sedan	32,985	42,873	-9,888
Egea HB & SW	2,403	4,361	-1,958
New Doblo	11,709	27,970	-16,261
Fiorino	13,170	27,655	-14,485
Imported Vehicles	5,938	11,512	-5,574
Domestic Total	67,666	122,807	-55,141

Total Shipments **311,499** **393,567** **-82,068**

FINANCIAL PERFORMANCE



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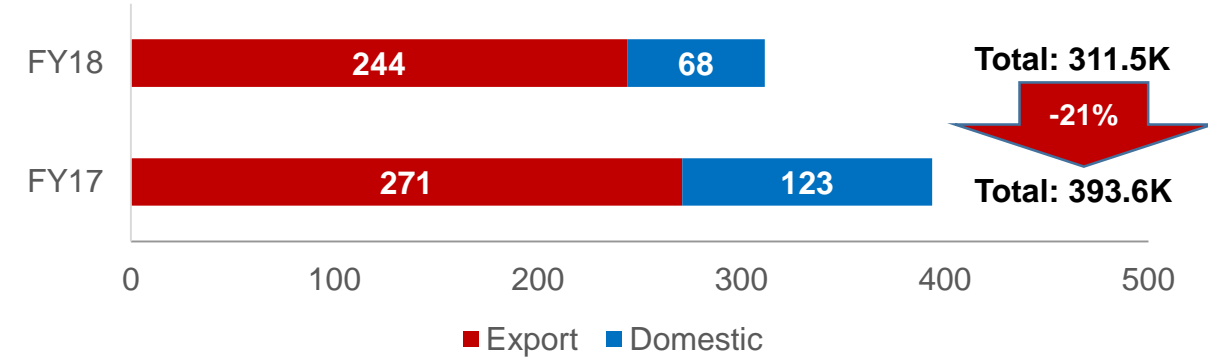


FY18 FINANCIAL HIGHLIGHTS

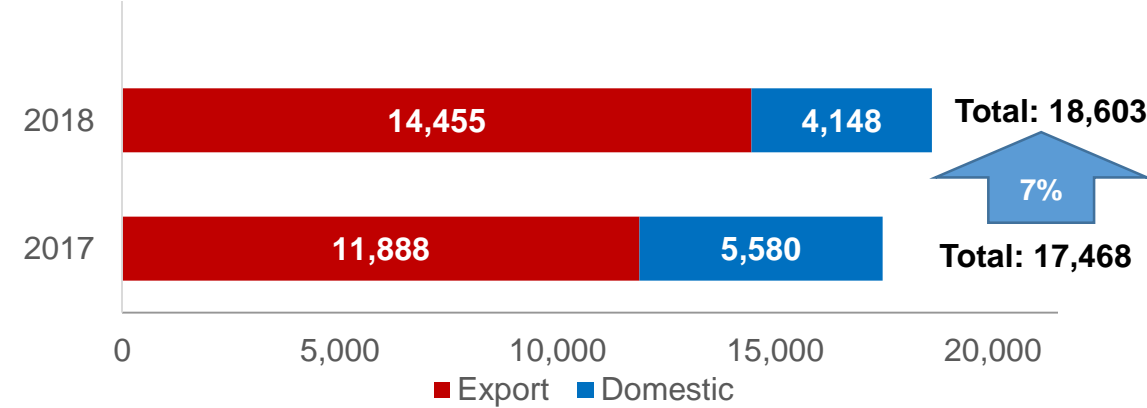


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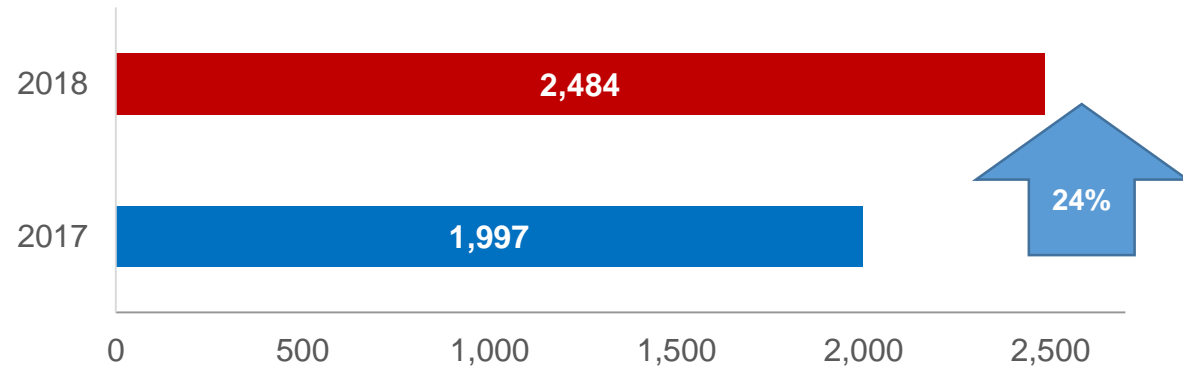
SHIPMENTS ('000 units)



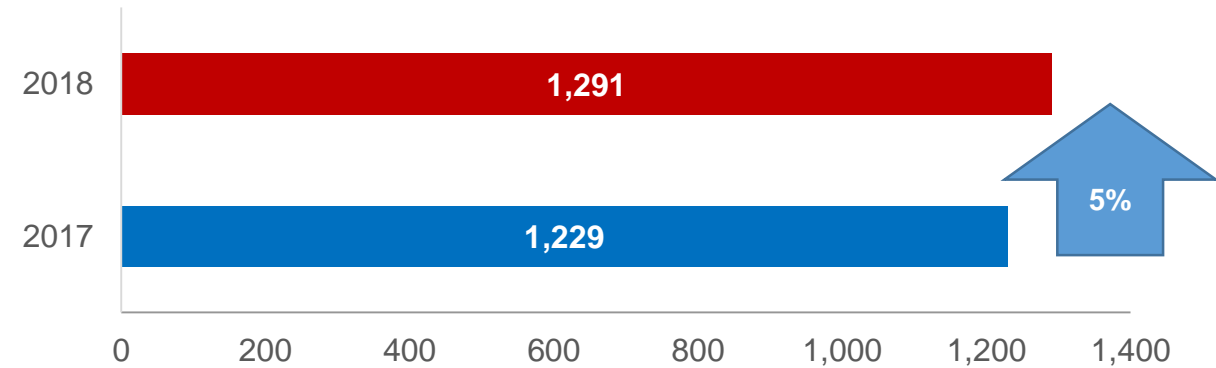
REVENUES (MTL)



EBITDA (MTL)



PBT (MTL)

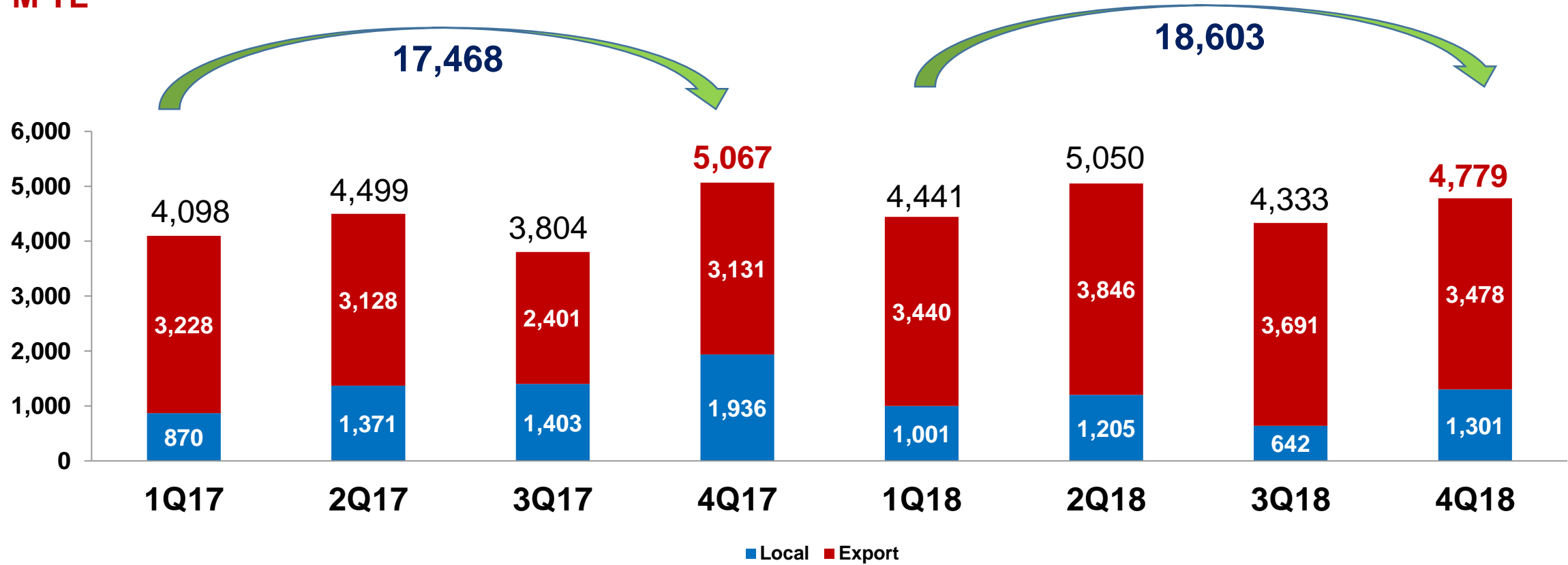


REVENUES



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

M TL



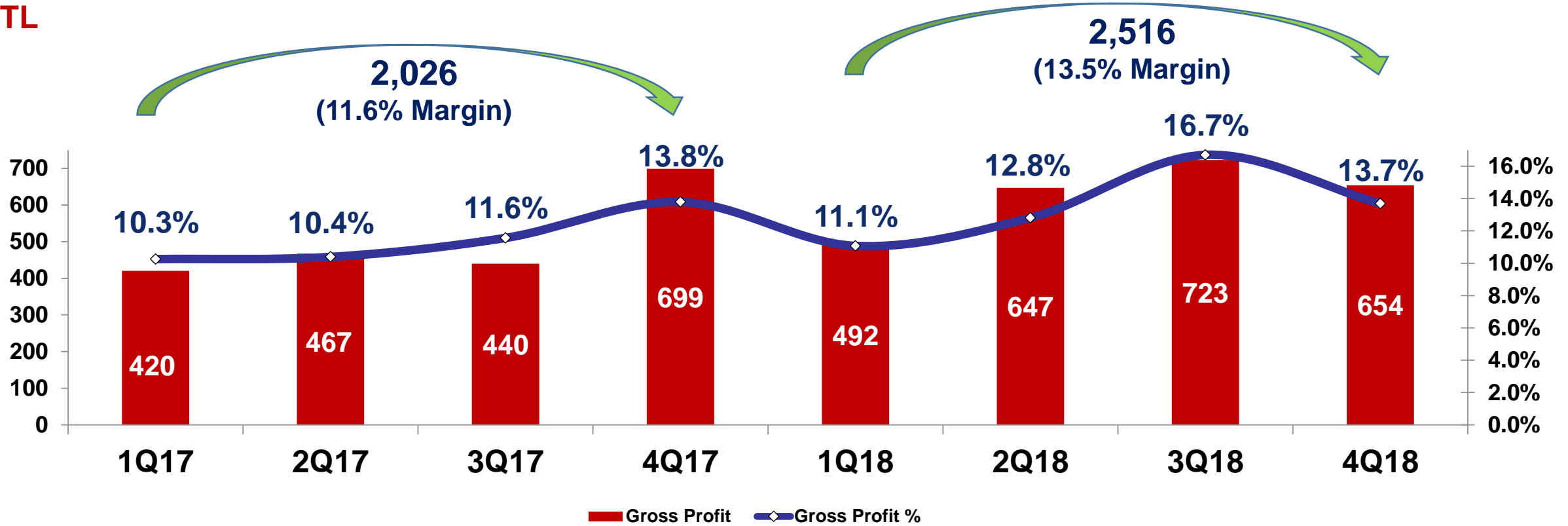
- FY18 total revenues grew by **+7% YoY**, reaching **TL 18.6B**.
- 4Q18 revenues are down by **-6% YoY**, to TL 4.8B due to lower domestic sales
- Favorable FX rates (i.e.: strong € vs. TL) more than offset the weak domestic market in the full year

GROSS PROFIT



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

M TL



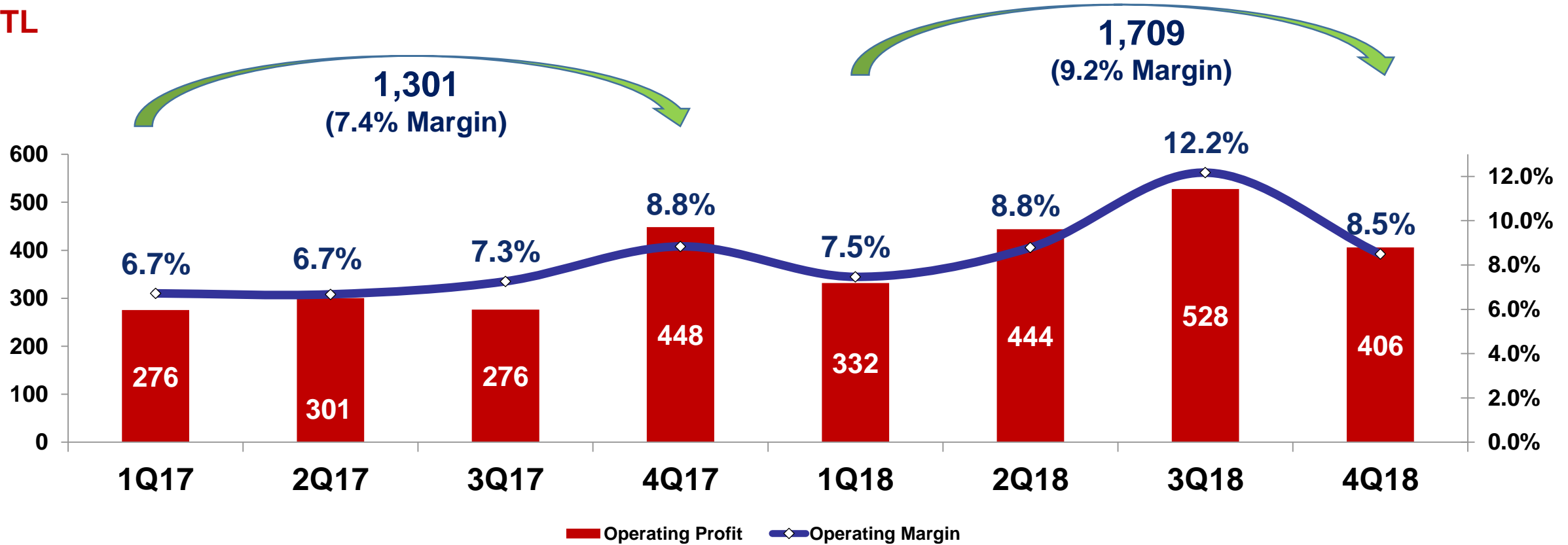
- **FY18** Gross Profit grew by **+24%** YoY reaching **TL 2.5B**. FY18 Gross Margin is **13,5%**, up by 1.9pps YoY
- **4Q18** Gross Profit down by **-6%** YoY with a 13.7% margin, declining by a slight 10bps YoY

OPERATING PROFIT



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

M TL



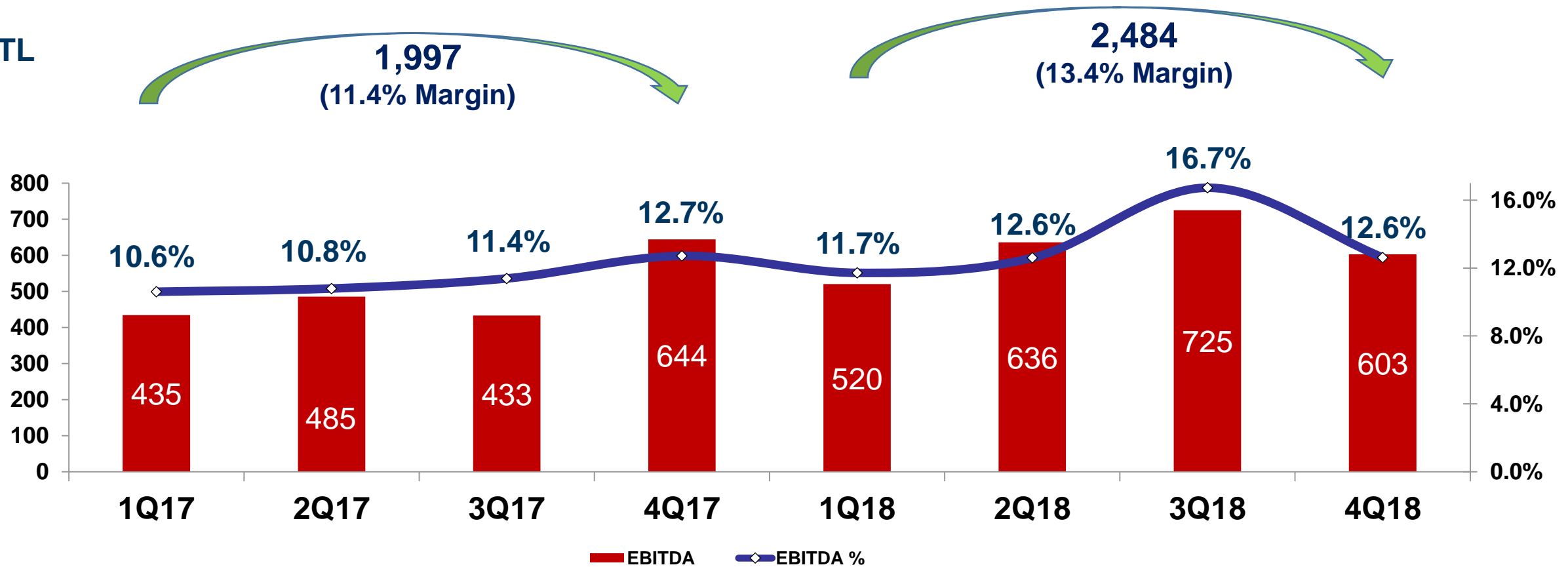
- FY18 Operating Profit climbed to **TL 1.7B** showing a growth of **+31% YoY**
- Operating Margin increased by 1.7pps to **9.2% YoY**.
- 4Q18 Operating Profit down by -9% YoY with a 8.5% margin, declining by 35bps over 4Q17

EBITDA



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

M TL



- FY18 EBITDA climbed to **TL 2.5B** with an increase of **+24% YoY**.
- FY18 EBITDA margin increased to **13.4%** with **1.9pps annual improvement**, thanks to FX impact and cost reduction measures.
- 4Q18 EBITDA down by -6% YoY with a 12.7% margin, displaying a negligible 10bps annual decline

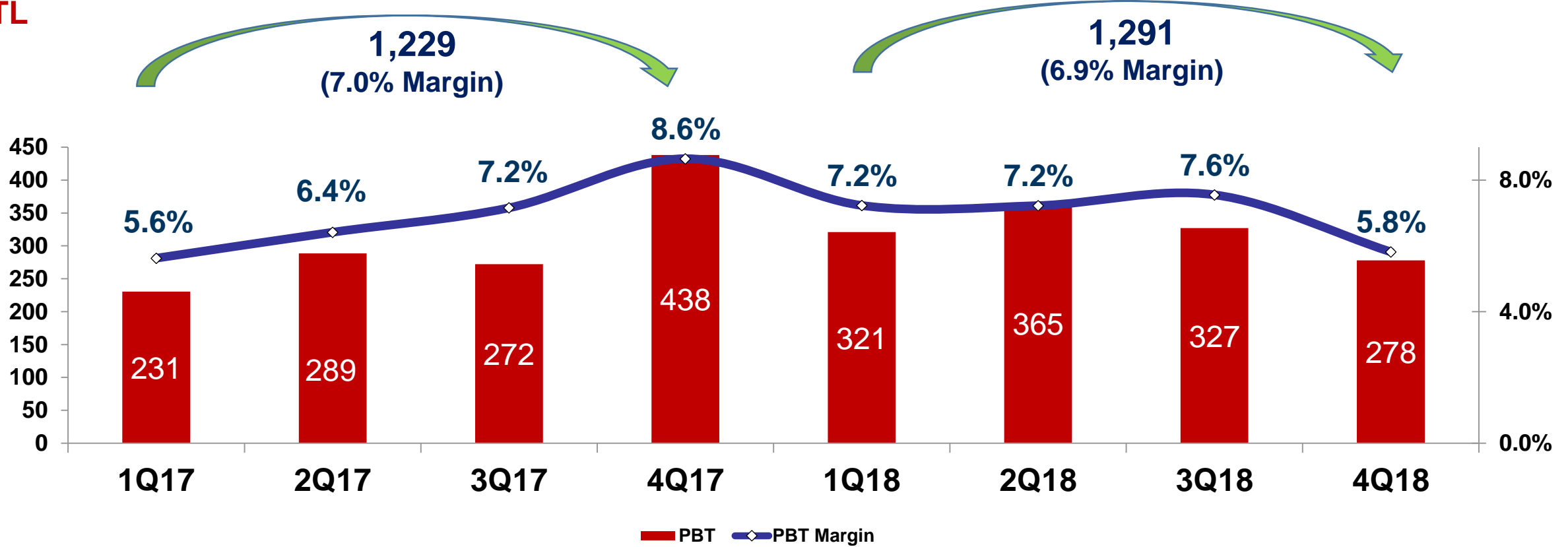
* Calculated by keeping the non-financial FX rate gain & losses out of operating profit in line with previous years

PROFIT BEFORE TAX



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M TL



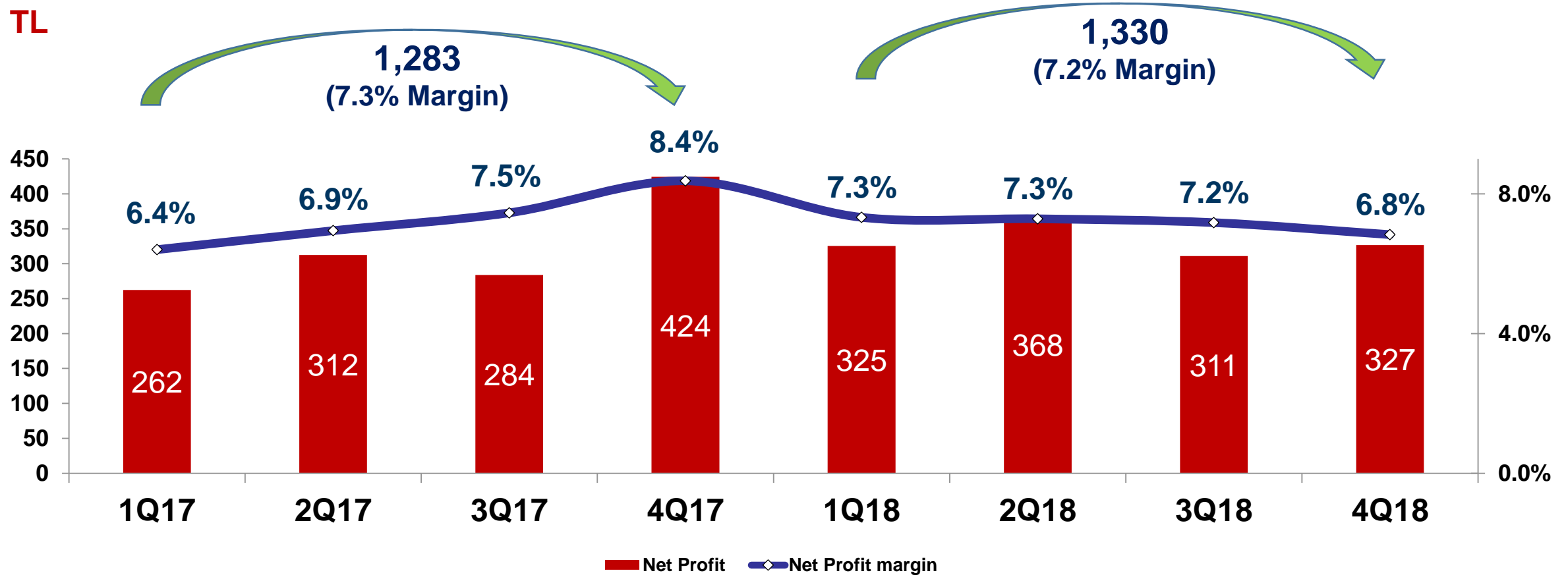
- Profit Before Tax up by **+5%** YoY in **FY18**, reaching **TL 1,3B**.
- FY18 PBT margin was down by 10bps to **6.9%**, while decreasing by 2.8pps YoY in 4Q18.

NET PROFIT



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

M TL



- FY18 Net Profit grew by **+4% YoY**, reaching **TL 1.3B**.
- FY18 Net Margin is **7.2%**, down by 19bps YoY and down by 1.5pps in 4Q18 on a quarterly basis to 6.8% YoY in 4Q18

FY18 INCOME STATEMENT

TL Million	FY18	FY17	Δ %
Net Sales	18,603	17,468	6.5%
Gross Profit	2,516	2,026	24.2%
Operating Profit	1,709	1,301	31.4%
EBITDA	2,484	1,997	24.4%
Profit Before Tax	1,291	1,229	5.0%
Net Profit	1,330	1,283	3.7%
Gross Margin %	13.5%	11.6%	1.9pp
Operating Margin %	9.2%	7.4%	1.7pp
EBITDA %	13.4%	11.4%	1.9pp
Profit Before Tax Margin %	6.9%	7.0%	-0.1pp
Net Margin %	7.2%	7.3%	-0.2pp

BALANCE SHEET – ASSETS (million TL)

Current Assets	31.12.2018	31.12.2017	Δ
Cash and Cash Equivalents	2,385	3,239	-854
Inventory	1,077	1,056	21
Trade Receivables	2,097	1,765	333
S.T. Consumer Financing Loans	1,277	1,339	-62
Other Current Assets	252	327	-75

Non-current Assets	31.12.2018	31.12.2017	Δ
Fixed Assets	2,248	2,350	-102
Intangible Assets	1,579	1,704	-124
L.T. Consumer Financing Loans	1,016	1,197	-181
Other Non-current Assets	1,071	899	172
Total Assets	13,002	13,875	-873

BALANCE SHEET – LIABILITIES (million TL)

Current Liabilities	31.12.2018	31.12.2017	Δ
Short-term Financial Liabilities	444	680	-236
S.T. Portion Of L.T. Financial Liabilities	2,017	1,900	116
Trade Payables	3,294	3,866	-572
Other Current Liabilities	343	399	-56
Non-current Liabilities And Equity	31.12.2018	31.12.2017	Δ
Long-term Financial Liabilities	2,971	3,231	-259
Other Long-term Liabilities	226	216	10
Equity	3,707	3,583	124
Equity & Liabilities	13,002	13,875	-873

FINANCIAL POSITION



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

EUR million	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Financial Assets	396	385	449	536	717	744
KFK - Consumer Loans Granted	380	348	483	519	562	540
KFK – Financial Liabilities	377	340	454	511	557	511
Tofaş Financial Liabilities	525	637	528	598	730	869
Net Financial Position	-125	-245	-50	-54	-8	-95
Factoring	84	0	133	210	153	166

- Financial position improved on a quarterly basis thanks to factoring operations. As a result of strong cash generation, cash position remained at a similar level QoQ, despite the payback of financial loans.

WORKING CAPITAL



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EUR million	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Trade Receivables	347	369	361	336	391	343
Inventory	179	246	267	229	234	257
Other Receivables	43	78	72	78	72	27
Trade Payables	546	647	848	824	856	721
Other Liabilities	32	35	43	85	58	116
Net Working Capital	-10	11	-191	-267	-218	-209
<i>of which: Factoring</i>	84	0	133	210	153	166

- WCR increased on a yearly basis due to lower factoring activities

INVESTMENTS



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EUR million	2018	2017	2016	2015
Structural	29	31	55	32
Minicargo	7	13	15	15
Doblo & RAM ProMaster City	22	24	30	56
Egea/Tipo Sedan, HB & SW	37	89	252	275
Total	95	157	352	377

EXPECTATIONS

2019 FY expectations are as follows:

- Domestic light vehicle market (PC+LCV): 380K – 400K units
- Tofaş domestic retail sales: 40K – 45K units
- Export shipments: 200K – 220K units
- Expected production volume: 235K – 260k units
- Investments: € 140M

APPENDICES

SPECIAL CONSUMPTION TAX

PASSENGER CARS

Engine displacement (cm ³)	Pre-tax Price	OLD		NEW	
		SCT	Total Tax (SCT+VAT 18%)	SCT	Total Tax (SCT+VAT 18%)
<1600	< TL 70,000	45%	71%	30%	53%
	TL 70,000 – 120,000	50%	77%	35%	59%
	> 120,000	60%	89%	UNCHANGED	
1600-1999	< TL 170,000	100%	136%	UNCHANGED	
	> TL 170,000	110%	148%	UNCHANGED	
>2000	regardless of price	160%	207%	UNCHANGED	

- **For passenger cars <1,600cc (effective until the end of March):**
 - ✓ For passenger cars with pre-tax price less than TL 70,000, SCT was decreased by 15pps to 30%
 - ✓ For passenger cars with pre-tax price between TL 70,000 – TL 120,000, SCT was decreased by 15pps to 35%
 - ✓ No changes were made to other passenger cars

SPECIAL CONSUMPTION TAX

LIGHT COMMERCIAL VEHICLES

LCV TYPE	OLD			NEW		
	SCT	VAT	TOTAL	SCT	VAT	TOTAL
Combi	15%	18%	36%	5%	18%	24%
Cargo	4%	18%	23%	4%	1%	5%
Other LCV	4%	18%	23%	4%	1%	5%

- **For LCVs (effective until the end of March):**

- ✓ For Combi model LCVs SCT was decreased by 10pps to 5%
- ✓ For Cargo model LCVs VAT was decreased by 17pps to 1%
- ✓ For other LCV models (Ducato, Fullback Pratico) VAT was decreased by 17pps to 1%

SCRAP INCENTIVE DETAILS

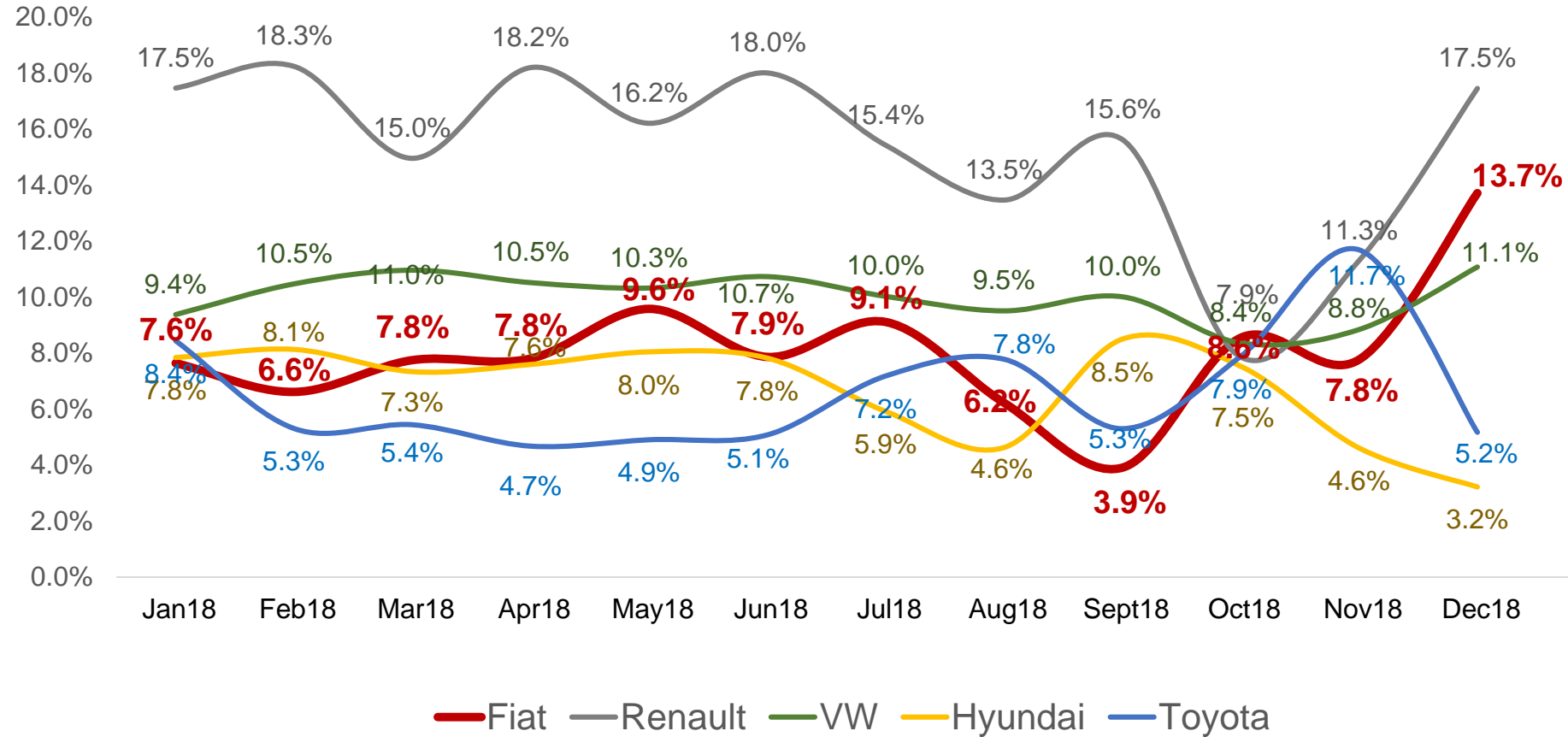
- The scrap incentive code will remain in effect until 31.12.2019
- When PCs and LCVs that are 16 years old or older are scrapped and never to be used again, the owner will benefit from a SCT cancellation up to TL 10,000:
 - If the new vehicle pre-tax price is lower than TL 46,000, incentive will be TL 10,000
 - If the new vehicle pre-tax price is between TL 46,000-80,000, incentive will be TL 8,000
 - If the new vehicle pre-tax price is higher than 80,000, incentive will be TL 3,000
- The incentive may be used when buying a vehicle belonging to the same class as the vehicle scrapped
- For PCs, the new vehicle that will be purchased can not have an engine displacement over 1600cc
- If the SCT of the new vehicle is below TL 10,000, the remaining amount can not be used to purchase another vehicle
- Sector players do not expect to see a material demand increase stemming from this incentive, as the maximum amount of TL 10,000 is deemed insufficient to drive people to use this incentive

FIAT DOMESTIC MARKET SHARE

MONTHLY PC MARKET SHARES

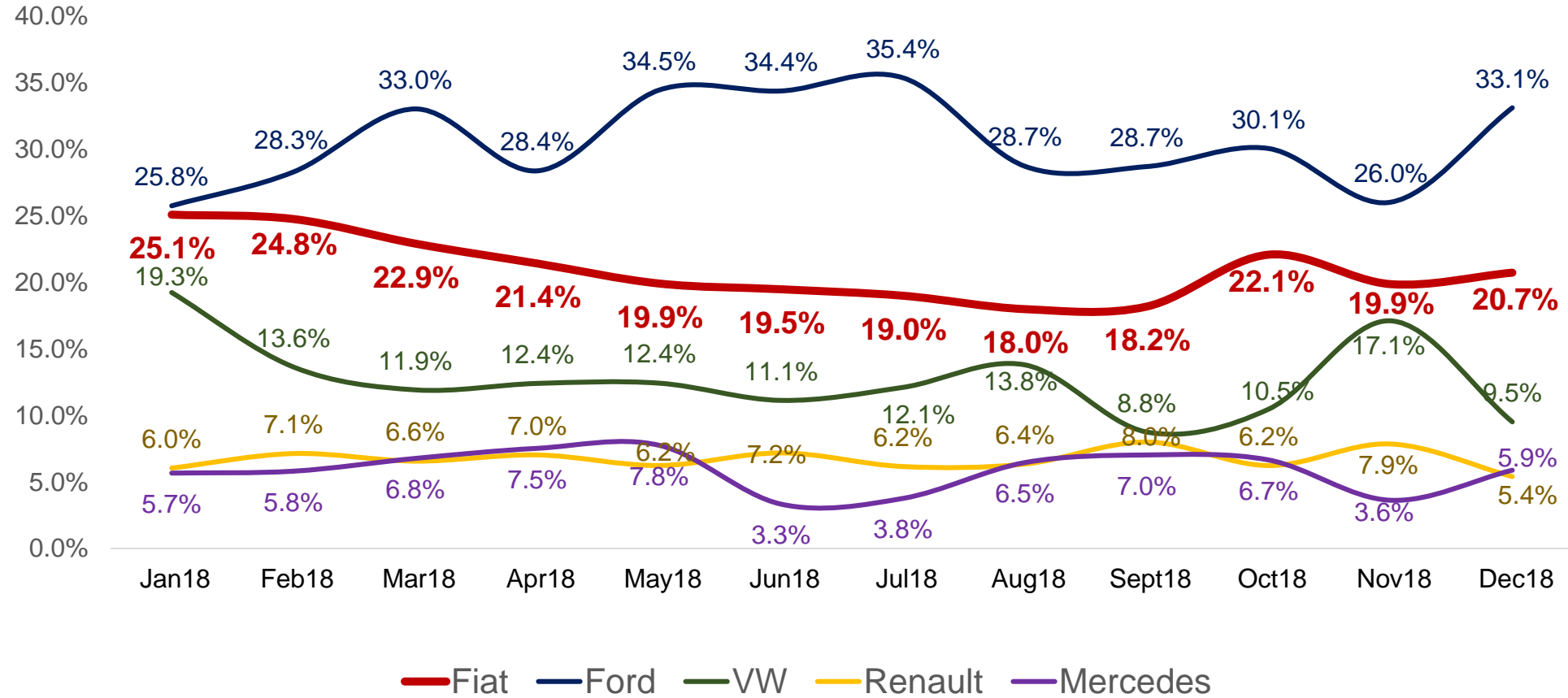


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FIAT DOMESTIC MARKET SHARE

MONTHLY LCV MARKET SHARE

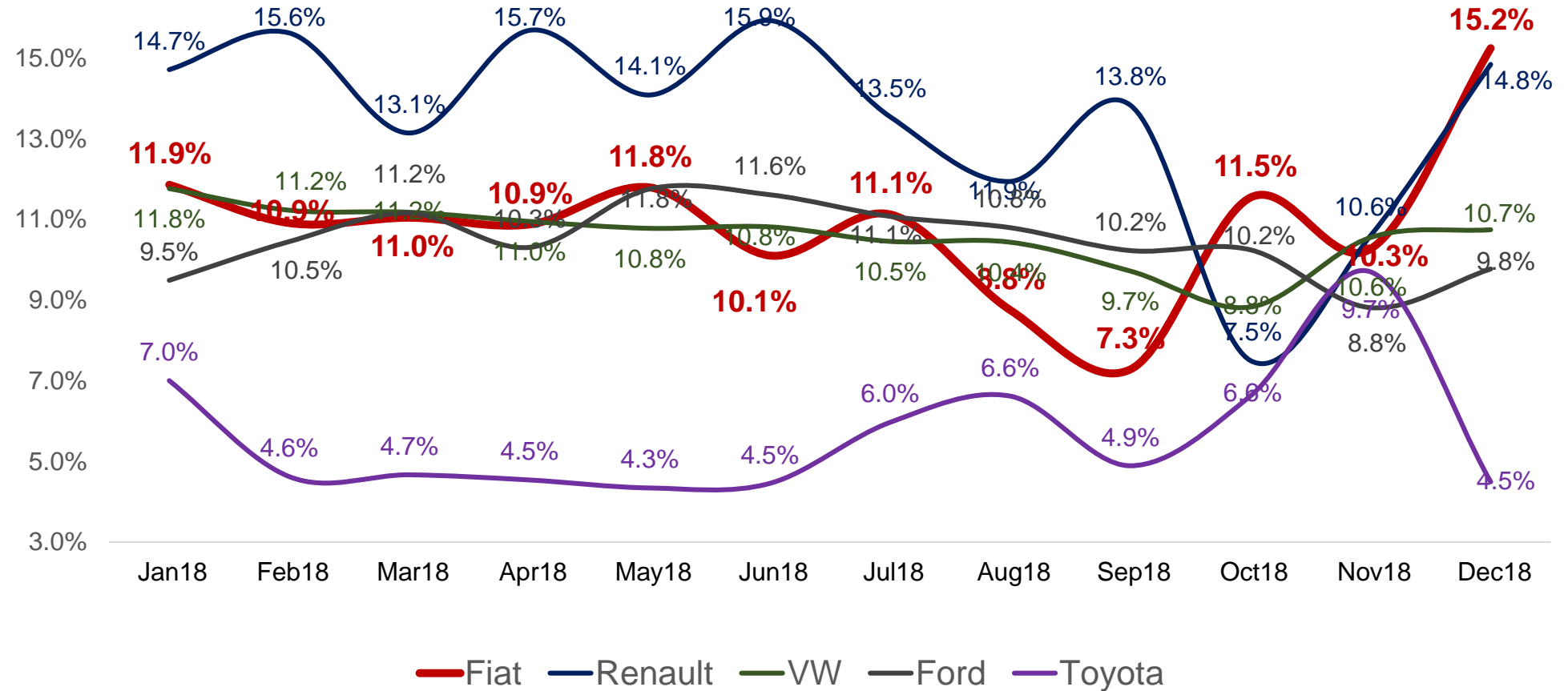


FIAT DOMESTIC MARKET SHARE

MONTHLY PC + LCV COMBINED



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.



CONTACTS



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