



GÖRGÜÇ: “Our Exports Accounted for 64% of our Turnover in 2020 Q1 Reaching US\$ 48 Million”



We present our readers with an interview we held with Serdar GÖRGÜÇ, Otokar General Manager, on the company's 2020 Q1 performance. The company is also celebrating its 57th anniversary of establishment this year, during a period overshadowed by the COVID-19 pandemic. We discuss the company's target markets for the Commercial Vehicles segment and the Defense Industry and its ongoing export activities.

Defence Turkey: Otokar is Turkey's first private Defense Industry company and the leading tactical wheeled vehicle manufacturer of the Turkish Defense Industry and celebrates its 57th anniversary of establishment this year. Could you please evaluate Otokar's 57th anniversary with figures? Can you share some details about Otokar's significance in Turkey and in the area of commercial and military vehicles?

Serdar GÖRGÜÇ: Since Otokar's establishment in 1963, in an era where Turkey's industrialization and modernization efforts started, the company has been offering tailored solutions to its customers with its own technology, design and applications.

With the responsibility both for our country and our users, we have accomplished numerous fruitful projects over the last the 57 years. We made our mark on commercial vehicles as well as in Defense Industry projects and we are proud of each of these achievements. With this mindset and our sense of responsibility, we have been steadfast and focused on representing our country in the Defense Industry abroad. We have won many challenging projects, beating out international competitors and have successfully fulfilled various projects on a global scale. As a result of the investments we have made, our engineering and production capabilities as well as our flexibility in manufacturing products that are compatible with user requirements, we have become a pioneer both on the commercial side and in

the Defense Industry as well.

Presently, Otokar exports Defense Industry products to over 35 countries. With all intellectual property rights over the products, the company exports its tactical wheeled vehicles, tracked armored vehicles and turret systems worldwide. Otokar makes a difference with the help of its know-how, engineering, R&D, and technology transfer capabilities in the Defense Industry. In terms of commercial vehicles, Otokar owns Turkey's top selling bus brand. Conducting activities also in alternative fuel buses, Otokar manufactures light trucks for the logistics sector as well.

Otokar achieved record growth of 45% in 2019, increasing its turnover to TRY 2,4 billion (US\$ 353 million). As Turkey's only unique land systems manufacturer and a company without a foreign partner, we also continued to export armored vehicles that we designed and manufactured in Sakarya in 2019. This year we doubled our Defense Industry exports. We accurately analyzed user expectations and

requirements and carried out our production activities accordingly. Otokar has strengthened its position in the regions that it operates through partnerships and affiliates, which has had a positive impact on its growth in 2019.

In 2019, our R&D expenses reached TRY 136 million (US\$ 20 million). Meanwhile, we continued our efforts to develop new products. While including the Special Operation Vehicle configuration of URAL to our product family, we added the AKREP-II to our armored vehicle product range. We revealed the Turkey's first electric-powered armored vehicle AKREP-IIe and ran its promotion activities.

Defence Turkey: Could you evaluate Otokar Defence's overall performance in terms of Indigenous Solutions, Exports, R&D and Test Assessment Infrastructure?

Serdar GÖRGÜÇ: As Otokar, throughout the 33 years we have been active in the Defense Industry, we have always targeted better achievements and

have operated with this motivation. The Turkish Defense Industry has taken critical steps recently in terms of exports and product development.

As the leading company in land systems, we analyze end-user expectations and requirements and conduct our design, development, and production activities accordingly. We fully own the intellectual property rights to our products and our military vehicles are actively being utilized by over 50 users in over 35 countries, and particularly in our country, and this fact is a great source of pride for us.

Otokar has adopted a corporate philosophy of being a pioneer in the areas in which it operates, thus we have always led the way in Turkey. Otokar was the first company to develop computer-based design in Turkey, to manufacture Turkey's first tactical wheeled armored vehicle and indigenous tracked armored vehicle while being the first company to produce Turkey's first electric-powered armored vehicle. All such are quite critical developments for our country's industry.

Otokar R&D Center is equipped with simulators, testing equipment and computer systems that generate and evaluate data to enable more rapid testing of the manufactured vehicles in an environment with state of the art technology. Otokar's R&D capabilities include the use of CAD software for product development, prototype workshops and software,



Otokar Electromagnetic Compatibility (EMC/EMI) Test Center

computer-assisted analysis and simulation software, test mechanisms and software. Otokar R&D Center is a major source of pride for us as it embodies Turkey's first and only Dynamometric Conditioned Test Room which is also one of very few of these types of facilities found in Europe, and the Hydraulic Road Simulator which has the highest capacity in Turkey, and Turkey's biggest and the world's most modern Electromagnetic Compatibility Test Center. The Otokar Electromagnetic Compatibility (EMC/EMI) Test Center simultaneously serves as an independent accreditation center for Defense Industry R&D projects in Turkey and abroad.

With an aim geared toward the development of new equipment and applications that are in line with requirements of the future, Otokar has allocated 8% of its turnover to R&D activities in the last decade. The total R&D expenses of our company over the last 10 years reached TRY 1,1 billion

(US\$162 million). Due to all these capabilities and R&D investments, Otokar reveals products that make difference not only in our country but also abroad. We will continue in this manner, as we embrace the future making smart and effective investments in order to truly become a company that is ready for the future and one which also leads the future.

Defence Turkey: Otokar is a global company with 100% Turkish capital and it has been providing tailor made solutions to fulfill the requirements of its customers with its own technology, design, and applications since 1963. Manufacturing buses for public transportation and light trucks for transport and logistics industries, Otokar is also currently manufacturing wheeled and tracked armored vehicles in various configurations within the defense industry. Could you share your opinions on the advantages/disadvantages of being a company operating both in the civil area and defense industry? What is the current

balance of Otokar's activities between the civil side and the defense industry and what is the domestic/international breakdown?

Serdar GÖRGÜÇ: Operating in two different areas is a strategy for Otokar that was adopted to achieve sustainable growth. Defense Industry projects involve orders which sometimes can span over many years, and the projects can contain distinct differences in demands on a yearly basis. Commercial vehicles and especially the heavy commercial vehicle group that we are active in is a relatively steady and labor-intensive area with sales lower than the overall automotive industry. On the other hand, it is an area rapidly affected by economic fluctuations. By balancing each other, these two different industries maintain Otokar's robust and sustainable growth.

This is a strategy adopted by many Defense Industry companies across the world. The existence of the defense industry,

by focusing only on internal market demand and operating for a single customer is not economically possible in the present conditions and in the long run. In our opinion, Defense Industry companies should not be dependent on the state for maintaining their existence, and the state should not allow the companies' transformation into structures that would become a burden on the state. Support provided to the companies by the state should not imply the enablement of the survival of the companies through projects that are not cost-efficient. I believe that profitable companies with high credibility would be always contributing positively to the development of the industry. Therefore, the companies in the industry should be focusing on becoming globally competitive and self-sustained companies that are not dependent on a single supplier or a source. We believe it is

critical for companies to have full knowledge of the technology and own it in order to carry on and establish structures that are resistant to yearly and periodic economic fluctuations, structures that are capable of manufacturing civil/commercial and military products that do not depend on a single product or a single user. Otokar can be regarded as one of the successful examples of this strategy.

Our target is for an equal balance the share of commercial vehicles and Defense Industry products in our turnover, half and half. Surely, the rates on a yearly basis may vary due to the projects. In 2019, the share of both product groups within our turnover resulted in similar percentages.

Defence Turkey: What would you like to say on Otokar's presently achieved and targeted local content rates and the utilization of sub-industry in 'Turkey's Land Systems Provider?'

Serdar GÖRGÜÇ: It is impossible to consider a manufacturer, which develops products with fully owned intellectual property rights, separate from the sub-industry and suppliers. Main industry and sub-industry form a whole. Otokar focuses on the final product in its relations with its suppliers and assigns the design and development of the sub-components to them under its control, and in this way increasing their competency. It also informs its suppliers by constantly following innovations in the sector. In the same way, it supports the suppliers by promptly evaluating and activating the projects proposed by them. Otokar endeavors to improve its suppliers not only during the product design and development stage but also in logistics and resource planning areas as well. Otokar's relations with its suppliers are based on such approaches. Collaborating with suppliers that neither develop products with our company nor take part

in our design process is quite challenging for us. We wish for our suppliers to improve, develop, and grow along with us.

Defence Turkey: The Novel Type Coronavirus (COVID-19) first identified in Wuhan city, China in the last quarter of 2019 rapidly spread across the globe causing a staggering number of deaths in nearly 190 countries and deeply affected the business world and our daily lives. Could you inform us on Otokar's actions regarding the COVID-19 pandemic, the measures it has adopted and its ongoing applications?

Serdar GÖRGÜÇ: From the outset of the COVID-19 pandemic, we, as Otokar, initiated to adopt the required measures to minimize the impacts of the pandemic, to prevent the spread of the, primarily to keep health of our employees while maintaining the sustainability of our business. Within the scope of these measures, we



set up emergency action plans and conducted the relevant preparations. We took actions that focus on measures regarding our activities within the company and those performed with external shareholders. A Coronavirus Information Center has been established under the management of our on-site doctors and our employees started to be informed on the pandemic. We have been regularly communicating with both our employees and our business partners. We designed the production on a shift basis and reduced the number of our employees in each shift. We adopted all types of measures to adhere to social distancing guidelines in all our production areas and in all common spaces. Hygiene and personal protection measures have been taken at a maximum level in all areas from shuttles to dressing rooms, from cafeterias to resting places. We continue to distribute disinfectants and masks required for personal hygiene. The body temperature of employees are being monitored by thermal cameras in the entrance of the premises and in various areas throughout the day. We are strictly implementing all preventive measures.

Defence Turkey: Are there any changes in Otokar's operational plans for 2020 due to this unprecedented pandemic?

Serdar GÖRGÜÇ: All industries were adversely



TULPAR Infantry Fighting Vehicle Configuration fitted with Mızrak 30mm Turret

affected by the pandemic. We have already designed alternative plans for all types of potential cases, however for the time being it is too early to assess the impacts... We are carrying out our activities in line with the existing contracts and orders we have received, and within the frame of the measures we have adopted.

Defence Turkey: Can you touch on the progress of the Otokar's overall business this period, and how are the new contract and delivery processes being managed?

Serdar GÖRGÜÇ: All our processes, such as production and delivery, continue

within the framework of specific measures and by implementing all social distancing and hygiene rules. There are no alterations in our existing activities and contracts. Just like all other corporations, we set various new rules such as the number of participants and the duration of our meetings in an effort to prevent the spread of the virus while conducting in our daily activities.

Defence Turkey: Otokar is a company with affiliates in foreign countries such as France, United Arab Emirates (UAE), Romania and Kazakhstan. Are there any setbacks or delays in the projects and activities you execute at

your companies and offices abroad due to the COVID-19 outbreak?

Serdar GÖRGÜÇ: We implemented all types of measures to protect our employees at our affiliates as well. There have been no setbacks or delays in our ongoing activities in the regions you mentioned.

Defence Turkey: What would you like to tell us about the future? Could you share your projections, Otokar's targets and expectations for the year 2023, the year our Republic will be celebrating the 100th anniversary of its foundation and Otokar celebrates



TULPAR Light Tank Configuration fitted with CMI's Cockerill 3105 type Turret

its 60th anniversary of establishment? Can we expect any announcements, any surprises perhaps?

Serdar GÖRGÜÇ: Otokar is a company that has always based its progress on the philosophy of excellence which it has adopted in all its operations. We are working toward constant progress and achieving better results. As I mentioned previously, Otokar allocated 8% of its turnover to R&D activities in the last 10 years. The 10-year R&D expenses of our company reached TRY 1.1 billion. We will be continuing our design and development activities in the upcoming years without compromising this mindset. As Otokar, we will continue to reveal products that create a difference not only in our country but also in foreign countries. We aim to further strengthen our position among global brands with the assistance of our wide range of products, technology, design, and engineering

capabilities. We wish to increase our growth in foreign countries with new achievements while also taking advantage of various types cooperation opportunities such as joint product development, local business partnerships, local production and technology transfer with our foreign affiliates.

Defence Turkey: Like in all other areas, the COVID-19 pandemic has caused negative effects in exports and significantly impacting trade. According to the data provided by the Turkish Exporters Assembly (TİM), exports of Turkish Defense and Aerospace Industry fell by 49.8% in March compared to the previous year. Could you evaluate Otokar's first quarter of 2020 (in terms of turnover and export figures) and could you define the picture you see when you compare the recent figures with those of the previous year?

Serdar GÖRGÜÇ: We can say that Otokar's

performance in the first quarter of 2020 has been better than the previous year. By achieving a turnover of TRY 459 million in the first quarter, we realized 9% growth compared to the same period of the previous year. Foreign sales constituted 64% of our turnover in the first quarter of 2020, reaching US\$ 48 million.

Defence Turkey: Considering that potential markets/customers are also affected by the COVID-19 outbreak, will the Company be updating turnover and export targets/figures set for 2020?

Serdar GÖRGÜÇ: We made our plans according to different scenarios. We are also going through a period where positive steps are being taken towards normalization. It is quite soon to make a concrete projection.

Defence Turkey: Could you inform us on the target markets that Otokar has identified in the Commercial Vehicle and Defense Industry

segments as well as the tenders that are being followed and the requirements in this area?

Serdar GÖRGÜÇ: The Middle East, Asia, Gulf Countries, North African and South American regions are amongst our target markets in terms of the Defense Industry. Depending on each market's demands, our 4x4 wheeled, 8x8 wheeled and tracked armored vehicles are drawing interest. We can say that Africa and Asia and particularly Europe are our target markets for commercial vehicles.

Defence Turkey: Could you inform us on the ongoing export activities and those expected to be contracted soon? For instance, we came across some news on social media in April that Otokar exported 40 ARMA 8x8 TTZAs to a country in the Middle East. What more can you tell us about this?

Serdar GÖRGÜÇ: Over 32,000 vehicles, the intellectual property rights of which are fully owned by Otokar, are operational



in more than 35 countries. We have accomplished new and crucial success in terms of exports in the recent period. In 2019, we doubled our Defense Industry exports compared to the previous year. In this period, we have focused on the delivery of the orders we received previously; without doubt there are many ongoing projects and projects we have been following in our target markets.

Defence Turkey: What is the latest status of the AKREP IIe and URAL Special Operation Vehicle Projects that were launched in 2019 and is there domestic and foreign interest in these two vehicles?

Serdar GÖRGÜÇ: We received quite positive feedback regarding these new vehicles during IDEF 2019 and following the event as well. The cancellation of this year's fairs affected the promotion of our new vehicles adversely.

Defence Turkey: After successfully completing firing tests in Europe in 2018, the TULPAR Light Tank began testing by two different users. What are your comments on the tests conducted with the TULPAR Light Tank since then and the ongoing marketing/promotion activities?

Serdar GÖRGÜÇ: The TULPAR Light Tank's performance in the tests and the feedback from potential users are quite satisfactory. As you may know, the vehicle demands and the procurement process to be followed in the Defense Industry may



URAL Special Operation Vehicle

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often extend over quite long periods. We continue our endeavors.

Defence Turkey: Otokar has been delivering the RABDAN Armored Combat Vehicle in 8x8 configuration to the UAE Armed Forces under the contract signed in March 2017 valued at US\$ 661 million (approximately 2 billion UAE dirham). Could

you inform us on the recent status of the project and the number of delivered vehicles thus far and their configurations?

Serdar GÖRGÜÇ: The Project has been progressing successfully in line with the contract conditions since it began. We are unable to share any detailed information due to confidentiality reasons.

Defence Turkey: Otokar aimed to strengthen its international cooperation, particularly with the Gulf Region, to open new markets and increase sales with the Otokar Land Systems Company established in the UAE in 2016. Could you evaluate Otokar Land Systems Company's activities in the region during the last 4-year period?

Serdar GÖRGÜÇ: Otokar Land Systems Company has truly been a major breakthrough for us in terms of location and being closer to our existing and potential users. We aim to strengthen our international cooperation mostly with the Gulf Region, to open new markets while increasing our sales. We are closely following the various cooperation opportunities in the region.

Defence Turkey: Dear Mr. GÖRGÜÇ, I would like to thank you for your time and wish you much success



AKREP-IIe was debut at IDEF'19

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