Corporate Credit Rating

☐New ☒Update

Sector: Automotive Industry
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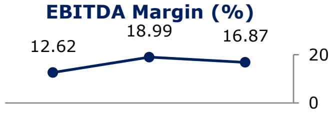
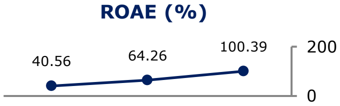
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*

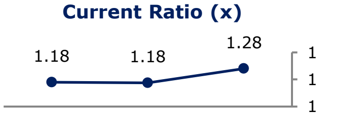
EBITDA Margin (%)



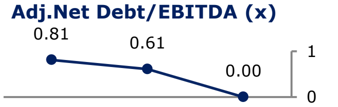
ROAE (%)



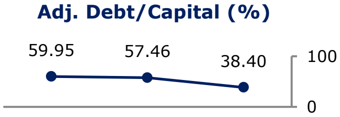
Current Ratio (x)



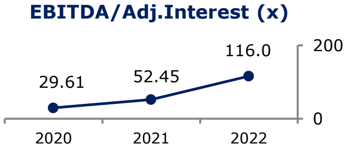
Adj.Net Debt/EBITDA (x)



Adj. Debt/Capital (%)



EBITDA/Adj.Interest (x)



Tofaş Türk Otomobil Fabrikası A.Ş.

JCR Eurasia Rating, has evaluated **'Tofaş Türk Otomobil Fabrikası A.Ş.'** in the investment-level category with the highest credit quality and affirmed the Long-Term National Issuer Credit Rating at **'AAA (tr)'** and the Short-Term National Issuer Credit Rating at **'J1+ (tr)'** with **'Stable'** outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed at **'BB/Negative'**, in parallel with the international ratings and outlook of Republic of Türkiye.

Tofaş Türk Otomobil Fabrikası AŞ (referred to as the **'Tofaş'** or **'the Company'** or **'the Group'**), was established in 1968 and is engaged in production of 'FIAT' branded personal cars (PC) and light commercial vehicles (LCV), and is the only company in Türkiye that produces both personal cars and light commercial vehicles. In addition to the sedan (SD), hatchback (HB), station wagon (SW) and cross models of the 'Fiat Egea' family, 'Fiorino' model are also produced in the Tofaş Factory. The Company carries out its productions at its facilities in Bursa, established on a total area of 1,000,000 m², 350,000 m² of which is closed. As of 3Q2023, the staff force of the Company amounted to 5,814 (4,241 personnel were hourly wage workers) (2022: 6,012). The Company exports its vehicles as well as selling them to the domestic market. The Company is also distributor of six automotive brands (Fiat, Fiat Professional, Alfa Romeo, Jeep®, Maserati, Ferrari) in the domestic market. Tofaş ranked 10th in the 'Türkiye's Top 500 Industrial Enterprises 2022' list of İstanbul Chamber of Industry (2021: 10th) and ranked 11th in the 'Türkiye's Top 1000 Exporters 2022' survey of Türkiye Exporters Assembly (2021: 11th).

The shareholders of the Company are Koç Holding A.Ş. (37.59%), Koç Group Companies and Koç Family members (0.27%), Stellantis N.V. (37.86%), and rest of the shares (24.28%) have been traded on İstanbul Stock Exchange (BIST) since 1991 under ticker-name of 'TOASO'.

Key rating drivers, as strengths and constraints, are provided below.

Strengths	Constraints
• Collateralized receivables arising from trade and finance sector activities with various instruments, eliminating the collection risk to a large extent, • EBITDA generation, which improved significantly in 2022, continued its upward trend in 3Q2023 thanks to the FX-driven unit price increase, • Gratifying financial leverage and coverage metrics thanks to high cash generation capability which eventually concludes with short-term cash surplus position over the analysed periods, • Despite the high level of dividend payment, a noteworthy increase in equity thanks to the sizeable amount of net profit and retained earnings, • Solid liquidity management through negative cash conversion cycle and robust net working capital, • Long lasting presence in the sector of the Company, supported by the synergy of Koç Holding and Stellantis partnership, • Despite the decline in market share, maintaining leader position in domestic market in 3Q2023, • Product development processes and bottom line profitability supported by R&D expenditures within the scope of investment incentive allowances, • High level of compliance with corporate governance practices and sustainability.	• Diminishing export revenues as a result of limited 'Doblo' brand vehicles production and increasing domestic demand as of 3Q2023, • Intense competition landscape inherent to the automotive industry, • Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at **'AAA (tr)'**. Considering the low collection risk, upward trend in EBITDA, prudent liquidity management, satisfactory leverage metrics and cash surplus position in 2022 and 3Q2023, the leading position of 'Fiat' brand in domestic market and reputable shareholder structure, corporate governance practices and R&D studies as well as loss of revenue on the export side in 3Q2023 have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings has been affirmed at **'Stable'**. The Company's profitability figures, demand on domestic and abroad, impact on operations if Türkiye Distributorship rights of all brands of Stellantis Türkiye is acquired, domestic and global market conditions and the possible impacts of the global macroeconomic policies on Türkiye's economy and its effects on the Company's activities are closely monitored by JCR Eurasia Rating in upcoming periods.