



Otokar

OTOKAR 2022 ANNUAL REPORT

Our hearts and thoughts are with our country.
In the early hours of February 6, 2023, Turkey was struck with
one of the worst natural disasters in its history that has left us
all in deep sadness.

We extend our sympathies to the grieving families who lost
their loved ones in the devastating earthquake and wish a
speedy recovery to all the injured. May all those who have
passed rest in peace.

With the power of unity and solidarity, we will navigate through
these trying times and heal together.

At Koç Holding and Otokar, we remain committed to supporting
our people by mobilizing all possible means. We are working
with all our might to help recover and rebuild our communities
for the future of our country.

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60 YEARS!

**WE SET OUT TO MANUFACTURE VEHICLES FOR TURKEY
EXACTLY 60 YEARS AGO.**

**FROM THE VERY BEGINNING, WE KEPT OUR FOCUS ON
MEETING THE NEEDS, ACHIEVED GLOBAL SUCCESS, PIONEERED
INNOVATIONS AND ENGAGED IN R&D, ALWAYS AIMING TO SHAPE
THE FUTURE AS WE MOVE FORWARD ON OUR LEADERSHIP
JOURNEY AS A TRUSTED COMPANY.**

**ARMED WITH KNOW-HOW, EXPERTISE, CAPABILITY, COMMITMENT
AND FULL CONFIDENCE IN OUR BUSINESS OUR JOURNEY
CONTINUES.**

**AS WE CREATE VALUE FOR OUR COUNTRY, WE ALSO EXPAND
ACROSS THE WORLD, LOOKING TO THE FUTURE WITH GREAT PRIDE
IN HOW FAR WE HAVE COME.**

HERE IS TO MANY MORE!



Otokar

CHAIRMAN'S MESSAGE



Esteemed Shareholders, Partners, and Employees,

We are deeply saddened by the earthquake disaster of February 6 that devastated our country, with Kahramanmaraş at the epicenter, and affected many provinces in the region. We extend our condolences to the grieving families who have lost loved ones and wish a fast recovery to the injured. May those who have passed rest in peace.

As we go through trying times as a country, we need a sense of unity and solidarity more than ever. At Otokar, mobilizing all our resources to meet the most urgent needs of the region remains our first priority. Since the early hours of the earthquakes, we have worked in coordination with the Disaster and Emergency Management Authority (AFAD) and Koç Group's Crisis Coordination Center to support the region. As of the publication date of this report, we have delivered aid in-kind, including food, clothing, heating

appliances, power generators, shelter and medical supplies, all put together with the support of our dealers, colleagues, and Koç Holding, to the affected region. Our search and rescue team, ODAK, reached the region within the first 24 hours and took part in the emergency operations in Gaziantep and Hatay, rescuing 4 people. We also ensured that the personnel shuttles, buses and trucks in the disaster area received repair and maintenance services seamlessly. As our employees at the Sakarya plant participated in the blood drive of Kızılay (Turkish Red Crescent), we contributed to the food delivery efforts through the field cafeteria in Hatay. We also customized a bus as a mobile soup kitchen and dispatched it to the region to serve hot meals. We will continue to extend a helping hand to those in need and work with all our might to contribute to the recovery efforts to ensure that life may return to normal in the affected regions.

Otokar marks 60th anniversary

This year, Otokar marks its 60th anniversary, on a journey that started with a company aiming to produce vehicles for Turkey and evolved into a global manufacturer with products used in 75 countries. In a year of challenging operational and financial conditions, our revenues rose to TL 9.6 billion in 2022 with an increase of 113% while our real operating profit increased by 57% to TL 1 billion 693 million in 2022, thanks to the prudent measures we implemented. As a result, we posted a net profit of TL 1 billion 239 million while recording US\$ 403.5 million in export revenues. With these figures, exports accounted for 73% of total revenues. I am grateful to the Otokar family and our partners for their hard work and efforts to help us achieve these results.

We allocated 7% of our revenues for R&D spending in the last decade

Our research and development (R&D) investments rose to TL 574 million with a year on year increase of 91%. The total

WE CONTINUE TO GROW EFFECTIVELY IN THE GLOBAL MARKETS AND CREATE VALUE FOR OUR STAKEHOLDERS.

amount invested in R&D in the last decade reached TL 2.1 billion, with R&D spending corresponding to an average of 7% of total revenues.

We received defense industry orders from different markets

Currently, nearly 33 thousand military vehicles of Otokar are included in the inventories of nearly 60 clients in more than 40 countries. In the defense industry, Otokar maintained its rising trend thanks to its global know-how, engineering, R&D and technology transfer capabilities and received orders for new vehicles and spare parts from different markets in 2022. As part of the efforts to promote its products and capabilities, Otokar showcased its vehicles at many defense industry fairs and exhibitions across a wide geography from South Africa and Indonesia to Chile and France, engaging with existing and prospective clients throughout the year.

For the defense industry, our goals are the same: we aim to grow our exports while seizing opportunities in technology transfer and joint production in international markets with local partners. As always, we remain committed to serving our armed and security forces with our products, capabilities, and means.

Bus exports increased by 120%

Otokar's total small bus and bus exports in 2022 increased by 120% on unit basis compared to the previous year with nearly 1,300 vehicles sold, particularly in the European market. Azerbaijan, Georgia, Tunisia and Israel were also among the export markets that purchased high numbers of vehicles. Meanwhile, production and deliveries continued within the scope of the agreement previously signed with IVECO BUS.

Otokar also maintained its steady growth trend in the domestic bus market. 100 four-axle metrobus, custom produced for the Istanbul Metropolitan Municipality were delivered and started to operate on the BRT line. In the public transportation, shuttle and tourism segment, Otokar

recorded 10% year on year growth in total sales and in 2022, became Turkey's most preferred bus brand for the 14th time.

Our success in R&D and design was once again crowned with awards. Territo won in the Excellent Product Design category at the German Design Awards, the international premium award bestowed by the German Design Council. And two different models of Otokar Kent were recognized with the BIG SEE Product Design Awards in the "Mobility" category.

We added two new vehicles to our electric bus range

As alternative fuels gain more prominence by the day, Otokar expanded its electric bus lineup with two new models, aiming to contribute to a more sustainable ecofriendly public transportation. In 2022, we also introduced the electric variant of Centro, the small bus designed and developed for short distance public transportation. Furthermore, the Kent bus range, used in public transportation in several countries across the world, expanded with the new 18mt articulated e-Kent.

Our broad electric bus lineup, ranging from 6.6 meters to 18.75 in length, was introduced to the operators in Europe. These promotion activities resulted in orders for new electric vehicles from Italy, Spain, Romania and Serbia. Our expansion in export markets, especially in Europe, will continue in the coming years with Otokar electric buses.

In addition to improving our effectiveness in our export markets, starting with Europe, we also aim to grow our existing vehicle park in different countries and to reinforce our presence with new products.

Atlas 3D added to the truck range

In the logistics segment, Otokar added the new 12-ton Atlas 3D to its truck range in the first quarter of 2022 and increased its truck sales by 48% year on year. Otokar Atlas has recently become a favorite vehicle of the logistics and transportation sector; and we aim to drive our truck sales further by adding new models to the range.

We place sustainability at the heart of all our activities

To us, growth is more than economy alone, and we place sustainability at the heart of all our activities. Accordingly, we play an active role in Koç Holding's Carbon Transition Program, which has been launched with the goal of achieving carbon neutrality by 2050. In line with this program, Otokar started to generate electricity from the solar energy panels installed in the Sakarya plant in 2022 in order to reduce its carbon emissions. We are also in the process of investing in a new solar power plant, which will be commissioned in early 2023.

In addition to focusing its efforts on reducing its environmental impact, Otokar also worked on social and governance issues throughout 2022. We prepared a diversity, equality and inclusion manifesto and then started to promote it within the organization to inform and raise awareness about this important issue. As part of the activities focused on gender equality, generations, and disability, we also created a feedback mechanism to facilitate submission and exchange of ideas within the company.

We continue to grow effectively in the global markets and create value for our stakeholders

In 2023, we will remain committed to working for our country and creating value for the national economy and society. And we will move forward in line with our vision of becoming a global player in the automotive and defense industries.

I want to express my gratitude to you all, our esteemed shareholders and clients for trusting our company, and our partners, employees and their families for contributing to Otokar's success.

Sincerely,



Ali Y. Koç
Chairman

ABOUT



OTOKAR, A KOÇ GROUP COMPANY, OFFERS A BROAD PRODUCT RANGE, IN HIGH DEMAND BOTH IN TURKEY AND IN THE INTERNATIONAL MARKETS.

75+

SERVING THE
USERS IN
MORE THAN 75
COUNTRIES.

Otokar was established in 1963, at a time when industrialization and modernization initiatives were being launched in Turkey, to produce the first intercity buses of the country. The company, which started its operations with bus and minibus production, joined the Koç Group in 1976 when it decided to specialize in other business areas in addition to public transportation vehicles. As the production of buses and minibuses continued, Otokar also began manufacturing vehicles for defense industry in 1987 and produced Turkey's first tactical wheeled armored vehicle in the 1990s.

Today, as Turkey's leading manufacturer of commercial vehicles and defense industry products, Otokar produces buses and light trucks in the commercial vehicles segment, and a variety of tactical wheeled and tracked armored vehicles and turret systems for the defense industry at its Arifiye (Sakarya) plant. As a leading company in the defense industry, Otokar maintains its strong position in the sector. Otokar, a Koç Group company, offers solutions tailored to customer needs with its technologies, designs and applications.

Otokar has established subsidiaries in four countries – France, Romania, United Arab Emirates, Kazakhstan – to be closer to its clients and to meet their needs and expectations.

In the commercial vehicles segment, Otokar maintains its title as the bestselling bus brand in Turkey with a broad product offering that includes buses ranging from 6 meters to 21 meters for passenger transportation. Otokar currently continues to work on alternative fuel buses and has already introduced Turkey's first hybrid bus and first electric bus to the market. The company also manufactures the 8.5-ton Otokar Atlas and the 12-ton Otokar Atlas 3D light trucks under license for the logistics sector.

Otokar comes to the forefront in land vehicles for the defense industry with its expertise in the design, development and system integration of all kinds of vehicles and platforms. The company manufactures tactical wheeled and tracked armored vehicles and turret systems with owned intellectual property rights, and exports defense industry products to more than 40 countries. Otokar also stands apart with world-class knowhow in the defense industry as well as engineering, R&D and technology transfer capabilities.

Otokar's broad product lines are highly sought after both in Turkey and export markets. Otokar products are currently sold and used in five continents in over 75 countries including Turkey.

With numerous firsts to its name since its inception, Otokar carries out R&D activities in world standards. In the last decade, the company has allocated 7 percent of its revenues for R&D expenditures.

VISION

Otokar's vision is to preserve the local and national identity of its products by developing technologies in-house and to ensure the continued satisfaction of its clients, employees, and shareholders with total excellence philosophy.

MISSION

Otokar's primary mission is to design, manufacture and market commercial vehicles and various defense industry products with global competitive strength, all developed to meet customer expectations.

VALUES

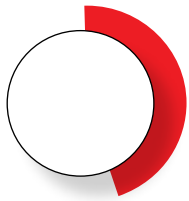
Otokar, together with its employees, strives to ensure customer satisfaction and sound growth by delivering products and services of universal quality and standards in line with the objectives and principles set by the Koç Group. We are committed to being a symbol of trust, continuity and esteem for our country, customers, shareholders, dealers, and suppliers. Otokar always aspires to be "the best" in its efforts to serve its customers and sees its human resources as its most important assets. Otokar aims to contribute to the Turkish economy as its driving force and always upholds its superior business ethics and working principles as it works to create resources for continuous development.

OTOKAR IN NUMBERS

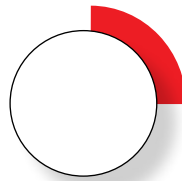
FOUNDED IN **1963**



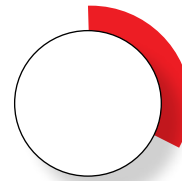
**LOCAL
CAPITAL**



45%
KOÇ HOLDING A.Ş.



25%
ÜNVER HOLDING A.Ş.



30%
OTHER

USD 403.5 MILLION

2022 EXPORT REVENUES

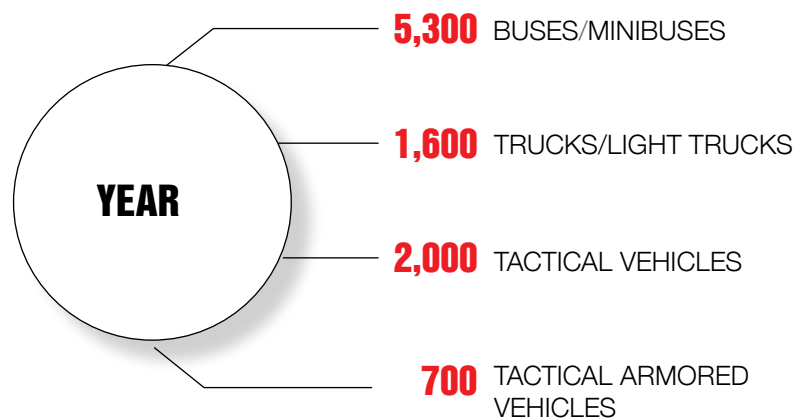
TL 9.6 BILLION

2022 TURNOVER

TL 2.1 MILLION

10-YEAR R&D EXPENDITURE

PRODUCTION CAPACITY



2,942
EMPLOYEES

552,000 M²
PRODUCTION AREA

300+ SALES AND
AFTERSALES NETWORK

COMPETITIVE ADVANTAGES

PRODUCTS WITH OTOKAR OWNED INTELLECTUAL PROPERTY RIGHTS

INDEPENDENCE TO DEVELOP PRODUCTS TO MEET MARKET REQUIREMENTS

PUBLICLY TRADED

TRANSPARENT STRUCTURE, RELIABILITY

OPERATING IN NICHE MARKETS

SUSTAINABLE GROWTH

R&D CAPABILITIES AND FLEXIBLE PRODUCTION ABILITY

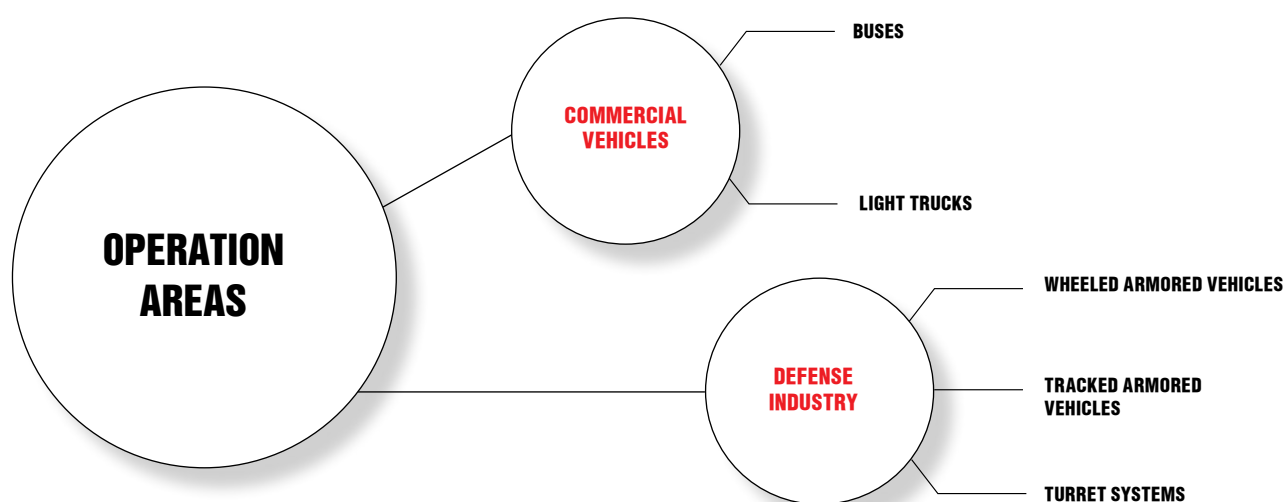
RAPID PRODUCT DEVELOPMENT AND SPEED TO MARKET

CAPABILITY TO OFFER CUSTOMIZED FEATURES

CUSTOMER SATISFACTION GUARANTEE

NO FOREIGN SHAREHOLDERS

FREEDOM TO DETERMINE COMPANY STRATEGIES



GLOBAL COMPANY

PRODUCTS WITH OTOKAR-OWNED INTELLECTUAL PROPERTY RIGHTS, USED IN OVER 75 COUNTRIES ACROSS 5 CONTINENTS

PIONEER

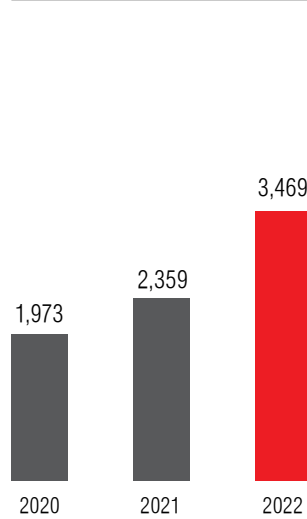
TURKEY'S PIONEER COMMERCIAL VEHICLE MANUFACTURER AND LAND DEFENSE SYSTEMS SUPPLIER

MARKET LEADER

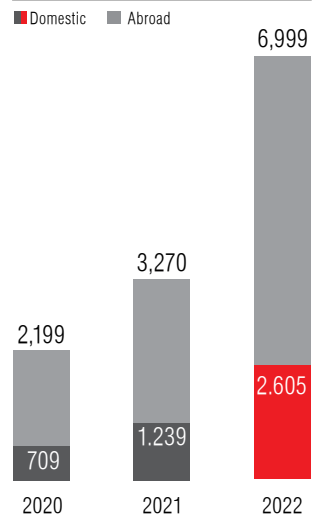
MOST PREFERRED BUS BRAND IN TURKEY

SUMMARY FINANCIAL INFORMATION

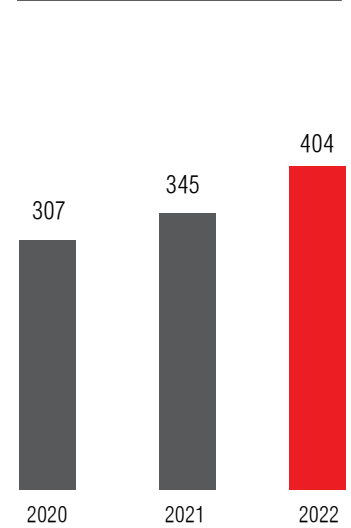
SALES QUANTITIES unit



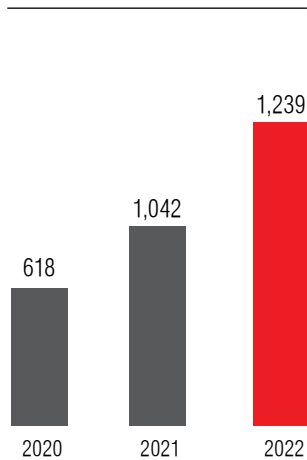
SALES REVENUES TL million



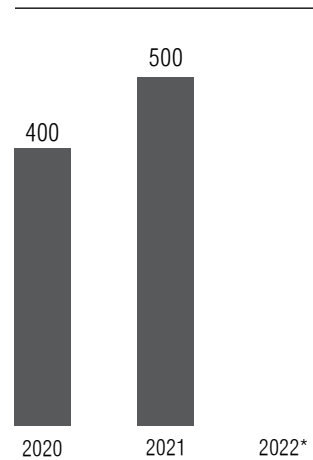
EXPORT REVENUES USD million



NET PROFIT TL million

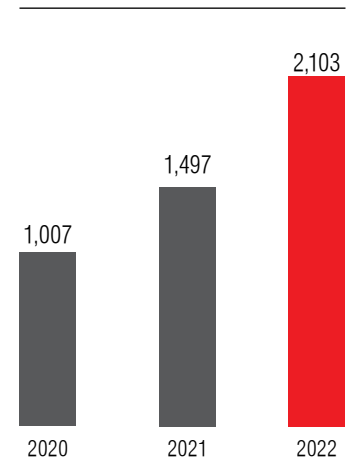


DIVIDENDS PAID TL million



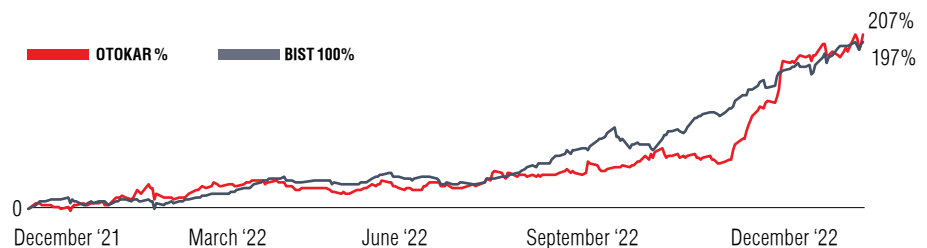
*The proposal not to distribute dividends will be submitted to the General Assembly for approval in March 2023.

SHAREHOLDERS' EQUITY TL million



STOCK PERFORMANCE

Otokar Otomotiv ve Savunma Sanayi A.Ş. shares have been traded on Borsa Istanbul since April 24, 1995 with ticker symbol "OTKAR". In 2022, BIST 100 rose 196.57%, while Otokar shares were traded at lowest TL 331.78 and highest TL 1,040.00, seeing %206.52 increase throughout the year.



MAIN RATIOS (%)

	2022	2021
Gross Profit Margin	31.7	38.1
Operating Margin	17.6	23.9
EBITDA Margin	12.9	20.2
Pre-Tax Profit Margin	11.2	20.1
Net Profit Margin	12.9	23.1

FINANCIAL RATIOS

Liquidity Ratios	2022	2021
Current Ratio (Current Assets/Short Term Liabilities)	1.06	1.39
Liquidity Ratio (Current Assets-Inventories/Short Term Liabilities)	0.67	0.89
Financial Leverage Ratios	2022	2021
Total Debt to Total Assets Ratio (Short Term Debt + Long Term Debt/Total Assets)	0.85	0.75
Equity/Total Debt Equity/(Short Term Debt + Long Term Debt)	0.17	0.33
Profitability Ratios	2022	2021
Sales Profitability Ratio (Pre-Tax Profit/Net Sales)	0.11	0.20
Return on Assets (Pre-Tax Profit/Total Assets)	0.08	0.15
Return on Equity (Net Profit/Shareholders' Equity)	0.59	0.70

R&D INDICATORS

7%

Share of 10-year R&D expenditures in turnover

46

Patent and industrial design applications

95.55%

Share of Otokar-designed vehicle sales in turnover

PRODUCTIVITY INDICATORS

38.3%

Capacity utilization rate

21%

10-year average growth

TL 521 MILLION

Economic contribution

CORPORATE GOVERNANCE RATING SCORE

9.55

AREAS OF OPERATION

COMMERCIAL VEHICLES



DESCRIPTION

- Developing and producing the widest bus portfolio in Turkey, including public, intercity and tourism transportation buses ranging from 6 meters to 21 meters in length with varying passenger capacities.
- Exporting buses to nearly 60 countries and primarily the European market.
- Offers an alternative fuel vehicle range, including electric and hybrid options.
- Manufacturing 8.5-ton and 12-ton light trucks under license.

DEFENSE INDUSTRY



- Turkey's leading defense industry company.
- More than 33,000 vehicles are actively used by armed forces and security forces in Turkey and over 40 allied and friendly countries on five continents.
- Products are manufactured to order, depending on the intended purpose, capacity and protection levels.
- Export of all armored vehicles subject to requirements of related governments' export license regulations.

PRODUCTS

BUSES

Centro, e-Centro
Sultan/Navigo (Sultan S, Sultan Comfort, Sultan Maxi, Sultan Mega, Sultan LF, Sultan Maxi Accessible, Sultan Giga, Navigo C, Navigo U, Navigo T, Agilo C)
Doruk/Vectio (Doruk LE, Doruk T, Vectio C, Vectio U)
Ulyso T
Kent (Kent LF, Kent CNG, Kent U, Kent C, Kent Hybrid, e-Kent)
Kent Articulated (Kent Articulated, Kent Articulated CNG, e-Kent Articulated)
Kent XL
Territo

LIGHT TRUCKS

Otokar Atlas
Otokar Atlas 3D

MARKET POSITION AND HIGHLIGHTS OF 2022

- Maintained leadership in the Turkish bus market.
- 100 metrobuses were delivered to the Istanbul Metropolitan Municipality and put in service.
- Otokar received orders for Vectio, Kent and CNG powered Kent buses as part of the framework agreements signed with Consip S.p.A. and Autolinee Toscane S.p.A.
- Electric buses promoted in Turkey and Europe, Otokar's primary export market, in countries such as France, Poland, Italy, and Germany.
- Otokar received new orders for alternative fuel vehicles from Italy, Spain, Romania and Serbia.
- Production and delivery of the IVECO BUS vehicles continued.
- The product range expanded with the 6mt Otokar Centro buses, which are available with diesel and electric versions as a compact model with different layout options for public transportation.
- Otokar increased the Atlas light sales by 48% on unit basis.
- 12-ton Atlas 3D light truck added to the product range.
- Efforts are under way to export Otokar Atlas trucks.
- Two Otokar Kent versions won in the "Product Design - Mobility" category at the BIG SEE Awards.
- The new Territo U won the German Design Award in Excellent Product Design, Passenger Vehicles.

TACTICAL WHEELED VEHICLES

4x4 Tactical Wheeled Armored Vehicles (Ural, Akrep II, Akrep IIe, Cobra, Cobra II, Cobra II MRAP, Kaya II, Armored Internal Security Vehicle)
6x6 Tactical Wheeled Armored Vehicle (Arma 6x6)
8x8 Tactical Wheeled Armored Vehicle (Arma 8x8, Arma II 8x8)

TRACKED ARMORED VEHICLES

Tracked Armored Vehicles (Tulpar, Tulpar S)

TURRET SYSTEMS

Mızrak RCWS, Keskin RCWS, Open Turrets, Internal Security Turret, Üçok, Başok

- Received orders for new vehicles and parts from many international markets.
- Otokar's broad product range and capabilities were showcased at defense industry fairs and exhibitions in many countries from South Africa and Indonesia to Chile and France.
- A next generation Software Test System was developed to test military vehicle platform software in a laboratory environment.

MILESTONES

OTOKAR IS
TURKEY'S LEADING
COMMERCIAL
VEHICLE AND
DEFENSE INDUSTRY
MANUFACTURER.



1960s

- Company incorporated
- Production of Magirus Deutz buses under license
- Production of Turkey's first intercity bus

1970s

- Production of minibuses for public transportation
- Joined Koç Group

1980s

- Entered the defense industry
- Production of 4x4 tactical vehicles under Land Rover license

1990s

- Production of Otokar-designed military armored vehicles
- Exported Turkey's first tactical armored vehicle
- IPO
- Plant relocated to Sakarya

OTOKAR'S JOURNEY, WHICH STARTED IN 1963 WITH MANUFACTURING BUSES AND MINIBUSES, IS MARKED WITH MANY MILESTONES, INCLUDING THE PRODUCTION OF DEFENSE INDUSTRY VEHICLES IN 1987. PRODUCTION OF TURKEY'S FIRST TACTICAL WHEELED ARMORED VEHICLE IN THE 1990S WAS ANOTHER FIRST TO ITS NAME.



2000s

- Small- and medium-size bus production
- Merger with İstanbul Fruehauf
- Research and development consolidated at the R&D Center
- Appointed prime contractor for Altay Main Battle Tank Project Phase I
- Production of Turkey's first hybrid bus



2010s

- Launch of the multi-wheeled armored vehicles range
- Otokar Europe incorporated in France
- Production of Turkey's first electric bus
- Production of public transportation buses
- Production of Otokar Atlas light truck
- Production of Turkey's first tracked armored vehicle
- Listed in the BIST Sustainability Index
- Smart bus application
- Otokar Land Systems incorporated in United Arab Emirates
- Qualification of Altay main battle tank prototypes and delivery to the Presidency of Defense Industry
- Production of Turkey's first electric armored vehicle
- Otokar Europe Filiala Bucuresti SRL incorporated in Romania
- Otokar Central Asia incorporated in Kazakhstan

2020s

- Production agreement signed between Otokar and IVECO BUS
- First defense industry order from Africa
- Commissioning of the Cataphoresis Line
- Turkey's Best Employer Award
- Safe production during the pandemic
- "Safe Bus" reducing coronavirus infection risk
- Investment incentive certificate
- Production of the autonomous bus
- Cobra II MRAP added to the product range
- İETT's metrobus tender awarded to Otokar
- 400 8x8 armored vehicles manufactured and delivered to United Arab Emirates

HIGHLIGHTS OF 2022



- Otokar was named the most preferred bus brand of the Turkish market for the 14th time.
- The electric bus range was expanded with the addition of two new models: the articulated electric Kent and e-Centro.
- Otokar's new electric buses were promoted in Turkey and in European countries, including France, Poland, Italy and Germany.
- Otokar received new orders for electric vehicles from Italy, Spain, Romania and Serbia.
- Otokar added the 6.6mt Centro microbus to its product range. The vehicles have already started to serve various cities across Turkey.
- Otokar delivered 48 Kent CNG and 2 Kent CNG Articulated buses, manufactured to meet the public transportation requirements of Baku, Azerbaijan.
- Otokar won the tender opened by the Municipality of Mogoşoaia, Romania to deliver 12 electric e-Kent buses.
- The Articulated Kent C and Otokar's electric bus e-Kent, produced for the BRT lines, were recognized with the BIG SEE Product Design Awards for their design excellence.
- Otokar started to generate electricity from the solar energy panels installed at the Sakarya plant. A new solar power plant investment is also in the works.
- A new version of the Otokar App, developed for commercial vehicle owners, was released.
- The 12-ton Otokar Atlas 3D was added to the product range.
- Otokar was recognized among Turkey's top employers at the Great Place to Work 2022 awards ceremony.
- Otokar continued to receive orders from different international markets for armored vehicles and spare parts.
- Otokar took the next step toward improving Diversity, Equality and Inclusion in the company by forming the Spectrum Committee.
- Otokar received orders for Vectio, Kent and CNG-powered Kent buses as part of the framework agreements signed with Consip S.p.A. and Autolinee Toscane S.p.A.
- Otokar was recognized with the Export Champions award by the Automotive Exporters Association (OIB) for its outstanding achievements in production and exports in the automotive industry.
- Otokar was recognized with the Grand Prize at the 28th Şahabettin Bilgisu Environment Awards, presented by the Kocaeli Chamber of Industry.
- The 400th Navigo bus to operate in Tunisia was delivered.
- High volumes of vehicles were exported to the European market as well as other countries, including Azerbaijan, Georgia, Tunisia and Israel.
- Otokar's electric bus e-KENT was exhibited at the MENA Transport Congress & Fair organized by UITP in Dubai.
- In addition to showcasing its electric buses, Otokar also premiered the Centro at Busworld Turkey 2022 in Istanbul.
- The articulated e-KENT, in partnership with Webasto, drove the fair visitors between the halls for six days at IAA Transportation 2022 trade fair in Hannover, Germany.
- Boğaziçi University Engineering Club named Otokar as the Defense Industry Company of the Year at the Boğaziçi Business Awards.



GENERAL ASSEMBLY



GENERAL ASSEMBLY

MEETING AGENDA

Agenda of The Ordinary Annual General Meeting of Otokar Otomotiv ve Savunma Sanayi A.Ş. on 13.03.2023

1. Opening and election of the chairman to preside over the Meeting
2. Presentation for discussion and approval of the 2022 Annual Report prepared by the Board of Directors
3. Presentation of the summary of the Independent Audit Report for the 2022 fiscal year
4. Presentation, discussion and approval of the company's Financial Statements for the 2022 fiscal year
5. Release of each member of the Board of Directors individually for the affairs of the company in 2022
6. Approval, approval with modifications or refusal of the Board of Directors' proposal pertaining to when and how the profit of 2022 will be distributed in accordance with the company's profit distribution policy
7. Resolution of the number of members of the Board of Directors and their terms of office, election in accordance with the resolved number and election of the independent members of the Board of Directors
8. Presentation of the Remuneration Policy for the members of the Board of Directors and the Senior Executives and payments made thereof pursuant to the Corporate Governance Principles to the shareholders for approval
9. Resolution of the annual gross salaries to be paid to the members of the Board of Directors
10. Approval of the appointment of the Independent Audit Firm selected by the Board of Directors pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Board regulations
11. Giving information to the shareholders regarding the donations made by the Company in 2022 in accordance with the Company's Donation and Sponsorship Policy and determination of an upper limit for donations to be made in 2023
12. Pursuant to Capital Markets Board regulations, informing the shareholders about the income or benefits obtained in 2022 through guarantees, pledges, liens, and sureties given by the company and its subsidiaries to third parties
13. Pursuant to Articles 395 and 396 of the Turkish Commercial Code and CMB regulations, authorization of the shareholders with management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree; and presentation to the shareholders, of the transactions carried out thereof in the 2022 pursuant to the Corporate Governance Communiqué of the Capital Markets Board
14. Wishes and opinions

GENEL KURUL

FAALİYET RAPORUNA İLİŞKİN BAĞIMSIZ DENETÇİ RAPORU



To the Shareholders of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

1. Opinion

We have audited the annual report of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1/1/2022-31/12/2022.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2. Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 31 January 2023 on the full set consolidated financial statements of the Group for the period of 1/1/2022-31/12/2022.

4. The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

5. Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ferzan Ülgen, SMMM
Partner

17 February 2023
Istanbul, Turkey

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2022 - 31.12.2022

Esteemed Shareholders, Partners, and Employees,

We are deeply saddened by the earthquake disaster of February 6 that devastated our country, with Kahramanmaraş at the epicenter, and affected many provinces in the region. We extend our condolences to the grieving families who have lost loved ones and wish a fast recovery to the injured. May those who have passed rest in peace. Starting from the early hours of the earthquake, we mobilized all our resources as a company to meet the most urgent needs of the affected region. With our search and rescue team, we reached the region within the first 24 hours and took part in the relief efforts. We closely followed the needs in the disaster area and delivered aid in-kind, including food, clothing, heating appliances, power generators, shelter and medical supplies.

We also organized a blood drive at the plant and many of our employees volunteered to donate blood to Kızılay (Turkish Red Crescent). In addition to sending support to the field hospital built in the earthquake area by Koç Group companies to serve hot meals, we also customized a bus as a mobile soup kitchen and dispatched it to the region.

We will continue to extend a helping hand to the affected region and work with all our resources to alleviate the impact of the earthquake.

The consolidated financial statements of our company, reflecting the 2022 activities and the results thereof, prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") introduced by the Public Oversight, Accounting and Auditing Standards Authority ("POA") of Turkey and their annexes and interpretations pursuant to the provisions of the Capital Markets Board ("CMB") Communiqué II-14.1 on the Principles of Financial Reporting in Capital markets ("Communiqué"), are presented to our shareholders and the public.

The members of the Board of Directors, who were elected at the Ordinary Annual General Assembly Meeting on March 21, 2022 and served during the reporting period are:

BOARD OF DIRECTORS	
Full Name	Title
Yıldırım Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Selin Ayla ÜNVER	Member
Haydar YENİGÜN	Member
İsmail Cenk ÇİMEN	Member
Ahmet Serdar GÖRGÜÇ	Member – General Manager
Ali İhsan ILKBAHAR	Independent Member
Ali İhsan KAMANLI	Independent Member
Kenan GÜVEN	Independent Member

Chairman, Vice Chairman and members of the Board of Directors have been elected on March 21, 2022 to serve until the next Ordinary General Assembly Meeting where 2022 activities will be reviewed.

Provisions regarding the members of the Board of Directors are outlined in Articles 11, 12 and 13 of the company's Articles of Association and the provisions of the Turkish Commercial Code.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2022 - 31.12.2022

The committees established according to the provisions of the Corporate Governance Communiqué of the Capital Markets Board and information on the board members, who serve on these committees are as follows:

Committee	Chairman	Member
Audit Committee	Kenan GÜVEN	Ali İhsan KAMANLI
Risk Management Committee	Kenan GÜVEN	Haydar YENİGÜN
Corporate Governance Committee	Ali İhsan İLKBAHAR	Levent ÇAKIROĞLU, Hüseyin ODABAŞ

The working principles of the committees are available on the corporate website.

CAPITAL AND SHAREHOLDING STRUCTURE

As of December 31, 2022, the company's registered capital ceiling is TL 100 million, and the issued capital is TL 24 million. Shareholders with more than 10% of the capital, their shares, and their stakes in the capital are listed below.

Shareholder's Title	Share Amount (TL)	Share (%)
Koç Holding A.Ş.	10.722.750	44,68
Ünver Holding A.Ş.	5.954.944	24,81
Other shareholders	7.322.306	30,51
Total	24.000.000	100,00

The main shareholder Koç Holding A.Ş. is controlled by Koç Family and companies owned by Koç Family. The other large shareholder Ünver Holding A.Ş. is controlled by Ünver Family. The balance representing 30.51% of our capital with a nominal value of TL 7,322,306 consists of other shareholders and free-floating shares.

Information on the company's subsidiaries and affiliates subject to consolidation is as follows:

Subsidiaries	Country	Main Field of Operation	Industry
Otokar Europe SAS	France	Sales and marketing	Automotive
Otokar Land Systems LLC	United Arab Emirates	Sales and marketing	Automotive and defense industry
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and marketing	Automotive and defense industry
Joint ventures	Country	Main Field of Operation	Industry
Al Jasoor Heavy Vehicle Industry	United Arab Emirates	Sales and marketing	Automotive and defense industry

Otokar established Otokar Central Asia Limited with the aim of increasing international sales and managing exports in the region at the Astana International Finance Center (AIFC), a special status zone subject to British Law, in Nur-Sultan, Kazakhstan, on November 5, 2019.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2022 - 31.12.2022

Al Jasoor Heavy Vehicle Industry LLC (Al Jasoor) was established on May 28, 2017 in the United Arab Emirates as a joint venture with the company's subsidiary Otokar Land Systems LLC owning 49% stakes for automotive sales and marketing purposes. Otokar Land Systems Limited is included under "Investments accounted with equity method" in the consolidated financial statements.

Dividends Distributed in the Last Three Years and Ratios

Otokar has distributed cash dividends through its issued capital based on the following ratios in the previous periods:

Period	%
2019	833.33
2020	1,666.67
2021	2,083.33

The company fully paid out the dividends for the 2021 accounting period in cash, starting on March 28, 2022.

The shareholders may access the company's corporate and financial data in the "Investor Relations" section on the website: www.otokar.com

AUTOMOTIVE INDUSTRY AND OTOKAR

Otokar operates in the automotive industry's commercial vehicles segment. Its product lineup consists of minibuses, midibuses and buses preferred in public transportation and personnel shuttles for the commercial market. On the other hand, the defense industry range includes various types of tactical wheeled armored vehicles, tracked armored vehicles, and turret systems. The company also manufactures Otokar Atlas light trucks under license for the transportation and logistics industry.

MARKET – SALES – PRODUCTION

The industry-specific developments of 2022 can be summarized below in line with the OSD (Automotive Manufacturers Association) data:

- In 2022, total vehicle production increased by 6.0% year-on-year, reaching 1,352,648 units while passenger car production rose to 810,889 units with an increase of 3.6%. Total transportation vehicles market recorded 7.0% growth in 2022, reaching 827,147 units while the passenger car market grew by 5.5% year on year with 592,660 units.
- In 2022, vehicle production by segments performed as follows year-on-year:

Light Commercial Vehicles Segment

Minibuses	0.1% increase
Midibuses	51% increase
Pick-up trucks	9% increase

Heavy Commercial Vehicles Segment

Buses	50% increase
Trucks	21% increase

- In 2022, domestic light commercial vehicle sales increased by 15% and imported light commercial vehicle sales by 1% year-on-year.
- In the same period, imports accounted for 44% of the light commercial vehicle (minibus + pick-up truck) market.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
BOARD OF DIRECTORS' REPORT 01.01.2022 - 31.12.2022

PRODUCTION AND SALES

The company's year-on-year production and sales figures by product type are presented below:

	2022		2021		Change (Units)		Change (%)	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Small Buses	1,394	1,341	783	896	611	445	78	50
Buses	1,223	1,138	722	723	501	415	69	57
Military Vehicles	216	214	161	216	55	(2)	34	(1)
Trucks	844	776	589	524	255	252	43	48
TOTAL	3,677	3,469	2,255	2,359	1,422	1,110	63	47

According to the consolidated financial statements prepared in line with applicable legislation, the company's 2022 revenues increased by 113% year-on-year.

Distribution of revenues by domestic sales and exports in comparison to the previous year is as follows:

	2022 (TL thousand)	2021 (TL thousand)	Change %
Domestic Sales	2,605,137	1,238,911	110
Exports	6,998,600	3,269,963	114
TOTAL	9,603,737	4,508,874	113

The company's exports amounted to \$403,545 thousand in 2022 (2020: \$345,259 thousand), accounting for 73% of total revenues (2021: 73%).

In 2022, capacity utilization was 38% (2021: 23%).

Otokar owes its growth to products with owned design and intellectual property rights, developed by engineering and research & development capabilities. Defining its strategies as growing in the defense industry, increasing the share of exports in its revenues and expanding with new models, Otokar strives to reach these targets.

INVESTMENTS

Otokar's R&D investments, which started several years ago following a major decision to ramp up research and development activities to capture the rapid growth targeted in vehicles with owned intellectual property rights, continued in 2022.

The company's total investments, including R&D expenditures, amounted to approximately \$26 million in 2022.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2022 - 31.12.2022

ADMINISTRATIVE AFFAIRS

The company's senior management team and their titles in 2022 are listed below.

Full Name	Title
Ahmet Serdar GÖRGÜÇ	General Manager
Hüseyin ODABAŞ	Assistant General Manager - Finance
Uğur Sedef VEHBİ	Assistant General Manager - Military Vehicles
Mustafa Kerem ERMAN	Assistant General Manager - Commercial Vehicles
Hasan Basri AKGÜL*	Assistant General Manager - Domestic Sales and Marketing
Onur VURAL**	Assistant General Manager - Operations

*Hasan Basri Akgül will retire from his role and the company on February 28, 2023.

**Onur Vural has been appointed as Assistant General Manager – Operations, effective January 1, 2023.

Number of Group employees as of year-end:

Year-end	31.12.2022	31.12.2021
Office employees	861	772
Field employees	2,081	1,514
Total	2,942	2,286

No incidents of disputes or labor movements were observed during the year.

The company is subject to the Collective Labor Agreement, signed between the Turkish Metal Workers Union and MESS (Turkish Employers' Association of Metal Industries) on January 12, 2022 to be effective from September 1, 2021.

The company has committed to comply with the Corporate Governance Principles issued by the Capital Markets Board and to introduce the necessary changes in line with the latest developments. Otokar has been rated by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in accordance with CMB's (Capital Markets Board) Communiqué on "The Principles Regarding Rating Activity in Capital Markets and Rating Agencies" for rating the compliance of BIST-listed corporations with the Corporate Governance Principles. The Corporate Governance Rating Report is published on www.otokar.com. Otokar's Corporate Governance Rating rose from 94.89 (9.49) in 2021 to 95.53 (9.55) in 2022.

In recognition of its sustainability-focused activities, Otokar has been listed in the BIST (Borsa Istanbul) Sustainability Index, whose constituents include the top performers in corporate sustainability, since 2014. Through the Sustainability Index, Otokar discloses information regarding its environmental, social and corporate governance performance and results as well as related goals.

2021 Otokar Sustainability Report is available on the corporate website: www.otokar.com

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
BOARD OF DIRECTORS' REPORT 01.01.2022 - 31.12.2022

FINANCIAL RESULTS

The company presents to the public its 2022 consolidated financial statements, which have been prepared in accordance with the Turkish Financial Reporting Standards, implemented by the Public Oversight Accounting and Auditing Standards Authority (POA) pursuant to Capital Markets Board's (CMB) Communiqué on the Principles of Financial Reporting in Capital Markets II-14.1. Annexes and notes related to these standards were also considered in preparing the financial tables.

The company has attained the operational and financial targets set for 2022, and the financial tables, notes and ratios showing the results of the activities in 2022 are also presented.

The consolidated revenues of the company as of 2022 year-end amounted to TL 9,603,737 thousand with a gross profit of TL 3,043,924 thousand.

Pursuant to CMB regulations and according to consolidated financial statements prepared in accordance with the Turkish Financial Reporting Standards, the company has posted a profit of TL 1,076,841 thousand before tax, and a net period profit of TL 1,239,118 thousand in 2022.

We hereby submit an overview of the operations in 2022 and the results for your consideration.

Esteemed Shareholders,

The Board of Directors has completed its one-year term today.

The Board members to serve in the next term will be elected in this meeting. We would like to extend our thanks for your confidence, interest and support during our term.

Sincerely,

İstanbul, February 17, 2023



Ali Y. Koç
Chairman

GENERAL ASSEMBLY

INDEPENDENT AUDITOR'S REPORT



1. Opinion

We have audited the consolidated financial statements of Otokar Otomotiv ve Savunma Sanayi A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

Full text of the opinion pertaining to the Independent Audit Report is presented on page 92.

GENERAL ASSEMBLY

SUMMARY OF FINANCIAL TABLES

Consolidated Balance Sheet

Thousand TL	2022	2021
Total Current Assets	10,611,915	3,960,425
Non-Current Assets	3,540,460	2,029,101
Total Assets	14,152,375	5,989,526
Total Non-Current Liabilities	9,997,901	2,852,334
Total Liabilities	2,051,494	1,640,657
Total Equity	2,102,980	1,496,535
Total Liabilities and Equity	14,152,375	5,989,526

Consolidated Income Statement

Thousand TL	2022	2021
Sales	9,603,737	4,508,874
Cost of Goods Sold	(6,559,813)	(2,792,189)
Gross Profit	3,043,924	1,716,685
Operating Profit	1,692,890	1,075,538
Profit Before Tax	1,076,841	904,546
Tax Income/Expense	162,277	136,978
Profit for the Period	1,239,118	1,041,524
Earnings Per Share (kr)	5.163	4.340

GENERAL ASSEMBLY

BOARD OF DIRECTORS



Yıldırım Ali Koç / Chairman

Y. Ali Koç holds a bachelor's degree in management from Rice University (USA) and an MBA from Harvard Business School. Mr. Koç started his career in 1990 at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank from 1992 to 1994. Ali Y. Koç joined Koç Holding in 1997 as New Business Development Coordinator in the Strategic Planning Group and held senior level positions, including the President of Corporate Communications and IT Group from 2006 to 2010. He has served as a Board Member at Koç Holding for over eight years and as Vice Chairman since February 2016. In addition to serving as the Chairman of Koç Financial Services and Yapı Kredi Bank since April 2016, Y. Ali Koç is also a Chairman at other Koç Group companies, including Otokar and Ford Otosan. Furthermore, Mr. Koç contributes to the country's social and economic development as Chairman of Fenerbahçe Sports Club, and a Board member at National Competition Research Association (URAK) and Endeavor Association, and an Executive Board Member at European Club Association (ECA). He is also a member of the Global Advisory Council of Bank of America, Harvard University, and Council on Foreign Relations. In addition to being a Senior Advisor at Chatham House, he also represents Turkey at CBI-Confederation of British Industry.



Levent Çakıroğlu / Vice Chairman

Levent Çakıroğlu received his bachelor's degree in Business Administration from Ankara University's School of Political Sciences and his master's degree from Illinois University (USA). Mr. Çakıroğlu began his career in 1988 as a Junior Analyst at the Ministry of Finance and went on to serve as a Financial Analyst from 1991 to 1997. He was appointed Vice President of the Financial Crimes Investigation Board at the Ministry of Finance (1997-1998), while he also taught at Bilkent University as a part-time lecturer. Joining Koç Holding as Finance Group Coordinator in 1998, he served as the CEOs of Koçtaş (2002-2007), and Migros (2007-2008). He was appointed the CEO of Arçelik in 2008, and also served as the Koç Holding Durable Goods Group President starting from April 2010. He was appointed the CEO of Koç Holding A.Ş. in April 2015. Mr. Çakıroğlu still serves as the CEO and has been a Board Member of Koç Holding A.Ş. since April 2016. Mr. Çakıroğlu is also the Chairman of Arçelik-LG and TürkTraktör, Vice Chairman of Otokar and Yapı Kredi Bank, and a Board member at some Koç Group companies.



Selin Ayla Ünver / Board Member

Selin Ünver completed her education in Switzerland, and gained experience in finance and accounting. Ms. Ünver is currently the Chairwoman of Ünver Holding A.Ş.



Haydar Yenigün / Board Member

Haydar Yenigün earned his bachelor's degree in mechanical engineering from Yıldız Technical University in 1987. The same year, he started his career as an engineer at the production department of Ford Otomotiv Sanayi A.Ş. After completing his military service, he continued to work as a Project Engineer (1992-1997). In 1998, he was appointed as Project Leader for the Kocaeli Plant, where he went on to serve as the Body Construction Area Manager (1999-2007). From 2007 to 2012, he worked as Kocaeli Plant Manager and Assistant General Manager at Ford Otomotiv Sanayi A.Ş. After serving as the General Manager of Ford Otomotiv Sanayi A.Ş. (2021-2022), he was appointed as President, Automotive Group at Koç Holding A.Ş. in 2022.

GENERAL ASSEMBLY

BOARD OF DIRECTORS



İsmail Cenk Çimen / Board Member

İsmail Cenk Çimen studied Industrial Engineering at Istanbul Technical University, and later attended Executive Development Programs at the University of California, Los Angeles and Stanford University (USA). Joining the Koç Group as a Management Trainee at Nasoto (1991), he went on to serve as Sales Coordinator, Regional Director, and Import Director at Otosan Pazarlama (1993-1996). Following his role as Fleet Sales Manager at Ford Otosan (1996-1998), he was appointed General Manager at Otokoç Ankara (1998). In 2001, Mr. Çimen became the General Manager of Otokoç, which were brought together under one umbrella. In addition to his role at Otokoç, Mr. Çimen was also appointed General Manager of Birmot A.Ş. in 2005, and management of Avis rent a car business was added to his responsibilities the same year. İsmail Cenk Çimen served as the President of the Automotive Group at Koç Holding from June 2009 until his retirement from this role on April 1, 2022. He is currently a Board member at Otokar.



Ahmet Serdar Görgüç / Board Member - General Manager

Ahmet Serdar Görgüç graduated from the Department of Mechanical Engineering at Boğaziçi University and later earned a master's degree in Business Administration from Istanbul University. Mr. Görgüç joined Koç Group in 1982, working at the Group's R&D Center. He served as the Automotive Unit Manager at the R&D Center until 1985 and was appointed Advanced Projects Design Manager at Otokar the same year. Mr. Görgüç served as Product Engineering Manager (1989-1995), and as Assistant General Manager of Engineering (1995-2005). He has been the General Manager of Otokar Otomotiv ve Savunma Sanayi A.Ş. since 2006.



Ali İhsan İlkbahar / Independent Board Member

Ali İhsan İlkbahar graduated from Istanbul Technical University with an M.Sc. in Mechanical Engineering in 1962 and following a two-year military service, started working as a Manufacturing Engineer at Otosan in 1964. He spent his entire professional life at Ford Otosan where he served as the General Manager during the last 14 years, when he was also the Koç Holding Ford Group head and retired at the beginning of 2000. He was involved in the construction project of the Otosan Engine Plant in İnönü, Eskişehir (1977-1980) and led the Gölcük Plant project and Connect Vehicle project (1997-2000). He was the President of the Automotive Manufacturers Association from 1989 through February 2004. He served on the Board of Ford Otosan from 1991 to 2012 and was reelected as a member on March 25, 2014. Mr. İlkbahar has also served on the Corporate Governance Committee at Ford Otosan from April 2014 to March 2022. Mr. İlkbahar has been an Independent Board Member at Otokar since 2020.



Ali İhsan Kamanlı / Independent Board Member

Ali İhsan Kamanlı is a graduate of Mechanical Engineering at Istanbul Technical University. He served as Plant Manager and Deputy General Manager (1973-2008) at Ford Otosan A.Ş. and retired at the end of his tenure. Mr. Kamanlı worked as an Advisor to General Manager at Otokoç A.Ş. (2009-2010) and served as an Independent Board Member at various companies other than Koç Group and Ünver Group (2012- 2016). Mr. Kamanlı has been an Independent Board Member at Otokar since 2018.



Kenan Güven / Independent Board Member

Kenan Güven is a graduate of Civil Engineering at Istanbul Technical University. He worked at TEK Construction as Department Head and in various positions at STFA companies (1972-1978). After his role as Project and Sales Manager at Demma Çelik Hasır A.Ş. (1976-1978), he joined Otokar Otomotiv ve Savunma Sanayi A.Ş. in 1981 as Public Sales Manager and retired from this position in 2009 at the end of his tenure. He later served as Board Member, General Manager and Chairman at Ve-Ge Yapıştırıcı Bant ve Hassas Kağıt San. A.Ş. (2009-2014). Since November 2016, Mr. Güven has served as the Chairman of Turkish Heart Foundation. Mr. Güven has been an Independent Board Member at Otokar since 2018.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SAN. A.Ş. PROFIT DISTRIBUTION POLICY

The Company makes profit distribution in accordance with the provisions of the Turkish Commercial Code, the Capital Market Legislation, the Tax Legislation and the other laws and regulations as well as the articles of the articles of association concerning the profit distribution. A stable and balanced policy observed between the shareholders and Company benefits as per to the Corporate Governance Principles.

In principle, based on the net profit in the period as set out in the financial statements prepared in accordance with the Capital Market Legislation and subjected to independent audit, minimum 50% of the “distributable profit in the period” as calculated in accordance with the Capital Market Legislation and the other relevant laws and regulations is distributed in cash or as gratis shares.

The profit distribution is aimed to be performed in one month at the latest after the General Meeting; General Meeting also decides the profit distribution date. General Meeting or Board of Directors in case authorization can decide distribution of the profit as installment as per to the Capital Markets Arrangements.

Board of Directors can distribute profit advance with the condition of compliance to the Capital Markets Arrangements and authorization by the General Meeting.

GENERAL ASSEMBLY

01.01.2022-31.12.2022 FISCAL YEAR DIVIDEND PAYMENT PROPOSAL

Otokar Otomotiv ve Savunma Sanayi A.Ş. Dividend Distribution Table 2022 (TL)

1.	Paid-in/Issued Capital		24,000,000
2.	Total Legal Reserves (According on Legal Records)		183,398,147
Information concerning any privileges provided in the articles of association regarding profit			-
		According to CMB	According to Statutory Records
3	Current Period Profit	1,076,841,265	769,605,582
4	Taxes Payable (-)	(162,277,271)	-
5	Net Current Period Profit (=)	1,239,118,536	769,605,582
6	Losses in the Previos Years (-)		
7	Primary Legal Reserve (-)		
8	NET DISTRIBUTABLE CURRENT PERIOD PROFIT (=)	1,239,118,536	769,605,582
9	Donations made during the year (+)	9,737,108	
10	Donations -Added Net Distributable Current Period Profit	1,248,855,644	
11	First Dividend to Shareholders		
	- Cash		
	- Bonus Shares		
	- Total		
12	Dividend Distributed to Owners of Privileged Shares		
13	Other Dividend Distributed		
	- To the Members of the Board of Directors		
	- To the Employees		
	- To None Shareholders		
14	Dividend to Owners of Redeemed Shares		
15	Second Dividend to Shareholders		
16	Legal Reserves		-
17	Status Reserves		
18	Special Reserves		
19	EXTRAORDINARY RESERVES	1,239,118,536	769,605,582
20	Other Distributable Resources		
	- Previous year's profit		
21	Legal Reserves Allocated for Other Source as Proposed to be Distributed		-

Dividend Ratios Table

	Group	Cash Dividend Amount (TL)		Total Dividend Amount (TL) / Net Distributable Current Period Profit (%)	Dividend to be Paid for Share With Per Value of TL 1	
		Cash (TL)	Bonus (TL)	Ratio (%)	Amount (TL)	Ratio (%)
Gross	-	0.00	0	0.00	0.00000	0.000
	TOTAL	0.00	0	0.00	0.00000	0.000
Net	-	0.00	0	0.00	0.00000	0.000
	TOTAL	0.00	0	0.00	0.00000	0.000

GENERAL ASSEMBLY

CANDIDATES FOR THE BOARD OF DIRECTORS

Yıldırım Ali Koç (Board of Directors Candidate)

See Page 30 Board of Directors' Résumés

Levent Çakıroğlu (Board of Directors Candidate)

See Page 30 Board of Directors' Résumés

Selin Ayla Ünver (Board of Directors Candidate)

See Page 30 Board of Directors' Résumés

Haydar Yenigün (Board of Directors Candidate)

See Page 30 Board of Directors' Résumés

İsmail Cenk Çimen (Board of Directors Candidate)

See Page 31 Board of Directors' Résumés

Ahmet Serdar Görgüç (Board of Directors Candidate)

See Page 31 Board of Directors' Résumés

Ali İhsan İlkbahar (Board of Directors Independent Member Candidate)

See Page 31 Board of Directors' Résumés

Ali İhsan Kamanlı (Board of Directors Independent Member Candidate)

See Page 31 Board of Directors' Résumés

Kenan Güven (Board of Directors Independent Member Candidate)

See Page 31 Board of Directors' Résumés

"Statements of Independence" by the nominated Independent Members of the Board of Directors are provided on page 35.

GENERAL ASSEMBLY

STATEMENT OF INDEPENDENCE

I have been nominated to serve as an “independent member” on the Board of Directors at Otokar Otomotiv ve Savunma San. A.Ş. (“Company”) in accordance with applicable legislation, the Company’s Articles of Association, and the criteria specified in Capital Markets Board’s Corporate Governance Communiqué. I, therefore, declare that:

- a) In the last five years, I have not assumed any major duty or responsibility, or been employed in a management position, or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others, and have not established any materially significant commercial relations with the Company, the companies that the Company controls or has significant influence over their management, or the partnerships that have management control of the Company, or the shareholders that have management control or major influence in the Company, or the legal entities in which such shareholders have management control, and there is no relationship between the aforementioned parties and myself, my spouse or my blood relatives or relatives by marriage to the second degree.
- b) In the last five years, I have not been a partner (holding 5% or more of the shares in the company), a manager with important duties and responsibilities, or a member of the board of directors of any company with which the Company engages in purchasing or selling of services, in particular, auditing (tax auditing, legal auditing, internal auditing, etc.) rating or consultancy services, or products within the framework of signed agreements.
- c) I have the necessary professional training, knowledge and experience to fulfill the duties I will assume as an independent director.
- d) I will not work full-time for state enterprises or institutions, except for serving in an academic capacity at a university per applicable legislation, after my election as an independent director.
- e) I am a resident in Turkey according to the Income Tax Code (ITC) No. 193 of 31/12/1960.
- f) I possess strong ethical standards, professional reputation, and experience to enable me to contribute positively to the Company’s operations, maintain my impartiality in conflicts of interest between the shareholders and the Company, and decide freely by considering the rights of the stakeholders.
- g) I will dedicate the time required to follow the workings of Company operations and fully perform the duties I have assumed regarding Company matters;
- h) I have not served as a director on the Company’s Board for more than six years in the last ten years.
- i) I do not serve as an independent director on the Boards of more than three companies controlled by the Company or shareholders with controlling stakes in the Company, or in more than five listed companies in total.
- j) I have not been registered or announced in the name of a legal person appointed as a member of the Board of Directors.



ALİ İHSAN İLKBAHAR



ALİ İHSAN KAMANLI



KENAN GÜVEN

GENERAL ASSEMBLY

REMUNERATION POLICY FOR SENIOR EXECUTIVES AND MEMBERS OF BOARD OF DIRECTORS

This policy document identifies remuneration system and applications of members of Board of Directors, General Manager, Assistant General Managers and Top Executives.

In accordance with the Turkish Commercial Code and Otokar Otomotiv ve Savunma Sanayi A.Ş. article 13 of Articles of Association, a fixed fee is determined every year at the ordinary general assembly meeting for the functions of membership of the board of directors, applicable to all members of the board of directors. Payment to the members of the board of directors is made on pro rata basis by taking into account the duration they were on duty between the date of appointment and the date of resignation. Executive Board members are paid in accordance with the policy established for top executives, which the details are described below. To the members of the board of directors who undertake duties in committees established by the board of directors, a premium determined by the board of directors based on the contributions except being a member of the board, attendance to meetings and functions of the members can be paid in accordance with the opinion of the Corporate Governance Committee at the end of each year. If any payment has made to members of Governance Committee within this context, it will be set off the mentioned amount at the end of the year. For compensation of the independent members of the board of directors, the payment plans based on the performance of the company are not used. Expenses incurred by the members of the board of directors on account of their contributions to the company (transportation, telephone, insurance, etc.) may be paid by the company.

Top executive salaries are consisted of two compounds; fixed and performance based. Within the scope of our remuneration policy, remuneration and benefits management is organized and implemented as; fair, objective, appreciating high performance, competitive, rewarding and motivating. Fixed salaries of Top Executives are established in accordance with the international standards and the legal obligations by taking into account the macro-economic data in the market, the compensation policies prevailing in the market, the size and long term targets of the company and the positions of the individuals. With the remuneration policy, it is aimed to increase the motivation and commitment of employees by taking into account the internal wage balances and competitiveness in the market, and to provide qualified employees who will ensure that the company's strategic business goals are achieved. Premiums for the Top Executives are calculated according to company performance and individual performance, in a way that will support the realization and exceeding of the company's business goals, and encourage superior performance by rewarding sustainable success. Some information about the criteria is summarized below:

- **Premium Basis:** Premium Bases are updated at the beginning of each year and vary according to the job size of the positions of the executives. In the updating of the premium bases, the top management premium policies in the market are taken into account.
- **Performance of the Company:** Performance of the company is obtained by measuring the financial and operational targets (market share, exports, overseas operations, productivity, etc.) assigned to the company at the beginning of each year at the end of the period. When the targets of the company are established, that the success is sustainable and includes improvements compared with the previous years are the principles which are importantly taken into account.
- **Individual Performance:** Individual and collective goals set by Top Executives with their own teams and managers, as well as key result indicators, are taken into account in determining individual performance. In the measurement of individual performance, long-term sustainable improvement, compliance with Environment, Society and Corporate Governance (ESG) policies are taken into account, apart from financial areas.

In case of resignation of the top executives of our company, resignation premium can be paid by taking into consideration the term of appointment, term of top executive, provided contribution, last target premium before resignation date, salary at last year and premium information.

Total amounts determined in accordance with the above principles and paid to Top Executives and the members of the Board of Directors during the year are submitted to the information and/or approval of the shareholders compliance with the legislation at the following general assembly meeting.





OTOKAR IN 2022



COMMERCIAL VEHICLES



TENS OF THOUSANDS OF OTOKAR BUSES PROVIDE SAFE TRAVEL ON THE ROADS OF NEARLY 60 COUNTRIES.

As the automotive industry remained among the key sectors most affected by the COVID-19 pandemic both the global and the domestic market continued to shrink in 2022 due to factors such as the chip shortage, pressure of an anticipated economic recession, and cost increases. Overall, the Turkish bus market captured 26% growth in 2022. The small bus segment recorded 49% growth and public transportation segment 19% year on year.

Despite the uncertainties and economic volatilities seen in 2022, Otokar maintained its successful performance in its segments. With a broad product range that includes buses from 6 meters to 21 meters in length, Otokar remained the first choice in transportation. In addition to

reconfirming its leadership in the bus market for the 14th time as Turkey's most preferred bus brand, Otokar also grew and reinforced its effective dealer network across the country. By signing new deals, the company successfully represented the Turkish automotive industry in the international markets. Meanwhile, as part of the agreement signed to manufacture IVECO BUS buses in Turkey, production and deliveries continued. Otokar's outstanding achievements in production and exports in the automotive industry were recognized with the "Silver" prize at the Export Champions Awards presented by the Automotive Exporters Association (OIB).

Electric bus developments

Otokar expanded its electric bus range with the addition of e-Centro and

14TH TIME

IN 2022, OTOKAR RECONFIRMED ITS MARKET LEADERSHIP FOR THE 14TH TIME AS TURKEY'S MOST PREFERRED BUS BRAND.

e-Kent Articulated buses, continuing to invest in the future. The electric buses were promoted in Turkey and a number of European countries, including France, Poland, Italy and Germany as well as Israel and Dubai. Otokar's electric bus was used to shuttle the visitors between the halls at IAA Transportation 2022, one of the largest trade fairs for commercial vehicles. Otokar also received orders for electric vehicles from Italy, Spain, Romania and Serbia.

Public transportation developments

In 2022, Otokar completed the delivery of 100 vehicles to the İstanbul Metropolitan Municipality (İBB) after winning the metrobus tender opened by İBB. This tender marked the first time in ten years that the İETT purchased vehicles to operate on the BRT line. Otokar's maintenance and service teams started to work at İETT'S Hasanpaşa Bus Depot to provide after-sales services for İstanbul's new metrobuses for three years.

Otokar shared detailed information about the Kent XL bus in the İstanbul episode of "The Way We Move: Transporting Stories," a series presented by UITP, and produced by BBC Storyworks, featuring public transportation stories from various major cities, including London, Singapore, and Barcelona.

Throughout the year, Otokar continued to work for metropolitan municipalities. In addition to delivering the orders received from provinces such as Balıkesir, İzmir and Muğla, Otokar also completed the deliveries of the orders

placed by companies operating in the tourism, school shuttle and personnel transportation segments in Ankara, Antalya and İstanbul.

Exports

Otokar maintained its strong performance in exports and completed deliveries to Israel, Tunisia, Georgia and Azerbaijan as part of the contracts it has been awarded. Otokar also received new orders from Romania and Czechia. The activities to promote the vehicles in export markets continued with Budapest, Hungary and Poland. Otokar received orders for Vectio, Kent and CNG-powered Kent buses as part of the framework agreements signed with Consip S.p.A, Italy's central purchasing body, and Autolinee Toscane, a leading regional operator.

Truck deliveries

Otokar maintained its growth trend in

the Turkish truck market and added the 12-ton Atlas 3D to its product range. With high performance, excellent design and enhanced comfort features, Otokar Atlas is a top choice especially for heavy-duty works and a favorite of the private sector fleets.

Otokar is currently in the process of ramping up its efforts to export trucks and has already signed a dealership agreement in Bulgaria. Furthermore, the first order was received from an export market and the trucks were delivered.

In the domestic market, Otokar completed the deliveries of the orders received from public institutions and organizations, including the Ministry of Family and Social Services, Aydın Metropolitan Municipality and İstanbul Metropolitan Municipality. Otokar Atlas trucks were also delivered to a number of customers.



DEFENSE INDUSTRY



OTOKAR, THE LEADING DEFENSE COMPANY OF TURKEY, RECEIVED ORDERS FROM A MULTIPLE MARKETS IN 2022 AND MET WITH CLIENTS TO EXPLORE PARTNERSHIP OPPORTUNITIES.

Otokar, the leading national defense company of Turkey, offers different types and variants of vehicles from 4x4 to 8x8 and tracked armored vehicles. Currently, nearly 33,000 Otokar vehicles are used in more than 40 countries, including Turkey.

With military vehicles included in the inventories of nearly 60 clients, Otokar received new orders for vehicles and spare parts from different markets in 2022. The company showcased its wide product range and capabilities in defense industry fairs and

exhibitions across the world and promoted its vehicles in several countries from South Africa and Indonesia to Chile and France. In addition to its extensive product range, Otokar also garnered interest with its integrated logistics support systems and lead times, and met with many clients to explore new partnership opportunities.

System developments

Software Testing System: A next generation software testing system has been developed to test military vehicle platform software

40+

OTOKAR'S DEFENSE INDUSTRY PRODUCTS ARE USED IN MORE THAN 40 COUNTRIES.

QUALITY CERTIFICATES OF OTOKAR'S TEST LABORATORIES ARE RENEWED

Otokar's Ballistics and Mine Laboratory went through an interim inspection by IAS and the EMC and Environmental Testing Laboratory was audited for re-certification by TÜRKAK. After the inspections were completed, the quality certificates of Otokar's test laboratories were renewed.

in a laboratory environment. The system may include vehicle subsystem simulators in the test system in a virtual environment based on weather and terrain conditions, and verify the vehicle platform software. Tests may be created for all kinds of mission scenarios and run in a laboratory environment.

Oto-RAMS: Otokar Remote Access Maintenance and Support System was developed. This system features software and equipment to ensure secure access to military vehicle platforms via communication networks, monitor vehicle data in real time, generate preventive maintenance recommendations, and prove remote maintenance and repair support. The system was run on Otokar's IT infrastructure and deployed on vehicle prototypes in 2022.



CREATING VALUE FOR STAKEHOLDERS



ALWAYS FOCUSED ON CREATING VALUE FOR ALL ITS STAKEHOLDERS, OTOKAR CONTINUED TO WORK ON IMPROVING EFFICIENCY.

Always aiming to make life easier for its customers, business partners and employees, Otokar continued to create value for all its stakeholders in 2022. Accordingly, the company maintained relations based on mutual trust and cooperation with existing and prospective business partners, and worked to improve efficiency.

Agile transformation

Otokar, on an Agile Transformation journey since 2021, works toward its vision of turning into a resilient organization that creates value through innovation, continually learns, and drives change. Through this cultural evolution process, Otokar aims to achieve ultimate customer satisfaction by producing higher value-added products and services

for its customers and stakeholders. Accordingly, the company has carried out 18 projects focused on improving efficiency in the production, quality and OHS processes in 2022. As part of the ongoing efforts, nearly 500 employees took the relevant training and 11 of the projects, which involved 158 employees, were completed.

Configuring the production flows

Otokar launched the Layout Project to reconfigure the production flows in both the commercial vehicle and defense industry manufacturing. As part of the project, all production workflows were reconfigured according to lean production principles. Furthermore, the company's technological infrastructure was reinforced and the production

18

18 PROJECTS FOCUSED
ON IMPROVING
EFFICIENCY IN
PRODUCTION, QUALITY,
AND OHS PROCESSES.

management processes were restructured. With the completion of the project, Otokar aims to set industry benchmarks in production infrastructure and management processes.

Customer satisfaction

Ensuring customer satisfaction is a critical issue for Otokar, which always considers customer needs and expectations in its operations. and company aims to further improve satisfaction with its products. In addition to offering low maintenance costs and affordable parts through a wide aftersales service network across Turkey, the company also organized two “Service Days” campaigns for commercial vehicles.

Otokar Academy online training portal, which was launched in 2021 to support both authorized service providers and customers with training programs, continued to deliver remote training. As part of these activities, Otokar Atlas was introduced to the truck dealers in a new training program.

Supplier relations

Otokar has carried out strategic purchasing activities with its suppliers, rapidly increasing and maintaining its inventory levels or replacing many materials with local alternatives. Meanwhile, supply chain risks and their management remained a key focus area for Otokar. In 2022, Otokar worked with 1,455 suppliers, including 1,177 local companies, for direct and indirect procurements. During the reporting period, purchasing costs amounted to TL 7.93 billion, with local supply rate at 44% levels. The required

documentation of all contractors who are allowed to enter and work at the factory were uploaded to the Wellcome system. The Contractor Management System is fully deployed and constantly monitored.

Kaizen practices

As a company that always aims for continuous improvement in its business processes, services and products, Otokar continued to apply Kaizen practices to offer the employees development opportunities. Based on the evaluations of the Kaizen work of the field employees throughout the year, the viable practices were included in

the system and implemented and 27 employees were recognized with the Kaizen Reward. In addition to Kaizen practices, Otokar also rewarded 1,307 employees as part of the reward and recognition procedures in 2022.



DIGITAL TRANSFORMATION



AS A PIONEER IN ITS FIELD, OTOKAR REGARDS DIGITAL TRANSFORMATION AS THE KEY TO THE FUTURE.

Since its establishment, Otokar has always embraced the philosophy of total excellence by developing its own technology and preserving the local and national identity of its products. In line with this approach, Otokar has designed its digital transformation strategy in a way to ultimately make it a part of the company culture. The company sees digital transformation as a critical opportunity for entering new production segments. Accordingly, Otokar aims to lead its sectors in the digital transformation journey as well.

In line with its digital transformation vision, the company continues to focus on projects with one of the four themes: Customer Facing Digital Channels, Digitalized Production and Supply Chain, Analytical Decision and Marketing, and Digital Products and Services. In 2022, Otokar's digital transformation efforts focused on five projects: Forklift Smart Camera

System, Factory IoT Applications, VALU3S (Verification and Validation of Automated Systems' Safety and Security), EXPAI Smart Industry, and TASTI (Tailored Synthetic Image Generation).

Projects

Forklift Smart Camera System:

Given an operator's position on a forklift, their attempts to place a product on high shelves by relying solely on the naked eye previously created accident risks with potential damage to the materials or human health. To eliminate this risk, a wireless fork camera system has been designed to improve the safety of the operator. Positioning the system on the forklift's fork enables the fork image to be communicated to a tablet screen, which then displays the front view to the operator in real time. Since the system is plug-in, it does not cause any damage to the equipment while mounting and dismounting. The

5

OTOKAR'S DIGITAL TRANSFORMATION EFFORTS FOCUSED ON FIVE PROJECTS IN 2022.

project, developed in late 2021, has been deployed on high reach forklifts and reach-trucks. The project was also recognized with the Recommended Project Award in the “OHS Special Award” category at the MESS Stars of Occupational Safety Awards.

Factory IoT Applications: The sensors needed to monitor the status of critical sites within the factory in real time were defined in the system. The platform where the RTLS system and the temperature monitoring system of the busbars used in electrical power distribution would be integrated has been determined as Platform 360.

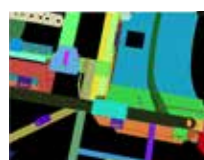
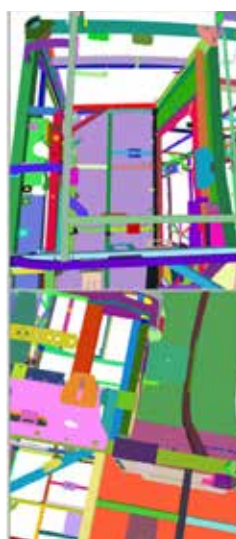
VALU3S: The system topology to enable the integration of the Hardware Security Module (HSM) and Secure Gateway (SG), which ensure cyber security, has been determined and deployed on the electrical board. Also, a digital twin platform software that creates the safe robot trajectory has been developed. Then, the

error injection and robot trajectory optimization modules developed by the stakeholders were integrated into the digital twin.

EXPAI Smart Industry: The main objective of the project is to build a flexible, controllable digital environment powered by an Explainable Artificial Intelligence (XAI) digital smart platform, which collects and analyzes sensor data from multiple sources for different areas and combine them within a common framework for industrial areas and retail. Otokar's goal with this project is to optimize warehouse processes using artificial intelligence. There are 16 project partners from Turkey, Spain, Portugal, Slovenia, and Korea. While TÜBİTAK's approval process is currently ongoing, the project has already received the Celtic (Eureka) label.

TASTI: The main objective of TASTI is to develop a modular transferable technology framework to bring

innovation to synthetic image generation and to customize such an innovation for different applications. The goal of the project is to generate synthetic images of the error types encountered in industrial systems and to classify those errors with neural networks trained with these images. Otokar aims to integrate the project outputs into applications where machine vision systems are utilized. There are 17 project partners from Turkey, the Netherlands, Spain, Belgium, Sweden and Canada in the project. The project has already received the Celtic (Eureka) label while TÜBİTAK's approval process is currently ongoing.



SUSTAINABILITY



OTOKAR AIMS FOR OPERATIONAL EXCELLENCE IN ALL ITS ACTIVITIES.

In line with its sustainability strategy, Otokar has designed a business model that faithfully follows ethical principles, creates value for the environment, always considers customer expectations, develops technology-driven products, and contributes to local capital. In all its activities, Otokar aims for operational excellence.

Sustainability lies at the heart of Otokar's activities, and the management body responsible for setting the strategic direction of the company's social, economic and environmental activities is the Board of Directors. The General Manager, who is also a Board member, oversees the sustainability-related activities to ensure that they are implemented in accordance with company policies and applicable legislation. On the other hand, Otokar

Sustainability Working Group, which reports to the General Manager, monitors the social, environmental and economic impact of the company's operations.

Otokar's material sustainability aspects are determined at workshops with the participation of Working Group members and senior management. The identified material aspects are reviewed by external experts every year and updated as needed. The objective of Otokar Sustainability Model, which is defined during these activities, is to draw up a roadmap that respects the environment, people and the future to strengthen the company's business strategy in the automotive and defense industries as an organization that acts with environmental, social, and governance responsibility and

values stakeholder engagement. Otokar Sustainability Model aims to move forward with a holistic and inclusive approach.

Responsible management approach

Otokar adopts a “responsible management” approach toward all its stakeholders. In designing its sustainability activities, Otokar considers the needs and priorities of all its stakeholders. The company discloses its business strategies, the impact of its operations and performance results transparently and fully through the annual sustainability reports. The reports, prepared in accordance with the GRI standard, contain five-year historical and comparable data pertaining to the key sustainability performance indicators.

BIST SUSTAINABILITY INDEX

Otokar aims to create long-term value by combining economic, environmental and social factors with corporate governance principles. Since 2014, Otokar has been included in the BIST Sustainability Index, whose constituents are listed companies with the highest corporate sustainability performance, in recognition of its sustainability focused efforts. Through the Sustainability Index, Otokar discloses information on its environmental, social and corporate governance related activities as well as their performance results and relevant targets to its stakeholders.

FOCUS AREAS

- Digital Transformation
- Innovation
- Future Talents
- Climate Change
- Diversity, Equality and Inclusion

OTOKAR'S SUSTAINABILITY MODEL

R&D and Innovation for Continuous and Sustainable Development

- Product Quality
- Product Life Cycle
- Minimizing the Impact of Supply and Value Chains



Sustainable and Quality Products

- Applying New Technologies
- Alternative Fuel Vehicles
- Sustainable Product Design
- Digitalization



Innovative Solutions to Combating Climate Change

- Energy Efficiency in Production
- Zero Waste
- Shift to Low Carbon Economy



Brand Value and Customer Satisfaction

- Accessibility
- Customer Satisfaction
- Brand Value and Reputation



Employee Satisfaction

- Employee Loyalty
- Occupational Health and Safety
- Diversity and Human Rights
- Talent Management



Information on sustainability activities is also disclosed through in the Annual Report and the corporate website. Starting with Otokar employees, all stakeholders are provided with information on the company's environmental, social and governance policies and practices.

Transparent and continuous communication

As a public company traded on Borsa Istanbul, Otokar upholds transparency and accountability as a core value. Accordingly, the Investor Relations Department maintains transparent and continuous communication with investors and shareholders.

Otokar follows applicable laws and regulations and capital markets legislation in shareholder relations. Information about the company is disclosed to interested parties at the annual ordinary General Assembly Meetings and through Annual Reports, Sustainability Reports, annual and quarterly Earnings Releases, periodic analyses and information documents, corporate website, press releases, material event disclosures, meetings and interviews.

In all its operations, Otokar aims to create value for all its stakeholders. Therefore, it seeks to understand stakeholder expectations and develop the right responses as a key part of the value creation process. Accordingly, Otokar engages in active communication with all relevant stakeholder groups. The method and frequency of communication is shaped according to stakeholder requirements and expectations. Communication with the stakeholders is always constructive, transparent and based on mutual trust and cooperation. As part of stakeholder communications, Otokar supports the activities of NGOs and platforms by becoming a member and taking responsibility in such organizations' management bodies.

Corporate governance model

The corporate governance model of Otokar is based on compliance with the Corporate Governance Principles stipulated by the Capital Markets Board. The company already complies with all mandatory principles and currently works on certain principles to achieve full compliance.

Based on the Sustainability Compliance Framework introduced by the Capital Markets Board as part of the Corporate Governance Principles, Otokar has expanded the scope of its compliance efforts to encompass sustainability. In determining its corporate governance strategy, Otokar considers sustainability, the environmental impact of its operations, and relevant principles.

Legal compliance

Legal compliance is another strategic factor that Otokar follows as part of its risk and audit activities. Otokar Compliance Policy demonstrates the company's commitment to defining a comprehensive and effective compliance framework and complying with laws and regulations, internal policies, best corporate governance practices, and ethical rules. The Compliance Policy is binding on all Otokar employees and executives.

Otokar Competition Law Compliance Policy is an indication of Otokar's commitment to complying with competition law in its commercial activities and relations with its competitors. The policy lays out the principles and procedures regarding the execution of all activities in compliance with the competition law legislation. All Otokar employees and executives are required to adhere to the Competition Law Compliance Policy.

Otokar Supply Chain Compliance Policy provides guidelines for sharing Otokar's core principles and values with its business partners and

communicating the standards they are expected to meet. In selecting suppliers and monitoring them, Otokar aims to function as a guide. This policy is an integral part of Otokar's Code of Ethics and is binding on all suppliers of Otokar.

In 2022, all Otokar employees have received Compliance Policy training.

Environmental sustainability

Managing environmental aspects:

Otokar Environment Policy provides a reference document for managing environmental issues. This policy defines Otokar's commitment to protecting the environment, using natural resources efficiently, complying with laws and regulations, implementing improvements to reduce environmental impact, and creating systems and processes pertaining to environmental audits.

Otokar's operations are certified according to the ISO 14001 Environmental Management System. The Board of Directors, which is responsible for overseeing Otokar's environment related efforts, identifies the strategic trends and monitors the environmental activities. Meanwhile, the General Manager is responsible for the implementation of these strategies and decisions in line with company policies and legal regulations. Environmental management activities are carried out by the Environmental Management Department, organized under the leadership of Production and Sourcing Group Director and Plant Maintenance and Investment Manager. In environmental management, Otokar works with various stakeholder groups and NGOs by forming partnerships and focusing on collaborations to create a wider impact. Otokar attends the monthly meetings of the Koç Group Environmental Committee as a member, contributing to Group companies by sharing its best practices. Otokar also takes an active role in the Environmental Working Groups of OSD and TÜSIAD.

Otokar carries out its operations with environmental sensitivity and aims to create minimum impact. Therefore, the company also seeks stakeholder opinions and makes use of best practices from around the world in its environment-related activities. Otokar Environment Policy, created in accordance with applicable legislation, provides the basis for managing environmental issues.

Environmental goals are among the key factors that affect the personal performance assessment and the remuneration system. Although there are targets tracked with scorecards in many areas within the scope of ESG policies, starting with environment and occupational safety, work is ongoing to set long-term targets. Once the target setting system is in place, the short- and long-term targets will be disclosed to the public.

In determining the environmental management strategies and deciding on the practices, Otokar

also follows the national and international standards. All Otokar manufacturing sites hold ISO 14001 Environmental Management Systems Standard certification. Environmental performance is measured with score cards and reported to the General Manager and the Board of Directors. Results of the environmental performance assessments are disclosed to the stakeholders through various reports and internal communications.

Environment-related topics are monitored through 22 key performance indicators (KPIs). In determining these indicators, GRI standards, environmental issues, industry norms and requirements, and Koç Group's material environmental aspects are considered. The annual Sustainability Reports are the primary channel for transparent disclosure of environmental performance. Environmental KPIs are also provided on the corporate website and in Annual Reports. Disclosing five-year

historical data regarding environmental KPIs provides an opportunity to make retrospective comparisons.

Alignment with stakeholders:

Otokar expects its suppliers and business partners to adopt the same environmental management approach. Accordingly, Otokar aims to spread the environmental management approach across its entire value chain beyond its own operations. Therefore, Otokar includes compliance with environmental standards and environmental impact management criteria in the supplier selection process. The environmental performance of suppliers is also monitored through regular inspections.

Environmental collaborations:

Environment is an area where Otokar aims to create more positive impact through collaborations and joint efforts. Accordingly, Otokar partners with different stakeholder groups and NGOs. Furthermore, ISO and TÜSIAD provide platforms for

ENVIRONMENTAL KEY PERFORMANCE INDICATORS	2018	2019	2020	2021	2022
Total Energy Consumption (GJ)	137,033	158,992	156,184	169,235	202,263
Direct Energy Consumption (GJ)	55,044	101,751	103,607	106,863	122,817.79
Direct Renewable Energy Consumption (GJ)	240	240	240	240	294
Indirect Energy (Electricity) Consumption (GJ)	54,804	57,241	52,577	62,132	79,152
Total Water Withdrawal (m ³)	155,496	152,058	183,907	226,435	178,401
Underground Water (m ³)	85,505	77,484	114,270	135,652	80,632
Municipal Water (m ³)	68,431	73,154	68,537	90,783	97,769
Rain Water (m ³)	1,560	1,420	1,100	0	0
Total Wastewater Discharge (m ³)	148,400	119,000	140,000	150,000	92,000
Recovered Water (m ³)	150,417	150,350	150,500	150,500	150,500
Ratio of Recovered Water in Water Consumption (%)	49	50	45	40	45
Total Waste (from production) (tons)	2,556	2,785	3,894	4,543	7,077
Recycled Waste (tons)	2,507	2,742	3,288	3,801	6,990
Scope 1 Greenhouse Gas Emissions (tons CO ₂ e)	4,660	5,157	4,952	7,910	10,298
Scope 2 Greenhouse Gas Emissions (tons CO ₂ e)	7,308	7,633	6,543	8,083	9,703

Otokar's Sustainability Compliance Statement can be found in page 78 of this report.

Otokar to engage with businesses in proximity. Such engagements facilitate discussions and collaborations regarding changes in legislation, EU compliance directives, local sanctions, and investments.

Efficient use of natural resources:

As a responsible company, Otokar regards the efficient use of natural resources as a key responsibility and follows it diligently, aiming for minimal water use in its operations. In addition to reducing water consumption, Otokar also ensures that the water consumed is drawn from recovered sources to the extent possible. As a result of these efforts, 150 thousand m³ of water was recovered in 2022. Otokar also strives to minimize waste through efficient use of materials and resources with the help of reuse and recovery practices. In 2022, various methods were employed to recover 6,000 tons of the total waste from production operations.

The compost generated in 2022 by the compost machine purchased to recycle the food waste from the cafeterias in line with the Zero Waste approach was used to grow plants, which were distributed to the employees. Furthermore, compost efficiency studies were conducted with academics from the Industrial Engineering Department at Sakarya University, and the results were published in a paper and presented in an international symposium. As part of the Pledge to Eliminate Single-use Plastics, alternatives to personal single-use plastics were introduced to meet the requirements.

Combating climate change:

Otokar's efforts to combat climate change are carried out within the framework of the Environmental Policy, Energy Policy, R&D Strategy, Koç Group's Climate Change Strategy, and Koç Group Climate Change Management. At Otokar, the Board

of Directors determines the climate change strategies.

Otokar manages climate change with an approach focused on considering risks and seizing opportunities. Accordingly, a climate change focused risk analysis study was conducted out within the scope of Task Force on Climate-related Financial Disclosures (TFCD). Sustainable products, services, and strategies that facilitate the shift to a low carbon economy were considered on the basis of risks and opportunities.

The core strategy that Otokar follows to combat climate change involves limiting the impact of its products and production processes on climate. As part of these efforts, Otokar monitors the energy consumption in its production processes and the greenhouse gas emissions released. The company has also implemented a number of efficiency projects to reduce energy consumption and emissions.

The relevant activities in 2022 included carbon footprint calculations for Scope 1 and Scope 2, target modeling, and target feasibility studies along with calculations for Scope 3 emissions. With 2021 taken as base year, Scope 1-2-3 emissions have been assured by BSI according to the ISO14064-1 standard. Calculations were also made with Carbon Trust in accordance with the GHG standard. In 2022, Otokar also began to generate electricity with solar panels in its Sakarya plant to reduce its carbon emissions. The company is also in the process of investing in a new solar power plant, which is set to open in early 2023 in Sakarya.

Assessment & analysis: A Recyclability and Recoverability Assessment Report has been prepared for two small buses and a life-cycle assessment has been

conducted for the electric microbus. The recyclability and recoverability calculations for the two small buses were performed according to the requirements of the ISO 22628:2002 standard. The calculation method for the recyclability and recovery rates is based on the four main end-of-life processes of road vehicles. As part of the recyclability and recoverability study, the recyclability and recoverability rates of a road vehicle are calculated. The results are expected to give Otokar a better understanding about the recyclability and recoverability of a new vehicle when it is launched. Therefore, the company may now work to improve recycling and recovery rates starting from the design stage.

In the Electric Microbus Life Cycle Assessment (LCA), the life cycle emission of the e-Centro public transportation bus was modeled from an LCA perspective. During the LCA modeling process of the products, production data regarding raw materials, transportation and energy consumption is obtained from Otokar and its suppliers.

Alternative fuel vehicles: Emissions released from internal combustion engine (ICE) vehicles can have devastating impact on climate change. Therefore, developing technologies to limit the emissions takes up an important place on the agenda of Otokar as a leading industry player. Otokar engages in R&D activities to reduce the greenhouse emissions of its products and works on developing alternative fuel vehicles, electric vehicles and vehicles with high fuel efficiency.

In addition to investing in vehicle technologies with reduced emissions, the engine systems of the vehicles in the current product lineup are also upgraded to deliver lower emissions. In product development, Otokar

To view Otokar's company policies:

<https://www.otokar.com.tr/ethical-principles-and-compliance-policies/ethical-principles-and-compliance-policies>

To view Otokar's Sustainability Reports:

<https://www.otokar.com.tr/sustainability/sustainability-report>

considers low carbon economy and stakeholder expectations.

Transportation is a major activity that causes climate change. Otokar focuses on developing green solutions to reduce the impact of transportation on climate change with an electric bus lineup ranging from 6 meters to 19 meters in length. As a leading global player in alternative fuel vehicles, Otokar offers a wide product range of CNG powered and electric buses to meet the cities' need for ecofriendly vehicles.

A member of Otokar's new product range Centro, the 6.6mt electric bus e-Centro recovers energy by 25% from braking and deceleration in urban traffic with its regenerative braking feature. Otokar's 12mt electric bus, e-Kent, contributes to a cleaner environment and quieter traffic while offering lower operating costs and higher efficiency. The 18.75mt articulated variant of the ecofriendly, zero-emission, all-electric bus range e-Kent is developed specifically for major cities with high number of commuters. On the other hand, Akrep Ile, Turkey's first electric armored vehicle, comes with a configuration that allows the use of alternative powertrains such as electric, diesel and hybrid, driving the move toward autonomous vehicles.

Social sustainability

Human rights: Otokar's core values and material sustainability aspects include human rights. Otokar Human Rights Policy, which provides a guide that reflects its human rights approach and standards, policy is binding on all the company employees and executives. All business partners are also expected to comply with this policy. Koç Holding Human Rights Policy, UN Guiding Principles on Business and Human Rights, ILO Conventions, and Universal Declaration of Human Rights have

been used as references in drafting the Human Rights Policy.

Otokar promotes a people-centric workplace, offering its employees a respectful and equal environment where human rights and employee rights are protected. Otokar does not discriminate on the basis of race, gender, political tendencies, philosophical views, religion or faith in any human resources process and does not tolerate any behavior that may be considered discriminatory. For remuneration, Otokar employs an "equal pay for equal work" approach.

Gender equality: Otokar encourages women's participation in employment based on equal opportunity and implements a number of practices to make life easier for female employees. Otokar actively promotes elimination of gender inequality and supports various initiatives that serve this purpose. Otokar is a signatory of the Declaration on Equality at Work, published by the Equality at Work platform, and Women's Empowerment Principles (WEPS), a joint initiative of UN Women and UN Global Compact.

Diversity, equality and inclusion: In light of its Code of Ethics, Otokar aims to offer equal opportunity on all levels and to ensure diversity and inclusion. Otokar believes that achieving diversity, especially in decision-making mechanisms, would directly contribute to business performance. Therefore, Otokar strives for ensuring diversity among Board members, who bring knowledge and experience in their respective fields. To enhance its diversity and equal opportunity practices further, Otokar has drafted and implemented the Board Diversity Policy.

As part of these efforts, Otokar formed the Diversity, Equality and

Inclusion Committee - SPECTRUM - to create a diverse, equal and inclusive work environment where human rights are respected and to build a corporate culture on these principles. The SPECTRUM committee has already conducted a materiality analysis within the organization and identified the focus areas to address as gender equality, physical disability, and generational discrimination. The results of these studies have been published as a manifesto.

Unionization rights: Otokar respects the unionization rights of its employees and provides an environment where they can freely exercise their rights. As a result of this inclusive approach, all field employees at Otokar are unionized as of 2022.

Code of Ethics: Otokar Code of Ethics is based on and aligned with Koç Holding Code of Ethics and Implementation Principles, and binding on all Otokar employees, suppliers and partners. Similarly, UN Global Compact, to which Koç Holding is a party on behalf of all Group companies, is binding on Otokar's entire value chain. Therefore, Otokar strives to spread the ethical principles. The employees are required to report any Code of Ethics violations they may witness using the available mechanisms. Reporting of such violations is treated in strict confidence. Otokar has implemented a Reporting and Notification Policy to encourage its employees and stakeholders to report any actions that they suspect are in violation of Koç Group and Otokar Code of Ethics or applicable policies or legislation.

Otokar takes all necessary measures to prevent bribery and corruption. Otokar Anti-Bribery and Anti-Corruption Policy has been drafted and implemented to address bribery and corruption, which were previously covered within the scope of the Code

of Ethics. This policy lays out the principles and rules to be applied within Otokar regarding corruption and bribery.

Otokar recognizes that its operations impact its stakeholders, the environment and society as a whole, and takes responsibility for sustainable development. The Social Investment Policy demonstrates Otokar's commitment to contributing to the welfare of its communities and the sustainable development of the environment.

As part of its commercial activities, Otokar fulfils its obligations to comply with the economic sanctions and export controls imposed by the Republic of Turkey, United Nations, the United States of America, European Union, and other jurisdictions. Accordingly, Otokar has implemented a Sanctions and Export Controls

Policy to define a clear framework for this matter.

Otokar Gift and Entertainment Policy lays out the guideline and standards that Otokar employees and executives, acting on behalf of the company, are required to follow when receiving or offering gifts to business partners, hosting guests or accepting an invitation, and similar activities.

Training and development:

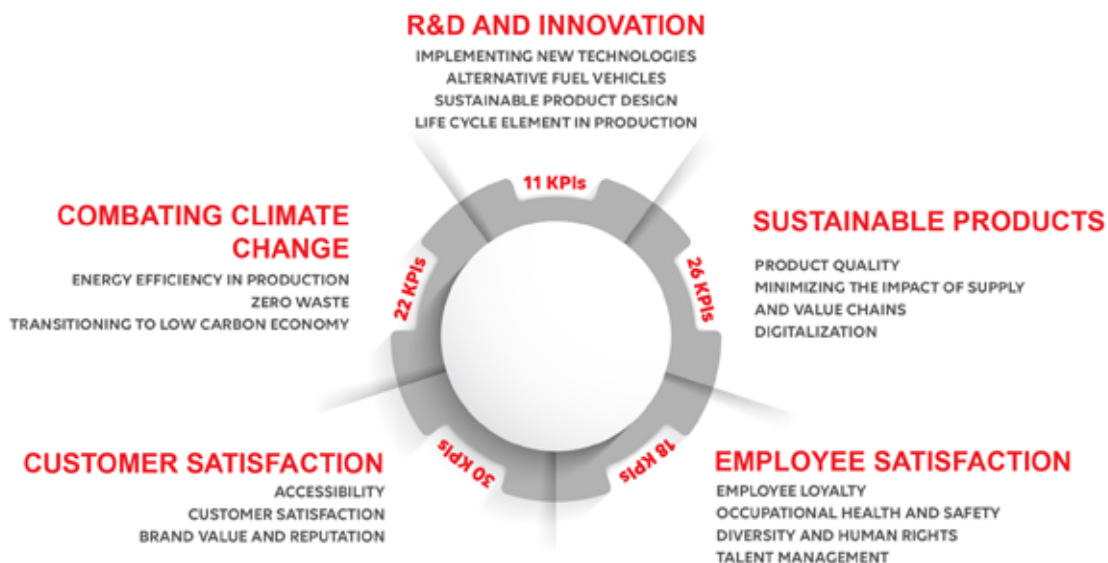
Otokar offers its employees various opportunities to build on their competencies and acquire new skills and knowledge. Training and development programs enhance employee motivation and contribute to Otokar's future success. Accordingly, the company supports the continuous development of its human resource with internal and external, in-person and online training programs as well as education programs made possible

by Koç Holding and Koç University. In 2022, Otokar employees took 98,502 person*hours of training in total.

Suggestion system: Developing the employees is as valuable as encouraging their participation in the company's management and decision-making process. Otokar recognizes that obtaining the opinions and suggestions of the employees and leveraging them in determining strategies and making decisions may create a difference. Accordingly, Otokar uses a Suggestion System to obtain the employees' opinions. Employee suggestions are assessed by the Suggestion Evaluation High Committee, and viable suggestions are duly implemented.

Supporting social life: Otokar believes that employees should pursue work-life balance and promotes a work environment where

MATERIAL SUSTAINABILITY ASPECTS



In 2021, 14 different stakeholder groups were consulted while updating Otokar's material sustainability aspects to be used in determining the company's sustainability models and strategies.

SOCIAL INDICATORS

2,942	5.04%	100%	1.08	32,971	98,502
TOTAL WORKFORCE	FEMALE EMPLOYMENT RATIO	UNIONIZATION RATIO OF FIELD EMPLOYEES	INJURY RATE	PERSON*HOURS OHS TRAINING	PERSON*HOURS TOTAL TRAINING

this can be possible through a number of practices. Accordingly, the company organizes various events and activities to support the social life of the employees and strengthen interpersonal communication. For this purpose, employee clubs also host various events that the employees may attend with their families.

Occupational health and safety:

Otokar aims to protect the health and safety of its employees through maximum measures and practices. The occupational health and safety (OHS) activities are carried out in accordance with the OHSAS 18001 Standard and Otokar OHS Policy, which is disclosed to the employees and other stakeholders through various communication channels.

The OHS Committees at Otokar work to ensure that the employees participate in occupational health and safety processes, and to mitigate risks and enhance performance. Accident indicators are assessed at regular OHS Committee Meetings, where the causes are analyzed and the measures are discussed. Monthly and annual OHS targets are set and work programs are created for employees and departments to minimize occupational health and safety risks and improve performance. OHS performance is not only communicated to the relevant departments with monthly reports but also evaluated at the annual Management Review Meetings.

Raising awareness among the employees about the importance of occupational health and safety is as

effective as management strategies focused on preventing workplace accidents and adverse health conditions. Therefore, all Otokar employees are required to take the OHS training programs. In 2022, total OHS training time amounted to 32,971 person*hours.

Corporate responsibility: As a company that is conscious of its corporate responsibilities, Otokar takes an active role in supporting the development of the country and society and protecting the environment. Otokar also supports the "For My Country" project, which aims to encourage Koç Group companies, employees, dealers and suppliers to engage in social responsibility efforts and to launch projects to elevate the living standards by contributing to local development.

Otokar's environment-focused efforts have been recognized with multiple awards by institutions such as the Ministry of Environment, Sakarya Governor's Office, İstanbul Chamber of Industry, Adapazarı Chamber of Commerce and Industry, and Kocaeli Chamber of Industry. Otokar is also one of the first automotive companies to operate with ISO 14001 certification.

Customer satisfaction: Otokar aims to establish long-term relations based on mutual trust with its customers while ensuring their unconditional satisfaction. Customer satisfaction is managed within the framework of Otokar Customer Satisfaction Policy and Otokar Quality Policy. Furthermore, Otokar

has obtained ISO 10002 Customer Satisfaction Management System Standard and ISO 10001 Quality Management-Customer Satisfaction certifications for quality assurance of customer satisfaction.

Product and service responsibility is a key component of customer satisfaction. For this purpose, Otokar continuously works to enhance the safety of its products and keeps the customers informed about the latest developments while considering social, environmental and economic impact across its production and service operations.

Protection of personal data: Protection of personal data is another topic that Otokar manages diligently. Otokar Personal Data Protection Policy provides an overview of the principles that the company adopts for processing personal data. Through this policy, Otokar informs the personal data subjects transparently. Processes regarding the protection of the employees' personal data are managed according to the Personal Data Protection and Processing Policy for Employees.

Otokar regards its information assets (including consumer information assets) as an important resource for capturing a competitive advantage and attaining its strategic goals. Therefore, Otokar takes all necessary measures to ensure that these information assets are always available, secure, and consistent. Commitments within this scope are regulated through Otokar Information Security Policy.

HUMAN RESOURCES



OTOKAR PROVIDES ITS EMPLOYEES WITH A FAIR AND EQUAL WORK ENVIRONMENT WHERE THEIR RIGHTS ARE PROTECTED AND RESPECTED.

Otokar embraces a people-centric management approach and supports the motivation and continuous development of its employees, recognizing that ensuring employee happiness and loyalty results in a successful professional life. Therefore, the company provides its employees with a fair and equal work environment where their rights are protected and respected. Work life at Otokar is shaped around the core values of respect, trust, human rights, and equality.

Recruitment

The objective of Otokar's selection and placement system is to recruit creative, innovative and qualified workforce, open to newness and aligned with the company's goals. As of year-end

2022, the number of Otokar employees stood at 2,942. In 2022, 199 new office employees – 194 in Turkey and five in international offices - started working at Otokar, with 110 employed as engineers at the R&D Center. During the year, 32 Otokar employees took a new step in their career journeys by joining the rotation program within the group. As part of the OtoKariyer Long-term Youth Internship Program, 93 percent of the interns who completed their terms were recruited as employees.

In 2022, Otokar received 16,730 applications for field jobs and recruited 1,878 field workers as a result of 6,185 job interviews. On the other hand, 516 field workers' employment status changed from fixed term to indefinite

2,942

OTOKAR OPERATES WITH 2,942
EMPLOYEES IN TOTAL.

term. Otokar was recognized with an award in 2022 as the employer to provide the highest number of jobs with social security for people with disabilities in 2021 in Sakarya. The company expanded its candidate pool by participating in İŞKUR's Disability Day and created jobs for 52 people with disabilities in 2022.

Training

Otokar continuously strives to develop its human resource. Based on the OtoRota online training and development catalogue, 16 behavioral and nine technical training programs were hosted. In 2022, 435 different training programs on various topics, including agile transformation, basic first aid, sign language, English language, energy savings, OHS, and digital literacy were delivered in 91,412 hours. Furthermore, Vocational Qualification Certificates were obtained for 980 field workers in their respective areas. A "Development Journey" training program was offered for the newly recruited employees. Otokar employees also took various training courses delivered by in-house trainers throughout 2022 and received individual coaching support.

Occupational health & safety

Otokar sees its people as its most important asset in reaching its strategic goals and takes all necessary measures to create a healthy and safe environment for everyone who is in the factory site, whether for work, internship or a visit. As a result of the 267 field inspections conducted in 2022, 1,336 corrective actions were implemented and duly reported to the senior management. Senior management and all line managers

were advised about the corrective actions, all workplace accidents, incident reports, and the root cause analyses of the accidents to ensure that the necessary measures are implemented in all relevant departments. Root cause analyses of the accidents were revised in accordance with the Root Cause Analysis Table provided by Koç Holding, and the actions determined after the accidents were deployed in all areas.

Otokar completed the first interim audit related to the ISO 45001 Occupational Health and Safety Management System Certification with zero non-compliance. Documentation and the fact that the processes are managed in accordance with the system were indicated as strengths in the audit report. During the year, Otokar organized 18 Occupational Health and Safety Committee meetings and six Contractor Occupational Safety Committee meetings. Furthermore, 36.522 person*hours of occupational health and safety training was delivered to Otokar employees in 2022.

Otokar was recognized with the OHS Special Award in the "Companies with 1,500+ Employees" category in the MESS Stars of Occupational Safety competition. Otokar also conducted an OHS Culture survey in 2022 and the results were analyzed together with the Otsafety Agile team. Furthermore, a theater play titled "Peace at Home, Safety at Work" was staged for the employees and their families to promote the OHS culture and raise awareness.

Vocational high school-industry collaboration

As part of the vocational high school-industry collaborations, Otokar extended support in the form of engines to the workshops of SATSO Motor Vehicles Technical and Anatolian High School. Otokar also signed an agreement with Sakarya Governorship, Sakarya Provincial Directorate of National Education and SATSO within the scope of the Requalification Program. With this agreement, Otokar aims for 1,000 workers to obtain their Qualification Certificates.

Employee loyalty

Otokar was named the "Best Employer" for the third consecutive year by Kincentric, a global human resources and management consultancy firm, and won the Continuing Excellence Award. Based on a number of studies, surveys, and polls, Otokar was also recognized with the Happy Place to Work and Great Place to Work awards.

Employee clubs

At Otokar, the work environment and practices are organized by considering the work/life balance. Employee clubs, which started their activities again in the post-pandemic period to support the employees' social life and encourage employee engagement, also promote socialization outside the work setting. In 2022, 389 people participated in the activities of clubs such as Cycling, Running and Travel.

INVESTOR RELATIONS

OTOKAR STRIVES TO CONTINUOUSLY INCREASE SHAREHOLDER VALUE WITH WORLD-CLASS INVESTOR RELATIONS PRACTICES.



Otokar strives to continuously increase shareholder value by achieving sustainable growth, regularly distributing dividends, maintaining world-class investor relations, and implementing corporate governance practices. The relations between Otokar and shareholders are managed by the Investor Relations Department, which cooperates with relevant divisions for this purpose. The department is responsible for providing shareholders and potential investors with information, except for confidential information and trade secrets, and in a manner not to lead to information disparities, and for establishing a two-way communication between the company executives and shareholders and potential investors.

As part of its responsibilities to inform the interested parties about Otokar's activities, the department held a limited number of in-person meetings with some of the restrictions still ongoing during the normalization process in the post-pandemic period. In addition to 24 online and four in-person meetings, the department also held 59

conference calls, participated in one investor conference in person, met with current and potential investors, and updated the shareholders on the latest developments. Throughout the year, the department continued to provide information by responding to written and verbal questions. Furthermore, the corporate website, investor presentations and all other communication tools were regularly updated and shared with shareholders in Turkish and English languages.

The Investor Relations Department has submitted the report on its 2022 activities to the Board of Directors on February 17, 2022.

General assembly

The company's Ordinary General Assembly will convene to review 2022 activities on Monday, March 13, 2023 at 3.30 pm at Divan Istanbul Hotel, Asker Ocağı Cad. No. 1 Elmadağ, Şişli, Istanbul. The Board of Directors' Annual Report, which includes the Financial Statements, Independent Auditor's Report, Profit Distribution

Proposal, Corporate Governance and Sustainability Principles Compliance Reports, as well as the agenda items and the Information Documents containing necessary disclosures for compliance with Capital Markets Board regulations will be made available for the shareholders to review at the company's headquarters and on the corporate website (www.otokar.com), Central Depository Agency's Public Disclosure Platform and the Electronic General Assembly systems three weeks prior to the Ordinary General Assembly meeting as required by law.

Corporate governance

Corporate Governance Rating is an indication that the company complies with corporate governance principles to a great extent and that it will continue to improve its efforts for further compliance. As announced to the public on March 23, 2022 with a material disclosure, Otokar's Corporate Governance Rating measured by SAHA Kurumsal Yönetim ve Derecelendirme Hizmetleri A.Ş. (SAHA) rose to 95.53 (9.55 out of 10).

9.55

OTOKAR'S CORPORATE GOVERNANCE RATING SCORE ROSE TO 95.53
(9.55 OUT OF 10).

Credit rating

In 2022, JCR Avrasya Derecelendirme A.Ş. (JCR Eurasia Rating) evaluated the credit ratings and outlooks of Otokar and affirmed the company's Long-Term National Rating as "AA+(Tr)" and outlook as "Stable," Short-Term National Rating as "J1+(Tr)" and outlook as "Stable," Long-Term International Rating (local and foreign currency rating) as "BB" and outlook as "Stable," and Short-Term International Rating (local and foreign currency rating) as "J3" and outlook as "Stable."

Company shares

Otokar Otomotiv ve Savunma Sanayi A.Ş. shares have been traded on Borsa Istanbul since April 24, 1995 with ticker symbol "OTKAR". Otokar shares, traded on the Star Board, are also included in the Corporate Governance and Sustainability Indexes. As a result of Otokar's focus on sustainability and based on the evaluations by BIST, the company has been included in the BIST Sustainability Index for the sixth consecutive term. Otokar shares are included in the following indexes: BIST 100, BIST Corporate Governance, BIST Sustainability, BIST Dividends, BIST Stars, BIST All, BIST Industrial, BIST Metal Equipment Machinery, BIST 100-30, BIST 50, BIST Participation, BIST Sustainability Participation, BIST Dividends 25, BIST Sustainability 25, BIST Participation 100, BIST Participation 50, BIST Participation 30, and BIST Participation Dividends indices.

In 2022, BIST 100 rose by 196.57% while Otokar shares were traded at lowest TL 331.78 and highest at TL 1,040.00, seeing 206.52% increase throughout the year. The company's market value on December 31, 2022 was TL 24.9 billion.

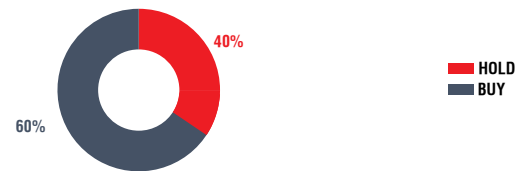
Analyst recommendations

Among the 10 investment firms that actively report on Otokar, six have recommended BUY and four HOLD, based on their latest reports issued in 2022.

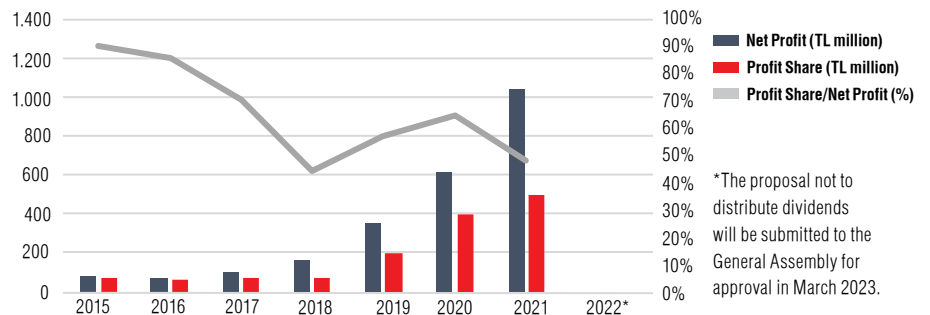
Profit share distribution

In 2022, Otokar paid out TL 500 million in gross dividends for 2021 profits. The company's Profit Distribution Policy is available on the corporate website and page 32 of this report. 2022 Profit Distribution proposal can be found on page 33 of this report.

ANALYST RECOMMENDATIONS

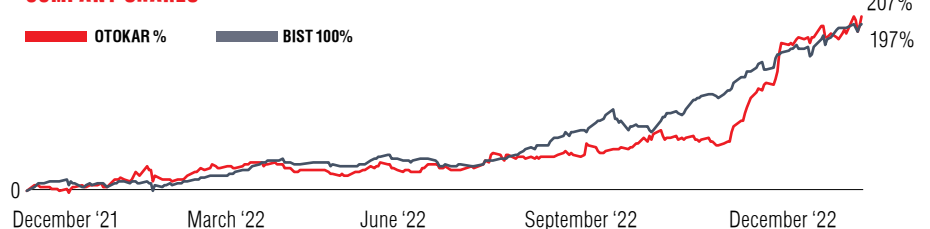


PROFIT SHARE DISTRIBUTION



Corporate Governance Rating Score	Weight	Score
Shareholders	25%	95.92
Public Disclosure and Transparency	25%	96.19
Stakeholders	15%	97.13
Board of Directors	35%	94.10
Total	100%	95.53

COMPANY SHARES



R&D ACTIVITIES

WITH ACTIVITIES ONGOING TO DEVELOP NEW PRODUCTS AND SERVICES TO MEET THE NEEDS OF THE FUTURE, OTOKAR'S R&D SPENDING IN THE LAST DECADE CORRESPONDS TO AN AVERAGE OF 7% OF ITS REVENUES.



Otokar operates with 622 employees at the R&D Center, located within the Sakarya plant, which spreads on 552 thousand square meters, working to develop new products and services to meet the requirements of the future. The company's R&D capabilities include CAD programs for product development, prototyping workshops and software, computer-assisted analysis and simulation software, and test-focused apparatus and software. Otokar's R&D investments increased by 91% year on year, amounting to TL 574 million in 2022. The company has invested TL 2.1 billion in R&D in the last decade, with the R&D spending corresponding to an average of 7% of Otokar's revenues.

R&D Center

Otokar's Sakarya plant is home to one of the leading automotive R&D centers worldwide. Otokar's R&D Center, which also serves as an

independent accreditation center for all R&D activities of local and international companies that operate in automotive and defense industries, is equipped with simulators, test equipment and computer systems to generate and evaluate information for faster testing of manufactured vehicles with advanced technologies. The testing capabilities of the R&D Center are offered to various other industries and companies.

Awards

Otokar's success in R&D and design was crowned with multiple awards in 2022. Territo, a member of Otokar's bus range, won in the Excellent Product Design category at the German Design Awards, the international premium award bestowed by the German Design Council. Furthermore, two different models of Otokar Kent were recognized with the BIG SEE Product Design Awards in the "Mobility" category.

TL
574
MILLION

R&D INVESTMENTS IN 2022
AMOUNTED TO TL 574 MILLION.

FUTURE



OTOKAR IS FAST ON TRACK TOWARD BECOMING A GLOBAL COMPANY.

WITH SUBSIDIARIES AND JOINT VENTURES BASED IN FRANCE, UNITED ARAB EMIRATES, ROMANIA, AND KAZAKHSTAN, OTOKAR WILL MAINTAIN ITS GROWTH TREND ON 2023.

Otokar, Turkey's leading commercial vehicle and defense industry manufacturer, is fast on track toward becoming a global company. R&D capabilities, qualified human resource, flexible production capacity, solutions tailored to client needs, and after-sales services lend to Otokar's global success. As a pioneer of many firsts in the commercial vehicle and defense industries, Otokar's future plans are geared toward building on its strengths in the international arena with the support of its subsidiaries and joint ventures based in France, United Arab Emirates, Romania and Kazakhstan. Otokar is also committed to maintaining employee loyalty and developing its human resource by retaining and attracting talent. The company aims to drive its sustainability efforts further with activities focused on the environment, innovation, and corporate governance.

Commercial vehicles

In commercial vehicles, Otokar's main objectives include maintaining its leading position in the domestic bus market and increasing its market share, particularly in Europe, with its electric vehicle range. The company will continue to work on alternative fuel vehicles and autonomous technologies.

Defense industry

In the defense industry, Otokar aims to grow its vehicle park in the export markets and to seize opportunities for technology transfer and local production with international partners. In addition to carrying out its operations as planned, Otokar will always continue to offer its products, engineering and production capabilities and experience for the benefit of the country.



A photograph of a winding asphalt road through a mountainous landscape. The road curves along a steep, reddish-brown cliffside on the left, which is reinforced with a stone retaining wall. The right side of the road is a steep, green forested slope. In the foreground, a metal guardrail is visible. A black rectangular text box is overlaid on the upper part of the image.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

LEGAL DISCLOSURES

Reporting Period:

01.01.2022 - 31.12.2022

Company Title:

Otokar Otomotiv ve Savunma Sanayi A.Ş.

Trade Registry / Number:

İstanbul / 83467

Shareholding Structure and Capital Distribution:

Registered Capital Ceiling : TL 100,000,000
Paid-in Capital : TL 24,000,000

Shareholder	Share amount (TL)	Percentage (%)
Koç Holding AŞ	10,722,749.81	44.68
Ünver Holding AŞ	5,954,943.83	24.81
Other	7,322,306.36	30.51
Total	24,000,000.00	100.00

The parent company, Koç Holding AŞ, is controlled by Koç Family and companies owned by Koç Family.

The shareholder, Ünver Holding AŞ, is controlled by Ünver Family.

Privileged Shares and Voting Rights of Shares:

There are no privileges in the company's Articles of Association pertaining to the exercise of voting rights.

Stock Information:

BIST Ticker Symbol : OTKAR
Reuters Ticker Symbol : OTKAR.IS
Bloomberg Ticker Symbol : OTKAR.TI
IPO Date : 24.04.1995

Headquarters Address:

Aydınevler Mahallesi Saygı Caddesi No. 58
34854 Maltepe-İstanbul

Factory Address:

Atatürk Caddesi No. 6
54580 Arifiye-Sakarya

Phone:

+90 216 489 29 50

Website:

www.otokar.com

CORPORATE GOVERNANCE

LEGAL DISCLOSURES

Organizational Changes within the Year:

Onur Vural has been appointed Assistant General Manager - Operations / COO at Otokar effective January 1, 2023.

Hasan Basri Akgül, the current Assistant General Manager - Domestic Sales and Marketing, will retire from his role and the company on February 28, 2023.

Legal Actions Taken Against the Company:

No lawsuits that could materially affect the company's financial standing and activities were filed against the company, including those related to environmental, social and corporate governance matters.

Legislative Changes that Could Materially Affect the Company's Activities:

There were no legislation changes that could materially affect the company's activities.

Conflicts of Interest with Service Providers, including Investment Consultants, Rating Agencies, etc. and the Measures Taken to Prevent such Conflicts of Interest:

The company does not procure any investment consultancy services. No conflicts of interest have occurred with the companies providing Corporate Governance and Credit Rating services.

Private and Public Audits in 2022:

There were no private or public audits completed in 2022.

Administrative and Legal Sanctions Imposed on the Company or its Board Members due to Noncompliance with Regulations:

None.

Implementation of the Ordinary General Assembly Resolutions:

The resolutions reached at the Ordinary General Assembly on March 21, 2022 have been implemented.

Extraordinary General Assembly Meetings Held During the Year:

None.

Evaluations with respect to Article 376 of the Turkish Commercial Code:

Pursuant to Article 376 of the Turkish Commercial Code, the company's capital has been evaluated to ensure that it is preserved in the equity. Accordingly, it has been ascertained that the paid-in capital of TL 24,000,000 of Otokar Otomotiv ve Savunma Sanayi A.Ş. is preserved with TL 2,102,980 in shareholder's equity as of 31.12.2022 and that the company's debt structure is adequate for healthy running of its operations with a Net Financial Liability/Shareholder's Equity Ratio of 2.76.

CORPORATE GOVERNANCE

2022 REPORT ON AFFILIATED COMPANIES

The report, which explains the company's relations with majority shareholders in accordance with article 199 of the Turkish Commercial Code, was approved by the Board of Directors on February 17, 2023. The conclusion of the report is quoted below:

"Pursuant to Article 199 of the Turkish Commercial Code no. 6102, the Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.Ş. is required to prepare a report within the first three months of the calendar year concerning the company's transactions with its majority shareholder and its subsidiaries in the previous year; and to include the conclusions of this report in the annual report. The details of the transactions between Otokar Otomotiv ve Savunma Sanayi A.Ş. and the related parties are included in footnote no. 27 of the financial statements."

The following was expressed in the report, which was prepared by Otokar Otomotiv ve Savunma Sanayi A.Ş.'s Board of Directors on February 17, 2023: "The Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.Ş. reached the conclusion that, in all transactions conducted in 2022 between Otokar Otomotiv ve Savunma Sanayi A.Ş. and its majority shareholder, as well as its subsidiaries, the transactions were either completed or the required measures were taken, and, in cases where the company refrained from taking the required measures, due consideration was provided based on all facts and conditions known to the company's Board at the time, and, in this context, that there were no measures taken, or which were refrained from, that could harm the company, and, accordingly, there were no transactions or measures that required balancing."

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Company") acts with utmost diligence to comply with the "Capital Markets Board Corporate Governance Principles" promulgated by the Capital Markets Board (CMB). The activities related to Corporate Governance in 2022 were executed in compliance with the Capital Markets Law, which includes regulations on CMB's corporate governance principles and the communiqués promulgated pursuant to this Law.

At the 2022 Ordinary General Assembly meeting, the Board of Directors and its Committees were formed in line with the provisions of the Corporate Governance Communiqué. Ahead of the upcoming general assembly meeting, Independent Board members were nominated and announced, and the entire process was executed in line with the regulations. The Board Committees have been functioning effectively. The General Assembly Information Note and documents providing details of privileged shares, voting rights and organizational changes, as well as the résumés of Board of Directors candidates, the Remuneration Policy for Board Members and Senior Management and other information required to be disclosed were all made available for the investors three weeks prior to the general assembly meeting. Furthermore, the company's corporate website and annual report were reviewed and revisions required to comply with the principles were made. In addition, the Otokar Board Diversity Policy was approved in 2021, with the goal of raising the female membership ratio in the Board of Directors to 25% within five years.

The company will continue to work toward compliance with the principles based on the developments in legislation and general practice.

As an indication that the company has significantly complied with corporate governance principles and that its efforts toward full compliance with corporate governance principles will increase and continue, the company's corporate governance rating has been increased to 95.53 (9.55 over 10) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., as announced in our material disclosure on 23.03.2022. The Corporate Governance Rating Report can be found on the corporate website at www.otokar.com.

DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Otokar values the importance of complying with the Corporate Governance Principles regulated by the Capital Markets Board ("CMB"), and has achieved full compliance with the mandatory principles of the Corporate Governance Communiqué II-17.1 ("Communiqué"), applicable in 2022, as well as compliance with the majority of the non-mandatory principles. While full compliance with the non-mandatory principles is eventually targeted, due to the challenges encountered in the implementation of some principles, ongoing discussions in Turkey and on international platforms regarding compliance with certain principles, and the incongruency of the current market and corporate structure with some principles, full compliance has not been achieved so far. We are working on the principles yet to be implemented and we plan to apply them once the administrative, legal and technical infrastructure for the effective governance of the company has been completed.

Full compliance with a number of non-mandatory Corporate Governance Principles listed below has not been achieved for the aforementioned reasons, and detailed information on this matter is provided in the relevant sections that follow. The company has not been subjected to any conflicts of interest due to non-compliance with the non-mandatory principles.

- Regarding principle 1.3.10, the donations made by the company are provided in a separate item on the General Assembly agenda and the details of the donations with the highest amounts are included in the General Assembly information document. The remaining amount, not detailed in the information document, consists of various donations, each lower than TL 200,000, made to various institutions and organizations and that are not of material significance for investors. Donations lower than this amount are not followed by the investors and the company has plans to continue disclosing this materiality limit in the coming years.
- Regarding principle 1.5.2, the minority rights for shareholders holding less than one twentieth of the capital have not been defined in the articles of association, and the rights have been defined within the frame of general provisions in the legislation. The investors have not expressed any interest in this matter while the company follows the best practices and does not foresee any changes in the near future.
- Regarding principle 4.4.2, a minimum period of time has not been defined about communicating the information and documentation about the agenda topics to the Board members. The timing of when to inform the Board members is determined based on the topics and processes on the Board agenda and the members are advised reasonably in advance. Even though an urgent need to define such a period is not apparent, given the effective functioning of the Board, this topic may be revisited in the times to come.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

- Regarding principle 4.4.5, the company has in place processes concerning the conduct of the Board meetings that have been consistently observed for many years and a specifically written internal regulation is not available. Given the effective functioning of the Board, an urgent need to address this issue is not apparent but it may be revisited in the times to come.
- Regarding principle 4.4.7, considering that the Board members contribute significantly to the Board with their business experience and industry knowledge, they are not restricted in terms of assuming other duties outside the company. The résumé of each Board member and their other duties outside the company are provided in the annual report. Given the effective functioning of the Board, no changes to the current practice are anticipated in the near future since no negative consequence has been observed in terms of corporate governance.
- Regarding principle 4.5.5, the committee appointments are decided, taking into consideration the respective Board members' expertise and experience, and in accordance with applicable regulations, and some Board members serve on more than one committee. However, these members also facilitate communication and increase the opportunities for cooperation between committees handling related subjects. Considering the efficient work of the Board members with their wealth of knowledge and experience, the current committee structure is deemed effective and no changes are anticipated in the near future.
- Regarding principle 4.6.5, remunerations provided to the Board members and executives with administrative responsibilities are provided in the notes to the financial statements and disclosed to the public as a total figure. Given that this matter is important due to the privacy of personal data, practices in the market are followed with plans to act in line with the widespread preferences.

The Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Note (CGIN), drawn up according to the new reporting formats pursuant to CMB resolution no. 2/49 dated 10.01.2019, and approved by the Board of Directors, are presented as an appendix to this annual report (pages 174-187) and the relevant documents can also be accessed in the Company's corporate governance page on the Public Disclosure Platform. (<https://www.kap.org.tr/cgif/4028e4a140ee35c70140ee4316b3001d>)

INVESTOR RELATIONS

The relations between Otokar and shareholders are managed by the Investor Relations Department, which is responsible for providing shareholders and potential investors with information, except for confidential information and trade secrets, and in a manner not to lead to information disparities, and for establishing a two-way communication between the company executives and shareholders and potential investors.

Investor Relations Department managers are listed below:

Hüseyin Odabaş (Assistant General Manager - Finance)

İrfan Özcan (Financial Affairs Director)

Doğan Seçkinler (Finance, Risk Management and Investor Relations Director)

Hatice Gülşah Mutlu (Investor Relations and Corporate Governance Manager)

In 2022, the Investor Relations Department held 24 online and 4 in-person meetings and 59 conference calls and attended one investor conference in a physical setting, meeting with current and potential investors and updating the shareholders on the latest developments. To ensure this, the company's website, investor presentations and investor newsletters are regularly updated. Material disclosures that may be important for the investors are published on the corporate website in Turkish and English after they are announced on the Public Disclosure Platform (KAP). Information pertaining to the last five years is available on the corporate website in Turkish and English languages. Numerous requests for information were submitted to the Investor Relations Department by analysts and investors regarding the company's financial reports and activities, and these were replied in line with publicly available information in a manner to avoid information disparities.

Statutory obligations such as holding the General Assembly meetings in accordance with applicable regulations, articles of association and company bylaws, and preparing Annual Reports and other documents for the shareholders to benefit are the responsibility of the Investor Relations Department. The General Assembly Meeting held in 2022, call to meeting and meeting minutes were carried out in compliance with applicable regulations, articles of association and other relevant company bylaws.

All kinds of public disclosure obligations required by the regulations, such as financial reporting and disclosing of special situations to the public, are fulfilled by the Investor Relations Department. In 2022, 47 material disclosures were announced, and those that particularly concern the investors were published on the Public Disclosure Platform (KAP) and concurrently on the corporate website along with their English translations.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

The Investor Relations Department submits a report to the Corporate Governance Committee at least once a year regarding its activities to be communicated to the Board of Directors. The said report on the activities of 2022 was evaluated by the Corporate Governance Committee and the Board of Directors on February 13, 2023.

The company acts diligently to ensure compliance with legislation in satisfying investors' demands. In 2022, no complaints, or administrative or legal pursuit of exercising shareholders' rights in the company have been filed to the best of our knowledge.

BOARD OF DIRECTORS

The Structure and Formation of the Board of Directors

The company is managed by a Board of Directors formed by minimum five (5) members, elected by the General Assembly. In addition to electing the Board members, the General Assembly also determines the number of members to serve on the Board. Without prejudice to the requirements imposed by the Capital Markets Board Corporate Governance Principles for independent directors, the General Assembly has the right to replace Board members at any time if needed, per Article 364 of the Turkish Commercial Code.

In the event that a Board membership is vacated for any reason such as when an independent member's status is no longer independent, or he/she resigns or becomes unable to perform his/her roles, the Board of Directors will temporarily appoint an individual that meets the legal criteria in accordance with the applicable provisions of Turkish Commercial Code and the CMB regulations and submit the nomination to the General Assembly for approval in the next meeting.

The duties of the Chairman of the Board and the General Manager are performed by separate individuals. Board members are encouraged to spare the required time to fulfil their obligations toward the company while there are no rules restricting them from assuming other duties outside the company. Considering that independent members, in particular, may contribute significantly to the Board with their business experience and industry knowledge, no such restrictions have been deemed necessary. The résumé of each Board member and their other duties outside the company are shared with the shareholders prior to the annual General Assembly meeting.

Duties of the Nomination Committee and the Remuneration Committee in the company are carried out by the Corporate Governance Committee. Three candidates were nominated for independent membership in 2022, and the declarations of independence and résumés of these individuals were evaluated by the Corporate Governance Committee and the Board of Directors on January 11, 2022, determining them to be independent member candidates. All independent board members submitted their declarations of independence to the Corporate Governance Committee, and in the 2022 reporting period, no situation that would void their independence occurred.

Otokar Board Diversity Policy was approved in 2021 with the goal of raising female membership ratio in the Board of Directors to 25% in the next five years. Currently, the Board of Directors has only one female member and the female membership ratio in the Board stands at 11.1%.

The table below provides an overview of the current Board members, elected at the General Assembly on March 21, 2022 to serve until the next General Assembly meeting to review the 2022 activities, who are all non-executive except for General Manager Ahmet Serdar Görgüç as defined in the CMB Corporate Governance Principles.

Detailed résumés of the Board members can be found on the corporate website and on pages 30-31 of the Annual Report.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

Name	Title	Independence Status	First Elected to Board of Directors on	Term	Board and Committee Duties	Other Assignments
Yıldırım Ali KOÇ	Chairman	Not independent	26.03.2015	1 Year		Koç Holding A.Ş. - Vice Chairman; Chairman, Board Member and Committee Member at a Number of Koç Holding Companies
Levent ÇAKIROĞLU	Vice Chairman	Not independent	26.03.2015	1 Year	Corporate Governance Committee - Member	Koç Holding A.Ş. - Board Member and CEO; Chairman, Board Member and Committee Member at a Number of Koç Holding Companies
Selin Ayla ÜNVER	Member	Not independent	22.10.2018	1 Year		Ünver Holding A.Ş. - Chairwoman
Haydar YENİGÜN	Member	Not independent	21.03.2022	1 Year	Risk Management Committee - Member	Chairman, Board Member and Committee Member at a Number of Koç Holding Companies
İsmail Cenk ÇİMEN	Member	Not independent	18.03.2019	1 Year		Chairman, Board Member at a Number of Koç Holding Companies
Ahmet Serdar GÖRGÜÇ	Member - General Manager	Not independent	20.04.2006	1 Year		
Ali İhsan İLKBAHAR	Member	Independent	16.03.2020	1 Year	Corporate Governance Committee - Chairman	
Ali İhsan KAMANLI	Member	Independent	15.03.2018	1 Year	Audit Committee - Member	
Kenan GÜVEN	Member	Independent	15.03.2018	1 Year	Risk Management Committee - Chairman, Audit Committee - Chairman	Turkish Heart Foundation - Chairman

Operating Principles of the Board of Directors

The powers and responsibilities of the members of the Board of Directors are specified in the Articles of Association. Distribution of duties among Board members and their duties and powers are explained in the annual report.

The subject or agenda of the Board of Directors Resolutions is determined according to the matters, for which the company's Articles of Association explicitly require a Board of Directors resolution, or the issues that arise as reported to the company's Senior Management and Board members by the relevant departments.

The Board of Directors convenes for meetings as company business requires. Although there is no dedicated secretariat established to facilitate communication between Board members, relevant tasks such as preparing the meeting agenda, recording the resolutions, and following them through are performed by the relevant officers in coordination with the Assistant General Manager – Finance.

In accordance with the Turkish Commercial Code and the relevant articles of the company's Articles of Association, the Board of Directors convenes physically when the company business calls for it, and when necessary, resolutions can be reached by passing them around per article 390, paragraph 4 of the Turkish Commercial Code. The Board of Directors passed 20 resolutions in 2022. Furthermore, the Board convened three times with all members in attendance to address strategic matters and discuss the company's position and activities without passing any resolutions.

Different views expressed during the Board meetings as well as the reasons for casting opposing votes are recorded in the minutes of the resolutions. However, since no such opposing or discordant views were recently expressed, no public disclosures were released in this regard.

Board members and senior executives of the company are covered by an "Executive Liability Insurance" policy.

Otokar Remuneration Policy for Members of the Board of Directors and Senior Management, which lays out all the rights, benefits and remunerations provided to the Board members and senior executives and the criteria used to determine them as well as the principles of remuneration, is available on page 36 of the Annual Report.

There has been no materially significant transaction that could result in a conflict of interest such as extending loans to the Board members or executives or providing collaterals in their favor by the company.

The Committees under the Board of Directors

At Otokar, the Board of Directors has formed certain committees to effectively fulfil its duties and responsibilities, and these committees carry out their activities in accordance with specified procedures. The committees reach some decisions after independently working on specific topics and presenting their findings in the form of proposals to the Board, which then passes a final resolution.

The committees' operating principles and fields of activity are determined by the Board of Directors and publicly disclosed.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

The heads of the committees are appointed from among the Independent Board members, while all the members of the Audit Committee consist of Independent Board members.

The committees document all of their activities and keep records. The committees hold meetings as frequently as needed to work effectively and as defined by their operating principles, and they report the information and results of their work to the Board of Directors.

Members who serve on multiple committees facilitate communication and increase opportunities for cooperation between committees handling related subjects. The Board of Directors is of the opinion that it has obtained the expected benefit from the committees' work.

Operating principles of the committees are available on the corporate website: (<https://www.otokar.com.tr/yatirim-iliskileri/kurumsal-yonetim/komiteler>)

Audit Committee

The Audit Committee, established pursuant to the Board of Directors' resolution dated April 29, 2003, fulfils the duties of audit committees specified in the Capital Markets Legislation.

The Board of Directors resolved on April 25, 2022 that the Audit Committee would be composed of 2 independent members, with Kenan Güven appointed as Chairman, and Ali İhsan Kamanlı as Member of the Committee.

In 2022, the Audit Committee submitted to the Board of Directors a written report of its views on the selection of the independent auditor, observations about the functioning and effectiveness of the independent audit and internal control system, its assessments of annual and interim financial statements to be disclosed to the public in terms of their truth, accuracy and compliance with the accounting principles adopted by the company as well as the decisions made during Committee meetings held within the year. The Audit Committee convened eight times in 2022.

Corporate Governance Committee

The Corporate Governance Committee was established following the Board of Directors resolution on May 25, 2012 to monitor the company's compliance with the Corporate Governance Principles, examine the reasons for non-compliance with the Principles, which are not yet implemented, and propose improvement actions, evaluate corporate governance practices and the Corporate Governance Compliance Report, and oversee the work of the Investor Relations Department. The Board of Directors resolved on April 25, 2022 that the Corporate Governance Committee be composed of three members and that the independent Board member Ali İhsan İlkbahar be appointed as the Chairman, and Levent Çakıroğlu ve Hüseyin Odabaş as members of the Committee, which would also serve as the Nomination Committee and the Remuneration Committee in accordance with the Communiqué.

The Corporate Governance Committee reviewed the company's corporate governance practices in 2022 and the Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Note (CGIN), drawn up according to the new reporting formats pursuant to CMB resolution no. 2/49 dated January 10, 2019 and also informed the Board of Directors on the activities of the Investor Relations Department. In addition, the committee drafted the Otokar Board Diversity policy and submitted it to the Board of Directors for approval. In 2022, the committee, which also undertakes the duties of the Nomination Committee and Remuneration Committee, worked on various topics within its purview such as determining the Independent Board member nominees and the benefits provided to the Board members and Senior Executives. The Corporate Governance Committee convened six times in 2022.

Risk Management Committee

The Board of Directors resolved on July 11, 2012 to establish the Risk Management Committee to work on early detection of risks that could pose a threat to the company's existence, development and continuity, implement the necessary measures to mitigate these risks and to manage them so that compliance with article 378 of Law 6102 of the Turkish Commercial Code, which entered force in July 2012, is ensured and the Board committees function effectively. The Board of Directors resolved on April 25, 2022 that the Committee would be composed of two members, with the independent Board member Kenan Güven as the Chairman, and Haydar Yenigün as a member. The committee convenes at least six times a year.

In 2022, the Risk Management Committee submitted its written report to the Board of Directors to inform them about their assessment of the Risk Report to be included in the annual report and their opinions on the risk factors, as well as the decisions reached in the committee meetings during the year. The committee also reviewed the information systems management activities in 2022 and related Report in accordance with the CMB Communiqué on Information Systems Management VII-128.9 ("Communiqué on IS Management"), which imposes obligations on public companies. The Risk Management Committee convened six times in 2022. The report presented by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. on January 31, 2023 stated that Otokar's early risk detection system and the Risk Management Committee are adequate in all material aspects within the framework of article 378 of the TCC.

CORPORATE GOVERNANCE

MEMBERS OF THE BOARD OF DIRECTORS AND MEMBERS OF THE COMMITTEES

Board of Directors	Title	Term Start	Term End
Yıldırım Ali Koç	Chairman	21.03.2022	13.03.2023
Levent Çakıroğlu	Vice Chairman	21.03.2022	13.03.2023
Selin Ayla Ünver	Member	21.03.2022	13.03.2023
Haydar Yenigün	Member	21.03.2022	13.03.2023
İsmail Cenk Çimen	Member	21.03.2022	13.03.2023
Ahmet Serdar Görgüç	Member - General Manager	21.03.2022	13.03.2023
Ali İhsan İlkbahar	Independent Member	21.03.2022	13.03.2023
Ali İhsan Kamanlı	Independent Member	21.03.2022	13.03.2023
Kenan Güven	Independent Member	21.03.2022	13.03.2023
Audit Committee	Title	Term Start	Term End
Kenan Güven	Chairman	21.03.2022	13.03.2023
Ali İhsan Kamanlı	Member	21.03.2022	13.03.2023
Corporate Governance Committee	Title	Term Start	Term End
Ali İhsan İlkbahar	Chairman	21.03.2022	13.03.2023
Levent Çakıroğlu	Member	21.03.2022	13.03.2023
Hüseyin Odabaş	Member	21.03.2022	13.03.2023
Risk Management Committee	Title	Term Start	Term End
Kenan Güven	Chairman	21.03.2022	13.03.2023
Haydar Yenigün	Member	21.03.2022	13.03.2023

- Clauses pertaining to the Board of Directors have been resolved in accordance with articles 11, 12 and 13 of the Articles of Association and pursuant to the provisions of the Turkish Commercial Code.
- The principles of remuneration of Board of Directors and senior executives have been put in writing, and the Remuneration Policy prepared for this purpose has been included in annual reports and the company's corporate website (www.otokar.com.tr).
- The compensations provided to Senior Executives in 2022 have been included in note 27 of the financial statements for the 2022 fiscal year.
- Detailed information on committees and their operating principles have been provided on pages 71-72 of the annual report and the company's corporate website (www.otokar.com.tr).
- As stated in Board Resolution no. 2023/10, the Board of Directors has been briefed on the activities of the Board Committees in 2022.
- In 2022, the Audit Committee convened 8 times, the Corporate Governance Committee 6 times, and the Risk Management Committee 6 times, respectively. The meetings were attended by all committee members.
- The résumés of the Board members are provided on pages 30-31.

CORPORATE GOVERNANCE

SENIOR MANAGEMENT



Ahmet Serdar Görgüç / General Manager

Serdar Görgüç graduated from the Department of Mechanical Engineering at Boğaziçi University in 1981 and earned a master's degree in Business Administration from Istanbul University in 1983. Mr. Görgüç started his professional career in 1982, joining Koç Group as a Project Engineer in the Automotive Group. In 1985, he became the Department Manager. The same year, he was appointed Advanced Projects Design Manager at Otokar Otomotiv ve Savunma Sanayi A.Ş., where he served in that position until 1988. Mr. Görgüç later served as Product Engineering Manager (1989-1995), and as Assistant General Manager-Engineering (1995-2005). He has been the General Manager of Otokar since 2006.



Hüseyin Odabaş / Assistant General Manager – Finance

Hüseyin Odabaş graduated from the Faculty of Business Administration at Istanbul University in 1985. Mr. Odabaş began his professional career at Koç Holding in 1989 as a Financial Management Trainee and later served as an Audit Expert (1992-1994). After working at Ormak, a Koç Group company, as Accounting Manager (1994-1996), Hüseyin Odabaş joined Otokar Otomotiv ve Savunma Sanayi A.Ş. as Accounting Manager (1996-2003). Mr. Odabaş has served as Assistant General Manager-Finance since 2003.



Uğur Sedef Vehbi / Assistant General Manager - Military Vehicles

Uğur Sedef Vehbi holds a bachelor's degree in Economics from Hacettepe University (1990). She started her professional career in the Commercial Finance department at Turkish Bank (UK) Ltd. (1993). After working as Business Development Officer at Ram Dış Ticaret A.Ş. (1997-2002), she joined Otokar as Business Development Coordinator and later took the roles of Export Manager, Military Vehicles Export Manager, and Military Vehicles Export Director, respectively. Ms. Vehbi has served as Assistant General Manager-Military Vehicles at Otokar since 2018.



Hasan Basri Akgül / Assistant General Manager – Domestic Sales And Marketing*

Hasan Basri Akgül graduated from the Department of Mechanical Engineering at Istanbul Technical University (1984). He earned his master's degree in the same discipline from Boğaziçi University (1988). Mr. Akgül began his professional career at Tofaş in 1990 as an Assistant Regional Sales Manager and went on to serve as Regional Sales Manager (1990-1992), Logistics Manager (1993-1997), and Sales Coordinator (1998). Mr. Akgül has been with Otokar since 1998, and currently serves as Assistant General Manager-Domestic Sales & Marketing.



Mustafa Kerem Erman / Assistant General Manager – Commercial Vehicles

Mustafa Kerem Erman holds a bachelor's degree in Business Administration from Boğaziçi University (1995) and an Executive MBA from ESSEC Business School (2002). Mr. Erman started his professional career in 1995 at GM Packard Electric and Electronic Architecture Systems as Factory Finance Manager. He went on to work as Internal Auditor at Delphi Chassis Systems in France, Finance Director at Delphi Powertrain Division in France, Country Director at Delphi Diesel Systems in Turkey, Country Director at Delphi Diesel Systems in France, and Vice President Strategic Purchasing at Delphi Corporation in Luxembourg, respectively. He also served as Senior Vice President and General Manager of ICE Systems Division at Delphi Technologies in Luxembourg. Mr. Erman has been appointed as Assistant General Manager - Commercial Vehicles at Otokar in 2021.



Onur Vural / Assistant General Manager – Operations**

Onur Vural graduated from the Department of Mechanical Engineering at Middle East Technical University in 1996 and started his professional career at Ford Otosan as a Method Engineer the same year. He went on to serve as Product Process Development Team Leader, Quality Manager, and Ford Production System Manager at Ford Otosan's Eskişehir Plant, respectively (1996-2009). He later worked at Ford Otosan's Kocaeli Plant as Product Development Manager and Operations Quality Manager, respectively (2009-2014). In 2014, he joined Türk Traktör Erenler Plant, where served as Factory Manager, Factory Director, and Assistant General Manager - Purchasing, respectively (2014-2022). In 2023, he was appointed as Assistant General Manager-Operations.

*Hasan Basri Akgül will retire from his role and the company on February 28, 2023.

**Onur Vural has been appointed as Assistant General Manager – Operations, effective January 1, 2023.

CORPORATE GOVERNANCE

RISK MANAGEMENT AND ACTIVITIES OF THE RISK COMMITTEE

a. Risk Management

Risk management policy at Otokar is led by the General Manager under the supervision of the Board of Directors and carried out in coordination with all executives, spread and supported across all levels of the organization, and implemented in line with the company's strategies with the aim of foreseeing and monitoring any potential risks that may prevent the company from reaching its goals and drawing up action plans to address such risks.

The Risk Management Committee has been established to anticipate and assess any strategic, operational, financial, legal and other risks that may undermine the company's presence, growth and continuity, calculate the impact and probability of such risks, report and manage these risks according to the company's risk profile, and submit suggestions to the Board of Directors concerning the implementation of the necessary measures against such risks, taking them into consideration in decision making processes, and establishing and integrating effective internal control mechanisms.

In addition to its own risk policy, Otokar also acts in line with the risk policies implemented by the Koç Group.

Potential future risks related to sales, efficiency, revenue generating capabilities, profitability, debt/equity ratio and similar topics are also assessed and managed as part of the risk policy.

Otokar monitors its risks under financial, strategic, operational, and legal risk categories.

Financial Risks

Major financial risks include foreign currency risks, liquidity risks, credit risks, interest risks and receivables risks.

Foreign Currency Risk: The company's foreign currency positions are monitored daily to avoid risk exposure and to remain within targeted levels. Foreign currency risk is managed using derivative transactions and natural hedges.

Liquidity Risk: Managed by maintaining the ratio of cash and cash equivalents to total short term liabilities at the targeted levels to meet cash demands.

Credit Risk: Managed by restricting average risks for the other party in all agreements, except for those between related parties, and securing collateral when needed.

Interest Risk: The company seeks to balance fixed/variable interest balance in financing. Short-term and long-term borrowing is carried out in line with the company's policies. A policy of utilizing loans with flexible maturities has been implemented.

Receivables Risk: Receivables are followed based on collateral limits. Conformity of debt-receivable days with the anticipated days in the budget is monitored closely.

Strategic Risks

Strategic risks are structural risks that may prevent the company from reaching its short-, medium- or long term strategies as one of the most important factors in preparing for the future. These risks are related to products, customers, competitors, the brand, the market, industry, management and managing transformation.

In strategic risk management, potential risks and opportunities are monitored by considering the budget and strategic plans that serve as indicators of future plans, macroeconomic developments, and the market and industry dynamics.

CORPORATE GOVERNANCE

RISK MANAGEMENT AND ACTIVITIES OF THE RISK COMMITTEE

Operational Risks

Operational risks include losses such as those from business processes that may have impact on key operations, employees and systems, which are affected by internal systems and processes, and external factors. Risk areas such as sales, product development, capacity, information management, technology, brand management, earthquake and fire are included in this category.

Operational risks are monitored and managed by relevant internal departments. Necessary insurance is secured to cover potential operational risks.

Legal Risks

Legal risks are monitored by the internal legal team and external legal counsel with expertise in specific areas for compliance with applicable local and international laws, regulations and standards. Preventive legal services are regularly carried out through programs for competition compliance, compliance with the personal data protection law and general compliance. The risk groups identified through compliance programs take the necessary basic training to reach a certain level of awareness and to avoid risks and also consult with expert legal counsel when in doubt.

b. Activities of the Risk Management Committee

The Board of Directors resolved on July 11, 2012 to establish a Risk Management Committee, to work on early detection of risks that could pose a threat to the company's existence, development and continuity and on applying necessary measures to mitigate these risks to ensure compliance with article 378 of Turkish Commercial Code No. 6102, which entered into force on July 1, 2012. The Committee is chaired by Independent Board member, Kenan Güven, while the other member of the Committee is Board member Haydar Yenigün.

The Committee, which convened six times in 2022, evaluates the principles for the Risk Management System and risk reporting within the company, examines the periodic risk reports and expresses views on measures deemed necessary to address areas where there is non-compliance with the limits stipulated in the Risk Management System. The Committee also reviews the Risk Management System and oversees the implementation of the practices in the relevant risk management departments in terms of compliance with its decisions. The Committee's other duties include evaluating the information security procedures, monitoring compliance risks and related activities, and assessing the sustainability risks. Reporting activities and the Committee's assessments are recorded as minutes of the meeting, and duly presented to the Board of Directors.

CORPORATE GOVERNANCE

INTERNAL CONTROL SYSTEM AND INTERNAL AUDITS

The Internal Control System established within the company aims to maintain objectivity and independence in all operations, add value to the company, ensure that the company's operations are in compliance with the strategies and goals, as well as regulations, contribute to the realization of the company's key objectives, principles and targets, and improve effectiveness and productivity.

The Internal Control System is composed of standard descriptions, job definitions, authorization processes, policies and written procedures included in the workflows.

The Internal Control System is periodically reviewed by the Internal Audit Department for effectiveness. Within the organizational structure, the Internal Audit Department reports administratively to the General Manager to ensure independency of its activities, and functionally to the Audit Committee.

Accounting records and financial tables and statements are inspected by the Audit Committee and the Internal Audit Department, and also audited by the independent audit firm Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

The Audit Committee was briefed about the Internal Control System and Internal Audit activities through the "2022 Otokar Audit Activities" report prepared by the Internal Audit Department.

Otokar Otomotiv ve Savunma Sanayi A.Ş. did not undergo any private or public inspections that were completed in 2022.

CORPORATE GOVERNANCE

BOARD'S REVIEW OF THE COMMITTEES AND THEIR EFFECTIVENESS

All of the Board Committees have fulfilled the duties and obligations mandated by the Corporate Governance Principles and their own regulations and convened according to the annual meeting schedules in 2022. Information on the Committees' activities and the outcomes of the meetings held throughout the year has been reported to the Board of Directors.

The Board of Directors has formed the opinion that the Board Committees have delivered the benefits expected of their activities.

Information on the Board Committees and their operating principles is available on the corporate website:
<https://www.otokar.com.tr/investor-relations/corporate-governance/committees>

Detailed information on the structure and activities of the Committees is provided in the "Corporate Governance Practices" section of this report (See pages 69-70)

CORPORATE GOVERNANCE

DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

Otokar closely follows the best sustainability practices, including those specified in the Capital Market Board's (CMB) Sustainability Principles Compliance Outline, and carries out activities with the aim of complying with the generally accepted best practices in the field of sustainability. The majority of the sustainability topics Otokar manages are congruent with the Sustainability Principles Compliance Outline introduced by CMB in 2020. Otokar is already in compliance with the majority of the non-mandatory principles in the Sustainability Principles Compliance Outline imposed by the Capital Markets Board on a "comply or explain" basis. However, full compliance with all the principles has not yet been achieved due to the challenges in implementing some of these principles, uncertainties in the overall national and international landscape, certain principles not fully aligning with the current structure of the company, and the fact that some compliance principles will be identified based on the findings of ongoing studies. Once these ongoing studies within the scope of internationally accepted practices are completed, Otokar aims to align with the principles that yet to be complied with.

The practices that are congruent with the principles specified in CMB's Sustainability Principles Compliance Outline are disclosed in various sections of the Annual Reports, corporate website, and Sustainability Reports. The explanations provided in the Declaration Table also include references to the information disclosed in the latest Sustainability Reports. Otokar releases its Sustainability Reports, which provide the most comprehensive statements on the management of social, environmental and governance risks, at the beginning of the third quarter every year. Otokar monitors the impact on environmental and social risk management due to lack of full compliance with the non-mandatory principles and considers such impact in its sustainability-related work.

Regarding principle A1.2, although there are targets monitored with scorecards in many areas within the scope of ESG policies, starting with environment and occupational safety, work is ongoing to set long-term targets. Once the target setting system is in place, the short- and long-term targets will be disclosed to the public.

Regarding principle A4.1, Otokar works with an independent third party for verification purposes to further improve the reliability of the consolidated financial statements disclosed to the public. A process is ongoing to publicly disclose the verification results of other environmental and social indicators in the years to come.

Regarding principle B9, the activities carried out in 2022 included carbon footprint calculations for Scope 1 and Scope 2, target modeling, and target feasibility studies along with calculations for Scope 3 emissions. With 2021 taken as base year, Scope 1-2-3 emissions have been assured by BSI according to the ISO14064-1 standard. Calculations were also made with Carbon Trust in accordance with the GHG standard.

Regarding principle B12, although there are targets tracked with scorecards in many areas within the scope of ESG policies, starting with environment and occupational safety, work is ongoing to set long-term targets. Once the target setting system is in place, the short- and long-term targets will be disclosed to the public.

Regarding principle B14, even though the environmental performance and improvement efforts, including greenhouse gas emissions, are among the supplier selection criteria and considered in the process, the specific actions taken in these areas are not disclosed to the public due to the nature and dynamics of the suppliers' respective industries.

Regarding principle B15, although the company discloses the administrative and investment costs of environmental management activities, the returns on the efficiency-focused activities are not declared.

Regarding principle B23, the company is considering different tools to employ for transitioning to a low-carbon economy, and those evaluated as suitable will be implemented as part of the strategy determined for this purpose.

Regarding principle B24, the company is considering different tools to employ for transitioning to a low-carbon economy, and those evaluated as suitable will be implemented as part of the strategy determined for this purpose.

Regarding principle B25, the annual Sustainability Reports are the primary channel for transparent disclosure of environmental performance. The corporate website and the Annual Report also contain the environmental indicators.

The Sustainability Principles Compliance Report, which was prepared according to the formats specified in the CMB's decision no. 34/977 dated 23.06.2022 and approved by the Otokar Board of Directors, is included in the appendix of the Annual Report (pages 76-79), and the relevant documents can be accessed in Otokar's page on the Public Disclosure Platform.

<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/1046-otokar-otomotiv-ve-savunma-sanayi-a-s>

CORPORATE GOVERNANCE

DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

		COMPLIANCE STATUS					
		YES	NO	PARTIAL	N/A	EXPLANATION	REPORT/LINK WHERE RELATED INFORMATION IS DISCLOSED PUBLICLY
A. General Principles							
A1. Strategy, Policy and Goals							
A1.1	The Board of Directors should determine ESG-priority issues, risks and opportunities, and form ESG policies in accordance with them. For the sake of effective implementation of the aforesaid policies, internal directives, work procedures, etc. may be prepared for the corporation. For these policies, a decision of the Board of Directors should be taken and made public.	X				The Board of Directors is the governing body responsible for identifying the risks and determining strategic direction in social, economic and environmental issues within the scope of sustainability, which lies at the core of Otokar's activities. The General Manager, who is also a Board member, ensures that sustainability-focused activities are carried out in compliance with corporate policies and applicable regulations. Otokar Sustainability Working Group the social, economic and environmental impact resulting from those activities. The Sustainability Working Group reports to the General Manager.	Annual Report Sustainability Section (p. 48)
	Should determine a Corporation Strategy in compliance with ESG policies, risks and opportunities	X				Otokar's ESG policies are publicly available on the corporate website.	https://www.otokar.com.tr/sustainability/sustainability
A1.2	Should determine and publicly disclose its short and long-term goals in line with its ESG policies.		X			Although there are targets tracked with scorecards in many areas within the scope of ESG policies, starting with environment and occupational safety, work is ongoing to set long-term targets. Once the target setting system is in place, the short- and long-term targets will be disclosed to the public.	Annual Report Sustainability Section (p. 48)
A2. Implementation / Monitoring							
A2.1	Should appoint and publicly disclose its committees/units in charge of implementation of ESG policies.	X				The Sustainability Working Group reports its activities directly to the General Manager, who is also a Board member, and provides information to the Board of Directors through the General Manager.	Annual Report Sustainability Section (p. 48)
	Committees/units in charge, should report the activities carried out under the policies to the Board of Directors at least once a year and in any case, within the maximum periods of time stipulated for disclosure of annual reports in the regulations of the Board pertaining thereto.	X				The Board of Directors is kept up to date about the efforts to comply with the Sustainability Principles through the Corporate Governance Committee.	Annual Report Sustainability Section (p. 48)
A2.2	Should formulate and publicly disclose the implementation and action plans in line with the short and long-term goals determined as above.	X				The objective of Otokar Sustainability Model is to draw up a roadmap that respects the environment, people and the future to strengthen the company's business strategy in the automotive and defense industries as an organization that acts with environmental, social, and governance responsibility and values stakeholder engagement. Otokar Sustainability Model aims to move forward with a holistic and inclusive approach.	Annual Report Sustainability Section (pp. 48-49) Sustainability Report (p. 15)
A2.3	Should determine ESG Key Performance Indicators (KPIs) and declare them comparatively on an annual basis.	X				ESG KPIs and their evolution over the years are published in the Annual Reports and Sustainability Reports.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 48-50)
A2.4	Should declare innovation activities aimed to improve the sustainability performance in relation with business processes or products and services.	X				Information on the alternative fuel vehicles with reduced environmental impact and the improvement efforts in this area is provided in the Annual Reports and Sustainability Reports.	Annual Report Sustainability Section (pp. 52-53) Sustainability Report (p. 45)

CORPORATE GOVERNANCE

DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

		COMPLIANCE STATUS					
		YES	NO	PARTIAL	N/A	EXPLANATION	REPORT/LINK WHERE RELATED INFORMATION IS DISCLOSED PUB- LICLY
A3. Reporting							
A3.1	Should report and publicly disclose its sustainability performance, goals and actions at least once a year. Should provide information about its sustainability activities within its annual report.	X				Otokar discloses information regarding the activities categorized under the environmental, social and corporate governance topics, performance results and related targets to its stakeholders. Information on Otokar's sustainability efforts is communicated through the sustainability reports as well as the annual reports and the corporate website. Starting with Otokar employees, all stakeholders are provided with information on the company's environmental, social and governance policies and practices.	Annual Report Sustainability Section (pp. 49-50)
A3.2	It should provide information as to with which of the United Nations (UN) 2030 Sustainability Development Goals its activities are related.	X				ESG KPIs and their evolution over the years are published in the Annual Reports and Sustainability Reports.	Annual Report Sustainability Section (pp. 49-50) Sustainability Report (p. 15)
A3.3	It should disclose information about lawsuits filed and/ or completed against it in environmental, social and corporate governance issues.	X				All materially significant lawsuits filed against the Company and their financial consequences are disclosed to the public in the Legal Disclosures and Consolidated Financial Statements sections of the Annual Reports.	Annual Report Legal Disclosures Section (p. 64) Consolidated Financial Statements (p. 98-103)
A4. Verification							
A4.1	If verified by independent third parties (independent sustainability assurance providers), it should disclose its sustainability performance measures, and should endeavor to increase said verification actions.			X		Otokar works with an independent third party for verification purposes to further improve the reliability of the consolidated financial statements disclosed to the public. A process is ongoing to publicly disclose the verification results of other environmental and social indicators in the years to come.	Annual Report Sustainability Section (p. 49)
B. Environmental Principles							
B1	Should declare its policies and practices, action plans, and environmental management systems (known as ISO 14001 standard) and programs.	X				Otokar's Environmental Policy is the reference document regarding the management of environmental issues. With the Environmental Policy, Otokar states its commitment to environmental protection, efficient use of natural resources, compliance with applicable regulations, carrying out improvement work to reduce environmental impact, and establishing systems and processes for environmental control. Otokar operations are certified according to the ISO 14001 Environmental Management System.	Annual Report Sustainability Section (p. 50) Sustainability Report (p. 41)
B2	Should disclose limitations to the environmental report that will be prepared under the Sustainability Principles, reporting period, reporting date, data collection process and restrictions in reporting conditions.	X				Information on the environmental reporting scope, period and limitations is provided in the Sustainability Reports.	Sustainability Report (p. 2)
B3	Provided in A2.1.						
B4	Should disclose the incentives it offers for management of environmental issues, including the achievement of goals.	X				Environmental goals are included in the score cards of company managers and employees, and environmental performance, monitored with a scorecard system, is reported to the General Manager and the Board of Directors. Environmental performance results are communicated to the stakeholders through reports studies and shared with the employees via internal communication channels. Environment-related topics are monitored through 22 key performance indicators (KPIs). In determining these indicators, GRI standards, environmental issues, industry norms and requirements, and Koç Group's material environmental aspects are considered. The annual Sustainability Reports are the primary channel for transparent disclosure of environmental performance. Environmental KPIs are also provided on the corporate website and in Annual Reports.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 42)

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DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

		COMPLIANCE STATUS				EXPLANATION	REPORT/LINK WHERE RELATED INFORMATION IS DISCLOSED PUBLICLY
		YES	NO	PARTIAL	N/A		
B5	Should disclose how environmental issues are integrated into business objectives and strategies.	X				Otokar's material sustainability aspects are determined at workshops with the participation of Working Group members and senior management. The identified material aspects are reviewed by external experts every year and updated as needed. The objective of Otokar Sustainability Model, which is defined during these activities, is to draw up a roadmap that respects the environment, people and the future to strengthen the company's business strategy in the automotive and defense industries as an organization that acts with environmental, social, and governance responsibility and values stakeholder engagement. Otokar Sustainability Model aims to move forward with a holistic and inclusive approach.	Annual Report Sustainability Section (pp. 48-49)
B6	Provided in A2.4.						
B7	Should disclose how it manages environmental issues and integrates suppliers and customers into its strategies, not only in terms of direct operations, but also along the corporation value chain.	X				Otokar expects its suppliers and business partners to adopt the same environmental management approach. Accordingly, Otokar aims to spread the environmental management approach across its entire value chain beyond its own operations. Therefore, Otokar includes compliance with environmental standards and environmental impact management criteria in the supplier selection process. The environmental performance of suppliers is also monitored through regular inspections.	Annual Report Sustainability Section (p. 50)
B8	Should disclose whether it is included in the (sectoral, regional, national and international) policy formulating processes on environmental issues or not, as well as associations it is a member of, its environmental cooperation initiatives entered into with related institutions and non-governmental organizations, and its duties and functions, if any, assumed thereon, and the activities supported by it.	X				Environment is an area where Otokar aims to create more positive impact through collaborations and joint efforts. Accordingly, Otokar partners with different stakeholder groups and NGOs. Otokar attends the monthly meetings of the Koç Group Environmental Committee as a member, contributing to Group companies by sharing its best practices. Otokar also takes an active role in the Environmental Working Groups of OSD and TÜSİAD. Furthermore, ISO and TÜSİAD provide platforms for Otokar to engage with businesses in proximity. Such engagements facilitate discussions and collaborations regarding changes in legislation, EU compliance directives, local sanctions, and investments. These collaborations are disclosed to the public through Annual Reports and Sustainability Reports.	Annual Report Sustainability Section (p. 50)
B9	Should periodically report in a comparable manner, information about environmental effects in the light of environmental indicators [Greenhouse gas emissions [Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect)], air quality, energy management, water and waste water management, waste management, biodiversity effects].			X		The activities carried out in 2022 included carbon footprint calculations for Scope 1 and Scope 2, target modeling, and target feasibility studies along with calculations for Scope 3 emissions. With 2021 taken as base year, Scope 1-2-3 emissions have been assured by BSI according to the ISO14064-1 standard. Calculations were also made with Carbon Trust in accordance with the GHG standard.	Annual Report Sustainability Section (p. 52) Sustainability Report (p. 48)
B10	Should disclose details in relation to standards, protocols, methodologies and base year employed for collection and calculation of its data.	X				In ESG data reporting, the GRI Standards are taken as basis.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 2)

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DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

		COMPLIANCE STATUS				EXPLANATION	REPORT/LINK WHERE RELATED INFORMATION IS DISCLOSED PUBLICLY
		YES	NO	PARTIAL	N/A		
B11	Should declare the status of environmental indicators for the reporting year in comparison with past years (increase or decrease).	X				Environment-related topics are monitored through 22 key performance indicators (KPIs). In determining these indicators, GRI standards, environmental issues, industry norms and requirements, and Koç Group's material environmental aspects are considered. The annual Sustainability Reports are the primary channel for transparent disclosure of environmental performance. Environmental KPIs are also provided on the corporate website and in Annual Reports. Disclosing five-year historical data regarding environmental KPIs provides an opportunity to make retrospective comparisons.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 48)
B12	Should determine and disclose short and long-term goals for reduction of its environmental impact. If an improvement is detected in the reporting year over the previously determined goals, it should provide information thereabout.		X			Although there are targets monitored with scorecards in many areas within the scope of ESG policies, starting with environment and occupational safety, work is ongoing to set long-term targets. Once the target setting system is in place, the short- and long-term targets will be disclosed to the public	Annual Report Declaration of Compliance with Sustainability Principles Section (p. 51)
B13	Should disclose its strategy and actions for fight against climate crisis.	X				Otokar's efforts to combat climate change are carried out within the framework of the Environmental Policy, Energy Policy, R&D Strategy, Koç Group's Climate Change Strategy, and Koç Group Climate Change Management. At Otokar, the Board of Directors determines the climate change strategies. Otokar manages climate change with an approach focused on considering risks and seizing opportunities. Accordingly, a climate change focused risk analysis study was conducted out within the scope of Task Force on Climate-related Financial Disclosures (TCFD). Sustainable products, services, and strategies that facilitate the shift to a low carbon economy were considered on the basis of risks and opportunities. The core strategy that Otokar follows to combat climate change involves limiting the impact of its products and production processes on climate. As part of these efforts, Otokar monitors the energy consumption in its production processes and the greenhouse gas emissions released. The company has also implemented a number of efficiency projects to reduce energy consumption and emissions.	Annual Report Sustainability Section (p. 52) Sustainability Report (p. 40)
B14	Should disclose its programs or procedures aiming to prevent or minimize the potential negative effects of its products and/or services.	X				Information on the alternative fuel vehicles with reduced environmental impact and the improvement efforts in this area is provided in the Annual Reports and Sustainability Reports.	Annual Report Sustainability Section (pp. 52-53) Sustainability Report (p. 45)
	Should also declare the actions of third parties aiming to reduce greenhouse gas emissions.			X		even though the environmental performance and improvement efforts, including greenhouse gas emissions, are among the supplier selection criteria and considered in the process, the specific actions taken in these areas are not disclosed to the public due to the nature and dynamics of the suppliers' respective industries.	Annual Report Sustainability Section (p. 51-52)
B15	Should declare the total number of actions taken, projects implemented and initiatives entered into for reduction of its environmental impact, as well as their environmental benefits and cost savings.		X			Although the company discloses the administrative and investment costs of environmental management activities, the returns on the efficiency-focused activities are not declared.	Sustainability Report (p. 41)
B16	Should report total energy consumption data (with the exception of raw materials), and disclose its energy consumptions as Scope-1 and Scope-2.	X				Annual Report can be seen as a table on "Sustainability" pages. The Sustainability Report is on Page 51.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 48)
B17	Should provide information about electricity, heat, steam and cooling generated and consumed in the reporting year.	X				Annual Report can be seen as a table on "Sustainability" pages. The Sustainability Report is on Page 51.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 48)
B18	Should carry out and disclose works on increasing the use of renewable energy sources, and transition to zero or low carbon electricity.	X				Annual Report can be seen as a table on "Sustainability" pages. The Sustainability Report is on Page 51.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 48)
B19	Should disclose its renewable energy generation and consumption data.	X				Annual Report can be seen as a table on "Sustainability" pages. The Sustainability Report is on Page 51.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 48)

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		COMPLIANCE STATUS				EXPLANATION	REPORT/LINK WHERE RELATED INFORMATION IS DISCLOSED PUBLICLY
		YES	NO	PARTIAL	N/A		
B20	Should conduct energy efficiency projects, and disclose the resulting reduction in energy consumption and emission due to its projects.	X				Annual Report can be seen as a table on "Sustainability" pages. The Sustainability Report is on Page 51.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 48)
B21	Should report quantities, sources and procedures of water extracted from underground or ground waters, used, recycled and discharged (Total water extraction on source basis, water sources affected from water extraction, percentage and total volume of recycled and reused water, etc.).	X				Annual Report can be seen as a table on "Sustainability" pages. The Sustainability Report is on Page 51.	Annual Report Sustainability Section (p. 51) Sustainability Report (p. 48)
B22	Should disclose whether its operations or activities are included in any carbon pricing system or not (Emission Trade System, Cap & Trade or Carbon Tax).	X				Since the regulatory processes regarding these issues are ongoing with the relevant public institutions in Turkey, Otokar is not part of any carbon pricing system yet. The company is considering different tools to employ for transitioning to a low-carbon economy, and those evaluated as suitable will be implemented as part of the strategy determined for this purpose	Annual Report Declaration of Compliance with Sustainability Principles Section (p. 83)
B23	Should disclose its carbon credit data accumulated or bought in the reporting period.		X			The company is considering different tools to employ for transitioning to a low-carbon economy, and those evaluated as suitable will be implemented as part of the strategy determined for this purpose.	Annual Report Declaration of Compliance with Sustainability Principles Section (p. 83)
B24	If carbon pricing is applied in the corporation, it should disclose details relating thereto.		X			The company is considering different tools to employ for transitioning to a low-carbon economy, and those evaluated as suitable will be implemented as part of the strategy determined for this purpose.	Annual Report Declaration of Compliance with Sustainability Principles Section (p. 83)
B25	Should disclose all mandatory and voluntary platforms where its environmental data are disclosed.	X				The annual Sustainability Reports are the primary channel for transparent disclosure of environmental performance. Environmental KPIs are also provided on the corporate website and in Annual Reports.	Annual Report Sustainability Section (pp. 49-50)
C. Social Principles							
C1. Human Rights and Employee Rights							
C1.1	Should establish a Corporate Human Rights and Employee Rights Policy covering its commitment of full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey, and legal framework and legislation regulating human rights and labor issues in Turkey. Should disclose the aforesaid policy and the roles played and responsibilities assumed in the implementation of the policy.	X				These issues are disclosed in Otokar Human Rights Policy.	https://www.otokar.com.tr/ethical-principles-and-compliance-policies/ethical-principles-and-compliance-policies
C1.2	Should provide equal opportunities in recruitment processes. Includes fair labor, improvement of working standards, employment of women and social inclusion issues (such as non-discrimination towards women, men, religious beliefs, language, race, ethnical origin, age, disablement, refugees, etc.) in its policies by also considering the supply and value chain effects.	X				These issues are disclosed in Otokar Human Rights Policy.	https://www.otokar.com.tr/ethical-principles-and-compliance-policies/ethical-principles-and-compliance-policies
C1.3	Should disclose measures taken along the value chain for the sake of supervision and protection of rights/equal opportunities for minorities or certain population segments vulnerable to particular economic, environmental and social factors (low-income segments, women, etc.).	X				Otokar Code of Ethics is based on and aligned with Koç Holding Code of Ethics and Implementation Principles, and binding on all Otokar employees, suppliers and partners. Similarly, UN Global Compact, to which Koç Holding is a party on behalf of all Group companies, is binding on Otokar's entire value chain. Therefore, Otokar strives to spread the ethical principles. These issues are also disclosed in Otokar Supply Chain Compliance Policy.	Annual Report Sustainability Section (p. 53) Sustainability Report (p. 34-35)
C1.4	Should report developments relating to applications aiming to prevent and correct discrimination, inequality, breaches of human rights and forced labor, and disclose its regulations and measures aiming to prevent employment of child labor.	X				These issues are also disclosed in the Human Rights Policy and Otokar Supply Chain Compliance Policy.	Annual Report Sustainability Section (pp. 53-54) Sustainability Report (p. 13,34-35) https://www.otokar.com.tr/ethical-principles-and-compliance-policies/ethical-principles-and-compliance-policies

CORPORATE GOVERNANCE

DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

		COMPLIANCE STATUS				EXPLANATION	REPORT/LINK WHERE RELATED INFORMATION IS DISCLOSED PUBLICLY
		YES	NO	PARTIAL	N/A		
C1.5	Should disclose its policies regarding investments in employees (training and development policies), compensations, fringe benefits, unionization rights, work/life balance solutions and talent management.	X				These issues are also disclosed in Otokar Code of Ethics and Human Rights Policy and available in the human resources tab on the website.	https://www.otokar.com.tr/sustainability/sustainability https://www.otokar.com.tr/ethical-principles-and-compliance-policies/ethical-principles-and-compliance-policies https://www.otokar.com.tr/careers
	Should determine dispute resolution processes through the establishment of mechanisms for resolution of employee complaints and disputes, and determine its dispute resolution processes.	X				These issues are addressed in the company's Whistleblowing Policy, Otokar Code of Ethics, and Human Rights Policy.	https://www.otokar.com.tr/sustainability/sustainability https://www.otokar.com.tr/ethical-principles-and-compliance-policies/ethical-principles-and-compliance-policies
	Regularly declares its activities aimed at employee satisfaction.	X				Otokar believes that employees should pursue work-life balance and promotes a work environment where this can be possible through a number of practices. Accordingly, the company organizes various events and activities to support the social life of the employees and strengthen interpersonal communication. For this purpose, employee clubs also host various events that the employees may attend with their families.	Annual Report Human Resources Section (pp. 56-57) Sustainability Report (p. 33-34)
C1.6	Should formulate and disclose its occupational health and safety policies.	X				Otokar aims to protect the health and safety of its employees through maximum measures and practices. The occupational health and safety (OHS) activities are carried out in accordance with the OHSAS 18001 Standard and Otokar OHS Policy, which is disclosed to the employees and other stakeholders through various communication channels.	https://www.otokar.com.tr/sustainability/sustainability
	Should disclose actions and measures taken for protection of health and against occupational accidents, and occupational accident statistics.	X				OHS data is disclosed under the relevant heading on the "Sustainability" page of the Annual Report and in the Sustainability Report.	Annual Report Sustainability Section (pp. 55-57) Sustainability Report (p. 37-38)
C1.7	Should formulate and disclose to public its personal data protection and data security policies.	X				Protection of personal data is another topic that Otokar manages diligently. Otokar Personal Data Protection Policy provides an overview of the principles that the company adopts for processing personal data. Through this policy, Otokar informs the personal data subjects transparently. Processes regarding the protection of the employees' personal data are managed according to the Personal Data Protection and Processing Policy for Employees, which is published on the corporate website.	https://www.otokar.com.tr/ethical-principles-and-compliance-policies/ethical-principles-and-compliance-policies
C1.8	Should formulate and disclose its ethics policy.	X				Otokar Code of Ethics is published on the corporate website.	https://www.otokar.com.tr/ethical-principles-and-compliance-policies/ethical-principles-and-compliance-policies
C1.9	Should disclose initiatives focused on social investment, social responsibility, financial inclusion and access to finance.	X				Otokar recognizes that its operations impact its stakeholders, the environment and society as a whole, and takes responsibility for sustainable development. The Social Investment Policy demonstrates Otokar's commitment to contributing to the welfare of its communities and the sustainable development of the environment. The relevant policies are published on the corporate website	Annual Report Sustainability Section (p. 54) Sustainability Report (p. 47)
C1.10	Should organize information meetings and training programs for employees with respect to ESG policies and applications.	X				Employees receive training on legal compliance, OHS and environmental policies and practices within the scope of ESG topics.	Annual Report Sustainability Section (pp. 55-57) Sustainability Report (p. 38,42)
C2. Stakeholders, International Standards and Initiatives							
C2.1	Should formulate and disclose its customer satisfaction policy dealing with management and resolution of customer complaints	X				Otokar aims to establish long-term relations based on mutual trust with its customers while ensuring their unconditional satisfaction. Customer satisfaction is managed within the framework of Otokar Customer Satisfaction Policy and Otokar Quality Policy. Furthermore, Otokar has obtained ISO 10002 Customer Satisfaction Management System Standard and ISO 10001 Quality Management-Customer Satisfaction certifications for quality assurance of customer satisfaction. Product and service responsibility is a key component of customer satisfaction. For this purpose, Otokar continuously works to enhance the safety of its products and keeps the customers informed about the latest developments while considering social, environmental and economic impact across its production and service operations.	www.otokar.com.tr/surdurulebilirlik Annual Report Sustainability Section (p. 55)

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DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

		COMPLIANCE STATUS				EXPLANATION	REPORT/LINK WHERE RELATED INFORMATION IS DISCLOSED PUBLICLY
		YES	NO	PARTIAL	N/A		
C2.2	Should handle stakeholder communications continuously and transparently, and disclose with which stakeholders, for which purposes, on which issues and in which frequency it communicates.	X				Otokar follows applicable laws and regulations and capital markets legislation in shareholder relations. Information about the company is disclosed to interested parties at the annual ordinary General Assembly Meetings and through Annual Reports, Sustainability Reports, annual and quarterly Earnings Releases, periodic analyses and information documents, corporate website, press releases, material event disclosures, meetings and interviews. In all its operations, Otokar aims to create value for all its stakeholders. Therefore, it seeks to understand stakeholder expectations and develop the right responses as a key part of the value creation process. Accordingly, Otokar engages in active communication with all relevant stakeholder groups. The method and frequency of communication is shaped according to stakeholder requirements and expectations. Communication with the stakeholders is always constructive, transparent and based on mutual trust and cooperation. As part of stakeholder communications, Otokar supports the activities of NGOs and platforms by becoming a member and taking responsibility in such organizations' management bodies.	Sustainability Report (p. 16)
C2.3	Should disclose international reporting standards it has adopted.	X				In sustainability reporting, GRI Standards are taken as basis.	Annual Report Sustainability Section (pp. 53-54) Sustainability Report (p. 2)
C2.4	Should disclose the international organizations or principles it has signed or enrolled in and the international principles it has adopted.	X				Otokar attends the monthly meetings of the Koç Group Environmental Committee as a member, contributing to Group companies by sharing its best practices. Otokar also takes an active role in the Environmental Working Groups of OSD and TÜSIAD.	Annual Report Sustainability Section (p. 50)
C2.5	Should concretely endeavor to be included in the Borsa İstanbul Sustainability Index and international sustainability indices.	X				Otokar aims to create long-term value by combining economic, environmental and social factors with corporate governance principles. Since 2014, Otokar has been included in the BIST Sustainability Index, whose constituents are listed companies with the highest corporate sustainability performance, in recognition of its sustainability focused efforts. Through the Sustainability Index, Otokar discloses information on its environmental, social and corporate governance related activities as well as their performance results and relevant targets to its stakeholders.	Annual Report Sustainability Section (p. 49) Sustainability Report (p. 14)
D. Corporate Governance Principles							
D1	Should consult with stakeholders in determination of measures and strategies in sustainability field.	X				In 2021, 14 different stakeholder groups consulted while updating Otokar's material sustainability aspects to be used in determining the company's sustainability models and strategies.	Annual Report Sustainability Section (p. 54) Sustainability Report (p. 15)
D2	Should endeavor to raise awareness on sustainability and the importance thereof through social responsibility projects, awareness activities and trainings.	X				As a company that is conscious of its corporate responsibilities, Otokar takes an active role in supporting the development of the country and society and protecting the environment. Otokar also supports the "For My Country" project, which aims to encourage Koç Group companies, employees, dealers and suppliers to engage in social responsibility efforts and to launch projects to elevate the living standards by contributing to local development. Otokar's environment-focused efforts have been recognized with multiple awards by institutions such as the Ministry of Environment, Sakarya Governor's Office, Istanbul Chamber of Industry, Adapazarı Chamber of Commerce and Industry, and Kocaeli Chamber of Industry. Otokar is also one of the first automotive companies to operate with ISO 14001 certification.	Annual Report Sustainability Section (p. 50) Sustainability Report (p. 47)

CORPORATE GOVERNANCE

DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

RESPONSIBILITY STATEMENT PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ II-14.1 ARTICLE 9 ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

BOARD OF DIRECTORS' RESOLUTION ON APPROVAL OF FINANCIAL STATEMENTS

RESOLUTION DATE: 31.01.2023

RESOLUTION NUMBER: 2023/3

Regarding the consolidated financial statements pertaining to the period from 01.01.2022 to 31.12.2022, which were prepared by the company and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Financial Reporting Standards (TFRS) and formats determined by Capital Markets Board (CMB) in accordance with the CMB's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1, and include the consolidated statement of financial position, income statement, comprehensive income statement, statement of cash flow and statement of changes to equity as well as notes to year-end financial statements ("Financial Statements" as a whole), we hereby declare our responsibility for the following:

- We have examined the financial statements;
- Within the frame of information we hold in our fields of duty and responsibility in the company, the financial statements do not contain any untrue statement on material events or any deficiency, which may make them misleading as of the date of statement;
- Within the frame of information we hold in our fields of duty and responsibility in the company, the financial statements that are prepared pursuant to the Communiqué – together with those covered by consolidation, if any – fairly reflect the truth relating to assets, liabilities, financial statements, profits and losses of the company.

Sincerely,



Kenan GÜVEN
Chairman of Audit Committee



Ali İhsan KAMANLI
Member of Audit Committee



Ahmet Serdar GÖRGÜÇ
General Manager

CORPORATE GOVERNANCE

RESPONSIBILITY STATEMENT FOR ANNUAL REPORT

RESPONSIBILITY STATEMENT PURSUANT TO CAPITAL MARKET BOARD COMMUNIQUÉ II-14.1 ARTICLE 9 ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

BOARD OF DIRECTORS' RESOLUTION ON APPROVAL OF ANNUAL REPORT

RESOLUTION DATE: 17.02.2023

RESOLUTION NUMBER: 2023/10

The 2021 Annual Report, which was prepared by the company and independently audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with the Turkish Commercial Code and Capital Markets Board's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1 is hereby presented.

Within the frame of information we hold in our fields of duty and responsibility in the company, we have examined the Annual Report, which is prepared by the company and which includes the Corporate Governance Compliance Report and Corporate Governance Information Note and the disclosures according to CMB's Sustainability Principles Compliance Framework.

In line with the CMB regulations, we hereby declare our responsibility for the following:

- We have examined the Annual Report;
- Within the frame of information we hold in our fields of duty and responsibility in the company, the Annual Report does not contain any untrue statement on material events or any deficiency, which may make it misleading as of the date of statement; and
- Within the frame of information we hold in our fields of duty and responsibility in the company, the Annual Report prepared pursuant to the Communiqué fairly reflects the progress and performance of the business, and along with those covered by consolidation, the financial standing of the entity, together with material risks and uncertainties faced by the company.

Sincerely,



Kenan GÜVEN
Board Member
Chairman of Audit Committee



Ali İhsan KAMANLI
Board Member
Member of Audit Committee



Ahmet Serdar GÖRGÜÇ
Board Member
General Manager

REPORTS AND FINANCIAL STATEMENTS

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

THE AUDIT COMMITTEE REPORT

To the Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.Ş.

We have convened to examine and express our opinion concerning the consolidated financial tables for the period from 1 January to 31 December 2022, prepared by the governing body of Otokar Otomotiv ve Savunma Sanayi A.Ş. in accordance with the formats defined by the Turkish Financial Reporting Standards (TFRS) pursuant to the provisions of the Capital Markets Board ("CMB") Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets ("Communiqué") and the independent auditor's report prepared by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi for the said financial statements.

We have evaluated the consolidated financial tables to be disclosed to the public in terms of accuracy and truth, and compliance with the accounting principles followed by the company. Where necessary, the views of the independent auditor and the company's relevant responsible executives were sought.

Within the scope of information provided to us and as a result of our evaluations, we have reached the opinion that the consolidated financial statements for the 1 January - 31 December 2022 period comply with the accounting principles that the company follows and are accurate and true. We hereby submit these financial statements to the Board of Directors for approval.

Sincerely,

31/01/2023

COMMITTEE RESPONSIBLE FOR THE AUDIT

Kenan GÜVEN
Chairman of the Committee



Ali İhsan KAMANLI
Member of the Committee



OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi,

A) Report on the Audit of the Consolidated Financial Statements

1. Opinion

We have audited the consolidated financial statements of Otokar Otomotiv ve Savunma Sanayi A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2. Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Other matter

The consolidated financial statements of the Group for the year ended December 31, 2021 which was prepared in accordance with Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey, were audited by another audit firm, who has expressed an unmodified opinion on those statements on February 4, 2022.

4. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

Key audit matter	Audit procedures in relation to key audit matter
<p>Inventory impairment</p> <p>This has been identified as a key audit matter, as the provisions for impairment in inventory contains significant estimates.</p> <p>As of December 31, 2022, the Group has an inventory amounting to TRY 3,869,853 thousand and there is an allowance amounting TRY 40,785 thousand on its inventories. Explanations on inventories are disclosed in Note 2.4 and Note 10.</p>	<p>The following procedures have been applied to audit the amount of impairment of provision for inventories:</p> <ul style="list-style-type: none"> • Understanding of the accounting policy regarding the inventory impairment provision, • Comparison of inventory turnover with the previous year, • Observing whether there are inventories that have not moved for a long time or are damaged in the year-end inventory counts, • Evaluation of the reasonableness of the provision amount allocated by the Group during the year, • Evaluation of the adequacy of disclosures on impairment of inventories and inventories to TFRS.
<p>Trade receivables recoverability and impairment</p> <p>Trade receivables are considered as a significant balance sheet item since they represent 35% of total assets in the statement of consolidated financial position. Furthermore, the collectability of trade receivables is a significant item of the Group's credit risk and working capital management and includes significant judgments and estimates of management.</p> <p>As of December 31, 2022, there is impairment amounting to TRY 133,855 thousand on trade receivables amounting to TRY 4,890,970 thousand in the statement of consolidated financial position.</p> <p>Due to the size of the amounts and the reasoning required in the assessment of collectability of trade receivables and TFRS 9's applications are complex and comprehensive; the existence and collectability of trade receivables are considered as the key audit matter.</p> <p>Explanations on trade receivables are disclosed in Note 8.</p>	<p>The following procedures have been applied to audit the amount of provision for trade receivables:</p> <ul style="list-style-type: none"> • Evaluation of the Group's trade receivable process related to collections, • Analytical analysis of the receivable aging tables and comparison of the trade receivable collection ratio with the previous year, • Testing of trade receivable balances by sending confirmation letters via sample, • Testing of subsequent collections made in the following period by sampling method, • Testing of the collaterals received for the receivables through sampling and evaluating of the convertible ability of cash, • Evaluation of the compliance of the accounting policies applied to TFRS 9, the Group's past history performance, local and global practices, • Investigation of disputes and lawsuits related to receivables for the purpose of checking the appropriateness of specific provisions for trade receivables, and obtaining confirmation letter regarding the proceedings from legal counsel, • Evaluation of the adequacy of disclosures on impairment of trade receivables and trade receivables to TFRS.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

Provision for warranty expenses	
<p>As explained in Note 15, the Group has provision for warranty expenses amounting to TRY 345,980 thousand as of December 21, 2022.</p> <p>We focused on this matter during our audit for the reasons below;</p> <p>a) the amount of the provision for warranty expenses balance is material in the consolidated financial statements.</p> <p>b) the provisions for warranty expenses is calculated per vehicle, depending on certain assumptions such as the probable warranty claims per vehicle and foreign exchange rates. Changes in such as assumptions may affect the consolidated financial statements.</p>	<p>We performed the following audit procedures to test reasonableness of the provision for warranty expenses:</p> <ul style="list-style-type: none"> - We review Group's assumptions and inputs in establishing the accounting estimates used - We tested the remaining warranty period per vehicle as follows: <ul style="list-style-type: none"> • Group management provided us with the provisions for warranty expenses calculation. We checked the number of vehicles sold subject to the warranty calculation and tested the invoices of the vehicles sold in current period by using the sampling method. • We tested the mathematical accuracy of the remaining warranty period calculated for each vehicle sold by recalculation. - We tested the provision for warranty per vehicle estimated using the current and previous years actual warranty expenses as stated below: <ul style="list-style-type: none"> • We compared the consistency of the actual warranty expenses with the Group management's past estimations and assumptions. • The Group calculates the current year's provision for warranty expense per vehicle in hard currency based on the actual warranty expenses realized in the current and previous periods taking into consideration the changes in foreign exchange rate. We assessed the reasonableness of the provision for warranty expense taking into account the actual warranty and fluctuations in the foreign exchange rate and compared this amount with the provision for warranty expense calculated by the Group. • We tested the Group's actual warranty expenses for the current period using by sampling method.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

Capitalized development costs	
<p>The Group capitalizes research and development costs for increasing efficiency and capacity of the automobile production or decreasing production costs.</p> <p>Detailed in Note 13 to the accompanying consolidated financial statements, capitalized development costs on consolidated financial statements as of December 31, 2022 is significant for our audit due to variety of nature of costs and management judgments involved in the capitalization process.</p>	<p>Our audit procedures include, examination of the Group's policies and processes related to evaluation of expectation on projects and examination of nature of capitalized development costs related to each project.</p> <p>One of the most significant management judgments for the project at development phase is estimation of market performance of products related to the project. Our audit procedures on projects at development phase consist of assessment of reasonability of management judgments, testing the accuracy of the relevant amounts, examination of the result of development works and considering the Group's internal management and authorization processes. Additionally, inquiries have been performed with managers of the Group's R&D and sales departments, sales performance of products which start active sales in the market has been examined and recoverability of capitalized development costs for related projects have been assessed.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the consolidated financial statements in Note 13, intangible assets, in terms of TFRS.</p>

5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Report on Other Legal and Regulatory Requirements

1. Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 31, 2023.
2. In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2022 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
3. In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Ferzan Ülgen, SMMM
Partner

31 January 2023
Istanbul, Turkey

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	(Audited) 31 December 2022	(Audited) 31 December 2021
Assets			
Current assets			
Cash and cash equivalents	4	1,671,457	644,857
Financial investments	11	60,000	-
Trade receivables	8	4,159,008	1,761,233
<i>Due from related parties</i>	27	1,631,795	533,242
<i>Due from other parties</i>	8	2,527,213	1,227,991
Other receivables	9	906	1,212
Inventories	10	3,869,853	1,426,393
Derivative financial instruments	7	2,450	51
Prepaid expenses	17	123,213	20,045
Other current assets	17	725,028	106,634
Total current assets		10,611,915	3,960,425
Non-current assets			
Trade receivables	8	731,962	421,129
Other receivables	9	5,257	4,474
Investments accounted for using the equity method	5	241,054	182,459
Financial investments	11	11,431	144
Property, plant and equipment	12	723,360	396,704
Right of use assets	12	39,948	33,946
Intangible assets	13	1,234,061	739,375
Deferred income tax asset	25	437,650	234,424
Prepaid expenses	17	72,265	16,446
Other non-current assets	17	43,472	-
Total non-current assets		3,540,460	2,029,101
Total assets		14,152,375	5,989,526

The accompanying notes, form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	(Audited) 31 December 2022	(Audited) 31 December 2021
Liabilities			
Current liabilities			
Short-term borrowings	6	5,137,400	473,279
<i>Bank loans</i>	6	5,106,361	455,503
<i>Short-term lease liabilities</i>	6	31,039	17,776
Short-term portion of long-term borrowings	6	1,109,411	644,014
<i>Bank Loans</i>	6	1,109,411	644,014
Trade Payables	8	2,217,223	554,860
<i>Due to related parties</i>	27	220,240	70,714
<i>Due to other parties</i>	8	1,996,983	484,146
Employee benefit obligations	17	197,429	67,060
Other payables	9	27,863	46,547
Liabilities from customer contracts	17	537,323	602,791
Government promotion and subsidies	14	1,963	16,572
Short-term provisions	15	735,797	440,523
<i>Provisions for employee benefits</i>	16	49,288	20,705
<i>Other provisions</i>	15	686,509	419,818
Other current liabilities	17	33,492	6,688
Total current liabilities		9,997,901	2,852,334
Non-current liabilities			
Long-term borrowings	6	1,300,613	1,261,164
<i>Bank loans</i>	6	1,252,064	1,233,360
<i>Long-term lease liabilities</i>	6	48,549	27,804
Government promotion and subsidies	14	12,364	11,283
Long-term provisions	16	314,077	89,427
<i>Provisions for employee benefits</i>	16	314,077	89,427
Liabilities from customer contracts	17	424,440	278,783
Total non-current liabilities		2,051,494	1,640,657
Total liabilities		12,049,395	4,492,991
Equity			
Paid-in share capital	18	24,000	24,000
Inflation adjustment on share capital	18	52,743	52,743
Restricted reserves	18	183,398	133,530
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	18	(139,244)	(12,925)
<i>Defined benefit plans remeasurement losses</i>	18	(139,244)	(12,925)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(216,453)	(210,099)
<i>Currency translation differences</i>		(216,453)	(210,099)
Retained earnings	18	959,418	467,762
Net profit for the period	18	1,239,118	1,041,524
Total equity		2,102,980	1,496,535
Total liabilities and equity		14,152,375	5,989,526

The accompanying notes, form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	(Audited) 1 January - 31 December 2022	(Audited) 1 January - 31 December 2021
Net Sales	19	9,603,737	4,508,874
Cost of sales (-)	19	(6,559,813)	(2,792,189)
GROSS PROFIT		3,043,924	1,716,685
Marketing expenses (-)	20	(1,338,197)	(596,356)
General administrative expenses (-)	20	(482,636)	(202,991)
Research and development expenses (-)	20	(159,204)	(109,841)
Other operating income	22	1,401,571	976,660
Other operating expenses (-)	22	(772,568)	(708,619)
OPERATING PROFIT		1,692,890	1,075,538
Income from investing activities		4,519	1,432
Share of profit/loss of investments accounted for using the equity method, net	5	185,279	107,451
OPERATING INCOME BEFORE FINANCIAL EXPENSES		1,882,688	1,184,421
Financial income	23	247,620	223,298
Financial expense (-)	24	(1,053,467)	(503,173)
PROFIT BEFORE TAX		1,076,841	904,546
Tax income/(expense) from continued operations			
Current tax expense (-)	25	(9,369)	(827)
Deferred tax income	25	171,646	137,805
PROFIT/LOSS FOR THE PERIOD		1,239,118	1,041,524
Items that will not be reclassified to statement of profit or loss			
Remeasurement (losses)/gains	16	(157,899)	(1,670)
Deferred tax income/(expense)	25	31,580	334
Items that may be reclassified to statement of profit or loss			
Currency translation differences of investments accounted for using the equity method	5	76,626	92,558
Currency translation differences		(82,980)	(243,551)
Other comprehensive income		(132,673)	(152,329)
TOTAL COMPREHENSIVE INCOME		1,106,445	889,195
Earnings per share (Kr)	26	5.163	4.340

The accompanying notes, form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

				Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss			
	Paid in share capital	Inflation adjustments	Restricted reserves	Remeasurement profits (losses) on defined benefit plans	Currency translation differences	Retained earnings	Net income for the period	Total equity
1 January 2021 – 31 December 2021								
Beginning of the period	24,000	52,743	93,650	(11,589)	(59,103)	289,374	618,268	1,007,343
Transfers	-	-	39,880	-	-	578,388	(618,268)	-
Dividends paid	-	-	-	-	-	(400,000)	-	(400,000)
Total comprehensive income	-	-	-	(1,336)	(150,996)	-	1,041,524	889,192
End of the period	24,000	52,743	133,530	(12,925)	(210,099)	467,762	1,041,524	1,496,535
1 January 2022 – 31 December 2022								
Beginning of the period	24,000	52,743	133,530	(12,925)	(210,099)	467,762	1,041,524	1,496,535
Transfers	-	-	49,868	-	-	991,656	(1,041,524)	-
Dividends paid	-	-	-	-	-	(500,000)	-	(500,000)
Total comprehensive income	-	-	-	(126,319)	(6,354)	-	1,239,118	1,106,445
End of the period	24,000	52,743	183,398	(139,244)	(216,453)	959,418	1,239,118	2,102,980

The accompanying notes, form an integral part of these consolidated financial statements.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ('TRY') unless otherwise indicated.)

	Notes	(Audited) 1 January - 31 December 2022	(Audited) 1 January - 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES		(1,802,896)	952,847
Net profit/(loss) for the period		1,239,118	1,041,524
Adjustments to reconcile net profit (loss) for the period to cash flows from operating activities		1,338,652	558,721
Adjustments for depreciation and amortization	12, 13	179,645	105,148
Adjustments in relation to impairment:		46,363	41,365
- Provision for doubtful receivables	8	34,175	34,488
- Provision for inventories	10	12,188	6,877
Adjustments in relation to provision:		573,786	319,290
- Provision for employee benefits	16	102,460	32,651
- Provision for warranty expenses	15	295,796	205,751
- Adjustments for other provisions		175,530	80,888
Adjustments in relation to interest income and expenses:		648,788	151,635
- Adjustment in relation to interest income	23	(74,346)	(31,490)
- Adjustment in relation to interest expense	24	723,134	183,125
Adjustments in relation to unrealised foreign exchange gains and losses	6	240,960	215,772
Adjustments in relation to fair value gains and losses		1,184	(28,294)
- Fair value losses/(gains) on financial assets		(1,284)	-
- Fair value losses/(gains) on financial derivative instruments		2,468	(28,294)
Adjustments for undistributed profits of investments accounted for using equity method		(185,279)	(107,451)
Adjustments for undistributed profits of joint ventures	5	(185,279)	(107,451)
Adjustments for tax income/(expenses)		(162,276)	(137,312)
Adjustments in relation to gains or losses on sales of property, plant and equipment		(4,519)	(1,432)
- Losses / (gains) on sale of property, plant and equipments		(4,519)	(1,432)
Changes in net working capital		(4,154,673)	(601,786)
Adjustments for increase/decrease in trade receivables		(2,746,189)	(898,907)
Adjustments for increase/decrease in inventories		(2,455,648)	(97,688)
Adjustments for increase/decrease in trade payables		1,662,363	205,341
Adjustments for other increase (decrease) in working capital		(615,199)	189,468
- Increase/(decrease) in other assets related to activities		(821,330)	(16,520)
- Increase/(decrease) in other liabilities related to activities		206,131	205,988
Cash flows from operations		(1,576,903)	998,459
Payments in relation to employee benefits	16	(7,126)	(3,794)
Payments in relation to other provisions	15	(204,635)	(85,172)
Deductions/(payments) in relation to income tax		(9,369)	(827)
Other cash collections/(payments)		(4,863)	44,179
CASH FLOWS FROM INVESTING ACTIVITIES		(716,825)	(279,951)
Cash outflows for the acquisition of shares of other businesses or funds or debt instruments		(10,000)	-
Proceeds from sale of property, plant and equipment and intangible assets		5,366	2,039
- Proceeds from sale of property, plant and equipment		5,366	2,039
Cash outflows due to purchase of property, plant and equipment and intangible assets		(984,184)	(500,722)
- Purchase of property, plant and equipment	12	(373,642)	(193,123)
- Purchase of intangible assets	13	(610,542)	(307,599)
Dividends received	5	203,307	187,242
Interest received		68,686	31,490
CASH FLOWS FROM FINANCING ACTIVITIES		3,621,288	(302,308)
Cash inflow from due to borrowings		9,425,019	2,031,827
- Proceeds from bank borrowings	6	9,425,019	2,031,827
Cash outflow due to repayment of borrowings		(4,758,143)	(1,763,430)
- Repayments of borrowings	6	(4,758,143)	(1,763,430)
Cash outflows related to loan payments arising from lease agreements		(6,777)	(16,502)
Dividends paid		(500,000)	(400,000)
Interest paid		(478,811)	(154,203)
Other cash collections/(payments)		(60,000)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		1,101,567	370,586
Currency translation difference on cash and cash equivalents		(80,627)	(243,151)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,020,940	127,435
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	644,857	517,422
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	1,665,797	644,857

The accompanying notes, form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021**

(Amounts expressed in thousand Turkish Lira ('TRY') unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Otokar Otomotiv ve Savunma Sanayi A.Ş. ('Otokar' or the 'Company'), was established in 1963 and is registered in Istanbul, Turkey and operating under the Turkish Commercial Code.

The Group operates in the automotive industry and off road vehicles, military vehicles, minibuses, midibuses and autobuses, light truck and truck constitute the majority of its production.

The registered addresses of the Company are as follows:

Headquarters: Aydınevler Mahallesi, Saygı Cad. No: 58 34854 Maltepe/Istanbul

Plant: Atatürk Cad. No: 6 54580 Arifiye/Sakarya

Information related to subsidiary of the Company subject to consolidation is as follows:

Subsidiaries	Country	Main activity	Field of activity
Otokar Europe SAS	France	Sales and marketing	Automotive
Otokar Land Systems LLC	United Arab Emirates	Sales and marketing	Automotive and defense industry
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and marketing	Automotive and defense industry

Subsidiaries	Country	Main activity	Field of activity
Al Jasoor Heavy Vehicles Industry	United Arab Emirates	Sales and marketing	Automotive and defense industry

Otokar and its subsidiaries will be referred as the 'Group' for the purpose of the preparation of this consolidated financial statements.

Otokar Central Asia Limited Company was established on 5 November 2019 in Astana International Financial Center (AIFC), a special-status region that accepts the principles of British Law in Kazakhstan, in order to increase its international sales and follow up export activities. Since the financial activities of Otokar Central Asia Limited Company have not started yet, the investment was presented under financial investments in the consolidated financial statements.

The end-period and the average number of personnel employed in the Group are as follows:

	31 December 2022		31 December 2021	
	Period end	Average	Period end	Average
Total personnel number	2,942	2,437	2,286	2,248

The consolidated financial statements for the year ended 31 December 2022 were authorized for issue and signed by the Board of Directors of Otokar on 31 January 2023. The accompanying consolidated financial statements may be amended by the General Assembly.

Otokar is registered to the Capital Market Board ('CMB') and its shares are listed on the Borsa Istanbul A.Ş. ('BIST') since 1995. As of 31 December 2022, 27.85% of the shares are quoted on the BIST.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

As of 31 December 2022, the principal shareholders and their respective shareholding percentages are as follows:

	(%)
Koç Holding A.Ş.	44.68
Ünver Holding A.Ş.	24.81
Other	30.51
	100.00

Otokar Otomotiv ve Savunma Sanayi A.Ş. is controlled by Koç Holding A.Ş..

The parent company (Koç Holding A.Ş.), is controlled by Koç Family and the companies owned by Koç Family.

The shareholder, Ünver Holding A.Ş., is controlled by Ünver Family.

The Group conducts part of its business transactions with the Koç Holding A.Ş. and related parties. There are certain related parties which are both customers and vendors of the Group.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation of consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/ Turkish Financial Reporting Standards, ('TAS/TFRS') and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ('POA') in line with the communiqué numbered II-14.1 'Communiqué on the Principles of Financial Reporting In Capital Markets' (the 'Communiqué') announced by the Capital Markets Board of Turkey ('CMB') on 13 June 2013 which is published on Official Gazette numbered 28676.

The Group maintains its books of account and prepares its statutory financial statements in Turkish Lira (TRY) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations applicable in the countries where they operate.

The consolidated financial statements are presented in accordance with the formats specified in the 'Announcement on TMS Taxonomy' and 'Financial Table Samples Usage Guide' published by the POA on 15 April 2019.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1. Basis of presentation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards as prescribed by POA. The adjustments are mainly related with deferred taxation, retirement pay liability, prorate and useful life depreciation adjustment of fixed assets, accounting of provisions and discount of receivables and payables.

The consolidated financial statements have been prepared under the historical cost convention, except derivative financial assets and liabilities carried at fair value.

Functional and presentation currency

Items included in the consolidated financial statements of the Subsidiaries and Joint Ventures of the Group are measured using the currency of the primary economic environment in the entity operates ('the functional currency'). The consolidated financial statements are presented in TRY, which is the Company's functional and presentation currency.

Financial statements of foreign subsidiaries, joint ventures and associates

The assets and liabilities, presented in the financial statements of the foreign subsidiaries and joint ventures prepared in accordance with the Group's accounting policies, are translated into TRY at the exchange rate at the date of the balance sheet whereas income and expenses are translated at the average exchange rates for the respective periods. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised in the currency translation differences under the equity.

2.2. Accounting errors and changes in accounting estimates

The Group recognizes, evaluates and presents similar events and transactions consistently. Accounting errors identified are restated retrospectively. The Group has applied the accounting policies consistent with the prior year.

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies except the situation stated below used in the preparation of these consolidated financial statements for the year ended 31 December 2022 are consistent with those used in the preparation of financial statements for the year ended 31 December 2021.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Accounting errors and changes in accounting estimates (Continued)

POA made an announcement on January 20, 2022 in order to eliminate the hesitations about for the entities which apply Turkish Financial Reporting Standards ("TFRS") will apply TAS 29, "Financial Reporting in Hyperinflationary Economies" (IAS 29 Financial Reporting in Hyperinflationary Economies) or not for the year ended 31 December 2021. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies, Afterwards, no new statement was made by the POA about the TMS 29 application. As of the preparation date of the consolidated financial statements, POA did not make an additional announcement and no adjustment was made to the consolidated financial statements in accordance with TAS 29.

2.3. Changes in accounting policies

The Group changes accounting policies when it is believed that the change will lead to better presentation of transactions and events in the financial statements. When the intentional change can affect the prior period results, the change is applied retrospectively as though it was already applied before. Accounting policy changes arising from the application of a new standard are applied considering the transition principles of the related standard, if any, retrospectively or forward. If no transition principle for the standard exists, the changes are applied retrospectively.

2.3.1. The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

The amendments did not have a significant impact on the financial position or performance of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ('TRY') unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Changes in accounting policies (Continued)

2.3.1. The new standards, amendments and interpretations (Continued)

Amendments to TAS 16 – Proceeds before intended use

In July 2020, POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

The amendments did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2018–2020 Cycle

In July 2020, POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

The amendments did not have a significant impact on the financial position or performance of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Changes in accounting policies (Continued)

2.3.1. The new standards, amendments and interpretations (Continued)

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ('TRY') unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Changes in accounting policies (Continued)

2.3.1. The new standards, amendments and interpretations (Continued)

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Changes in accounting policies (Continued)

2.3.1. The new standards, amendments and interpretations (Continued)

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ('TRY') unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Changes in accounting policies (Continued)

2.3.2. Significant accounting judgments and estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

- a) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all deductible temporary differences. For the year ended 31 December 2022, since the Management believed the indicators demonstrating that the Group will have taxable profits in the foreseeable future- are reliable, deferred tax asset has been recognized.
- b) The Group determines provision for warranty expense by considering the past warranty expenses and remaining warranty period per vehicle.
- c) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic lives of property, plant and equipment and intangible assets.
- d) The Group has made certain assumptions based on experiences of technical personnel in determining impairment for inventories.
- e) The Group, recognised development expenditures on an individual project as an intangible asset when the Group can demonstrate below:
 - existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
 - existence of the intention to complete the intangible asset and use or sell it,
 - existence of the ability to use or sell the intangible asset,
 - reliability of how the intangible asset will generate probable future economic benefits,
 - the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
 - existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.
- f) Creditworthiness of debtors, past payment in determining the impairment of trade receivables restructuring performances and in case of restructuring conditions are taken into account. The expected credit loss of trade receivables has been measured and a significant found to have no effect.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Changes in accounting policies (Continued)

2.3.2. Significant accounting judgments and estimates (Continued)

- (g) The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.4. Summary of significant accounting policies

Group accounting

The consolidated financial statements include the accounts of the parent company, Otokar and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS. The results of subsidiaries are included or excluded from their effective dates of acquisition or disposal, respectively.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group combines individual income and expenses, assets and liabilities and cash flows of subsidiaries on a line-by-line basis with similar items in the consolidated financial statements.

The booked values of the shares owned by Otokar and its subsidiaries are mutually exclusive net off with the related equities. Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

Disposal of a subsidiary

If the Group loses control of a subsidiary, it recognizes any investment retained in the former subsidiary at its fair value when control is lost and any difference between the fair value and net book value of investment is accounted for as gain or loss. That fair value shall be regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. Additionally, assets and liabilities that were previously recognized as other comprehensive income attributable to that subsidiary are accounted for as if those were disposed the Group. This may result in a fact that these amounts previously recognized as other comprehensive income may be classified to profit or loss.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****2.4. Summary of significant accounting policies (Continued)**

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 31 December 2022 and 2021:

Subsidiaries	2022		2021	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Otokar Europe SAS	100.00	100.00	100.00	100.00
Otokar Land Systems LLC	100.00	100.00	100.00	100.00
Otokar Europe Filiala Bucuresti SRL	100.00	100.00	100.00	100.00
Otokar Central Asia Limited	100.00	100.00	100.00	100.00

Joint Ventures

Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Otokar and one or more other parties. Otokar exercises such joint control through direct and indirect voting rights related to the shares held by itself and/or through the voting rights related to the shares held by Otokar and the companies owned by them.

Under the equity method, the investment in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of the acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount are necessary for the change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

The table below sets out all joint ventures and shows the direct and indirect ownership and proportion of effective interest of the Group in these joint ventures at 31 December 2022 and 2021:

Joint ventures	2022		2021	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Al Jasoor Heavy Vehicles Industry LLC (*)	49.00	49.00	49.00	49.00

(*) Al Jasoor Heavy Vehicles Industry LLC, owned 49% of shares by Otokar Land Systems LLC which is a subsidiary of the Group, was established on 28 May 2017 with the purpose of selling and marketing in the UAE.

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

Group recognized revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Group can identify each party's rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Service revenue is recognized in the period services given. Service revenue in the context of repair maintenance agreements for more than one year are recognized in equal installments during the agreement periods and amounts belonging to the following periods are booked as deferred revenue.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income.

Interest income is recognised using the effective interest rate until maturity and considering the effective interest rate.

Revenue from sale of goods

Group recognizes revenue based on the production and sale of armoured vehicles, bus and minibus. Revenue is recognized when the control of the goods is transferred to the customer. In addition, Group provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 1-2 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold. Therefore, they are not treated as a separate good or service apart from the sale of good.

For each performance obligation, the Group determines at the beginning of the contract whether it has fulfilled its performance obligation over time or whether it has fulfilled its performance obligation at a certain point in time. In maintenance package sales, the Group transfers the control of the service over time and thus fulfills its performance obligations over time and measures the progress towards the full fulfillment of this performance obligation and recognizes the revenue over time.

Advances received from customers within the scope of projects are recorded in the financial statements as obligations arising from customer contracts and are recorded as revenue when the related performance obligation is realized.

Revenue from sale of extended warranty

Group sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty is determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Related parties

a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) In the existence of any instances stated below, the entities shall be considered as related parties to the Company:

- (i) Entity and Company are member of same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost incurred in bringing each product to its present location and conditions are included in the cost of inventory.

Raw materials and merchandises - cost is determined on a weighted average basis over the costs net of imputed interest.

Finished goods and work-in progress -cost of direct materials and labor and a proportion of manufacturing overheads are (included based on normal operating capacity) using average cost method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale (Note 10).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Property, plant and equipment

All property and equipments are initially recorded at cost and then are carried at restated cost until 31 December 2004 with the index of the related purchase date. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Depreciation is provided on cost or revalued amount of property, plant and equipment on a straight line basis. Estimated useful lives are as follows:

Land improvements	25-30 years
Building	3-30 years
Machinery and equipment	3-15 years
Vehicles	4-9 years
Furniture and fixtures	5-15 years
Leasehold improvements	5 years

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Land is not amortized since it has an unlimited economic life.

Gains and losses on sale of property, plant and equipment are included in investment activity income and expense.

Intangible assets

Intangible assets mainly comprise software rights, information systems, project costs related to new product development and computer software. Intangible assets are initially stated at cost and are restated until 31 December 2004 with the index of the related purchase date. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss.

Intangible assets are amortized on a straight-line basis over the estimate of their useful lives, which is up to 5 years. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Research and development expenses

Research expenditures are recognized as an expense when they are incurred.

Intangible assets arising from in-house development activities (or the improvement phase of an intergroup project) are recognized when all of the following conditions are met:

- Existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Existence of the intention to complete the intangible asset and use or sell it,
- Existence of the ability to use or sell the intangible asset,
- Reliability of how the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and
- Existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period. Capitalized development expenses are amortized in expected useful life which is 5 years by straight-line method effective from the start of the production.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Investment, research and development incentives

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systemic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recorded as deferred income.

Investment and research and development incentives are recognized when the Company's incentive requests (applications) are approved by fiscal authorities.

Taxes calculated on corporate income

Income tax is the aggregate amount included in the determination of net profit or loss for the year in respect of current and deferred tax.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in Turkey. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax. A provisional tax accrual is recognized in the financial statements for current taxation. Current tax charge is calculated over operational results considering the effects of disallowable and exemptions.

Furthermore, provisional corporate taxes are paid at 25% over profits declared for interim periods in order to be deducted from the final corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed by the Company at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are presented net in the consolidated financial statements.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Employment termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the financial statements, the Company has recognized a liability using the 'Projected Method' based upon factors derived using the Company's experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized in the statement of other comprehensive income.

Foreign currency transactions

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of such transactions. Monetary balance sheet items denominated in foreign currencies have been translated at the Central Bank of Turkey (TCB) exchange rates prevailing at the balance sheet date.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are revised at each balance sheet date and amended in order to reflect management's recent estimations

Contingent liabilities and assets

Assets and liabilities that originate from past incidents and whose presence is not fully under the entity's control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are considered as contingent liabilities and assets.

Contingent liabilities are not recognized in the financial statements. They are disclosed only, if the probability of outflow of resources embodying economic benefits is not highly probable. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is mostly probable.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Share capital and dividend

Ordinary shares are classified under share capital. Dividend distribution on ordinary shares is recognized as an appropriation of profit in the period in which they are declared.

Warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorized services' labor and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the year.

Financial instruments

Financial assets

The Group classifies its financial assets in the following categories: amortised cost and fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Trade receivables and cash and cash equivalents are classified in this category.

Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of 'derivative instruments' in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid and the risk of value change is not material investments including time deposits generally having original maturities of three months or less.

Bank accounts consist of time and demand deposit accounts and the related interest accrued. The Turkish Lira balances are stated at face values and the foreign currency balances are translated into Turkish Lira at the foreign currency rate issued by the Central Bank of Turkey as at the report date. Time deposit accounts are stated as calculated by adding accrued interest as of balance sheet date on the principle amount.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Trade receivables (Continued)

Trade receivables

Trade receivables and notes and post-dated checks classified within trade receivables which are recognized at original invoice amount are measured at amortized cost using the effective interest rate method. Short term trade receivables without specified interest rate, are measured at invoice amount when the interest accrual effect is immaterial.

Group may enter into factoring agreement for its trade receivables and the amount provided from factoring companies is recorded as financial liability in the consolidated financial statements.

Post dated cheques received with maturity dates exceeding the balance sheet date are classified in trade receivables and are rediscounted using the interest rates determined for government debt securities by considering the interest levels arising in the stock exchanges or other organized markets.

Since the trade receivables accounted for at amortized cost in the consolidated financial statements do not contain a significant financing component, the Group chooses the simplified application for impairment calculations and uses the provision matrix. With this practice, the Group measures the expected credit loss allowance at an amount equal to lifetime expected credit losses. In the calculation of expected credit losses, the Group's forecasts for the future are taken into account along with the past experience of credit losses.

If a portion or the entire amount of a receivable is collected after provided for a provision, the collected amount is deducted from total provision and is recognized as an income in the comprehensive income statement.

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method.

Borrowings

Short and long term bank loans are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the balance sheet date.

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the comprehensive income statement over the period of the borrowings. Borrowing costs incurred for reasons other than financing the acquisition of qualifying assets is booked as an expense in the period in which it occurs.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Company mainly consist of foreign exchange forward contracts and related transactions. These derivative transactions, even though providing effective economic hedges under the Company risk management position, do not generally qualify for hedge accounting, therefore treated as 'derivative financial instruments held for trading. Any gains or losses arising from changes in the fair value of such kind of financial instruments are recognized understatement of profit and loss.

Impairments in financial assets

Financial assets are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. For loans and receivables impairment loss has been incurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Except for trade receivables, which is reduced through the use of an allowance account, impairment on all other financial assets are directly written off in the related account. In case trade receivables cannot be collected, the related amount is written off from allowance account. The change in allowance account is accounted in the comprehensive income statement.

Recognition and derecognition of financial assets and liabilities

The Group recognizes a financial asset or financial liability in its balance sheet only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of it only when the control on rights under the contract is discharged. The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

All regular way financial asset purchase and sales are recognized at the date of the transaction, the date the Group committed to purchase or sell. The mentioned purchases or sales are ones which require the delivery of the financial assets within the time interval identified with the established practices and regulations in the market.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Foreign currency transactions

Monetary balance sheet items denominated in foreign currencies have been translated to Turkish Lira at the Central Bank of Turkey exchange rates prevailing at the balance sheet date. Exchange gains or losses arising on translation of foreign currency denominated assets and liabilities are included in the comprehensive income statement.

Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability;
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Group; and
- d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group measure the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset,
- b) adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies the depreciation provisions in IAS 16 'Property, Plant and Equipment' while depreciating the right of use asset.

IAS 36 applies the 'Impairment of Assets' standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) Fixed payments, including in-substance fixed payments;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
- c) Payments of penalties for terminating the lease if the lease term indicates that the tenant will use an option to terminate the lease.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Leases (Continued)

The Group - as a lessee (Continued)

After the actual lease commences, the Group measures the lease liability as follows:

- Increasing the carrying amount to reflect interest on lease liability,
- Reducing the carrying amount to reflect the lease payments made and
- Remeasures the ledger value to reflect re-evaluations and reconstructions, if any. The Group reflects the remeasurement amount of the lease liability as an adjustment to the right-of-use asset in its financial statements.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment. If there is a significant change in the conditions, the evaluation made is reviewed by the management. As a result of the evaluations made in the current period, there is no lease obligation or asset usage right arising from the inclusion of the extension and early termination options in the lease term.

Variable lease payments

Lease payments arising from a portion of the Group's lease agreements consist of variable lease payments. These variable lease payments, which are not covered by the TFRS 16 standard, are recorded as rent expense in the income statement in the relevant period.

As the Lessor

The Group does not have any significant activity as the lessor.

Earnings per share

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year.

The companies can increase their share capital by making a pro-rata distribution of shares ('Bonus Shares') to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and share capital inflation adjustments. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Subsequent events

Subsequent events comprise all events occurred between the date of authorization of the financial statements for issuance and the balance sheet date.

The Group updates its financial statements and respective disclosures that relate to conditions that existed at the end of the reporting period to regarding any new information that they receive after the reporting period which require amendment. Non-adjusting events are solely disclosed if they are of such importance.

Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that carrying value of assets except financial assets and deferred tax assets is impaired or not. When an indicator of impairment exists, the Company estimates the recoverable values of such assets. When individual recoverable value of assets cannot be measured, recoverable value of cash generating unit of that asset is measured.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. Net selling price is determined by deducting any expenses to be incurred for the sale of an asset from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset.

When recoverable amount of an asset (or a cash generating unit) is lower than its carrying value, the asset's carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in the comprehensive income statement.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized as income in the financial statements.

Borrowing costs

Borrowing costs comprise interest expense, foreign exchange losses arising from financing activities and other costs related with financing.

Borrowing costs directly attributable to the acquisition of qualifying assets are capitalised as part of the cost of the respective assets. Capitalization is ceased when the -operations to bring the qualifying asset ready for sale or use- are completed. Qualifying assets are those assets whose construction or production takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs that are not in this scope are recognised directly in the income statement.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Summary of significant accounting policies (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

2.5. Going concern

The Group has prepared its consolidated financial statements according to the going concern principle.

NOTE 3 - SEGMENT REPORTING

The Group does not prepare segment reporting and follows financial statements by one operating unit.

Since Chief Executive Decision Makers (composed of key management, board members, general manager and assistant general managers) do not monitor cost of sales, operating expenses and financial expenses, the products are only monitored based on revenue (Note 19). Thus, segment reporting is not performed.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Banks		
- Time deposits	1,425,923	545,213
- Demand deposits	245,429	99,593
Other	105	51
Cash and cash equivalents in the cash flow statement	1,671,457	644,857
Interest accrual	5,660	-
	1,677,117	644,857

As of 31 December 2022, TRY 1,425,923 thousand of the total amount of time deposits amounting to TRY 141,174 thousand is denominated in foreign currency and the annual effective interest rate is 0.01% and has a maturity of 1 days. The annual effective interest rate of the remaining TRY 1,284,749 thousand is 24.63% and has a maturity of 24 days.

(As of 31 December 2021, TRY 545,213 thousand of the total amount of time deposits amounting to TRY 209,292 thousand is denominated in foreign currency and the annual effective interest rate is 0.77% and has a maturity of 1 days. The annual effective interest rate of the remaining TRY 335,921 thousand is 25% and has a maturity of 1 days.)

As of 31 December 2022, the Group has restricted bank deposit amounting to TRY 10,314 thousand (31 December 2021: TRY 0,2 thousand).

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NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of 31 December 2022 and 31 December 2021, the details of carrying value and consolidation rate subject to equity accounting of joint venture is as follows:

Joint ventures	2022		2021	
	(%)	Amount	(%)	Amount
Al Jasoor	49	241,054	49	182,456
		241,054		182,456

The movement of joint venture is as follows as of 31 December 2022 and 2021:

	2022	2021
1 January	182,456	169,689
Shares of profit/(loss)	185,279	107,451
Dividend paid	(203,307)	(187,242)
Currency translation differences	76,626	92,558
31 December	241,054	182,456

The summary of the financial statements of Al Jasoor as of 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Total assets	897,218	1,081,715
Total liabilities	(405,271)	(709,350)
Net assets	491,947	372,365
Ownership of the Group	49%	49%
Net asset share of the Group	241,054	182,456

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NOTE 6 - BORROWINGS

Short term borrowings

31 December 2022	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
EUR loans	9 June 2023	5.95	99,932
TRY loans	5 January 2023 – 15 November 2023	23.72	5,006,429
			5,106,361
Short-term lease liabilities			
EUR lease liabilities	-	2.00	21,377
TRY lease liabilities	-	30.00	9,662
			31,039
Total short term borrowings			5,137,400

Short-term portion of long-term borrowings

31 December 2022	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
EUR loans	9 January 2023 – 15 September 2023	2.94	865,626
TRY loans	7 April 2023 – 31 December 2023	18.25	243,785
			1,109,411

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

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NOTE 6 – BORROWINGS (Continued)

Long term borrowings

31 December 2022	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY loans	11 January 2024 – 5 August 2025	15.19	1,252,064
			1,252,064

Long-term lease liabilities

EUR lease liabilities	-	2.00	33,436
TRY lease liabilities	-	30.00	15,113
			48,549

Total long term borrowings **1,300,613**

(*) Bearing fixed interest rate

Short term borrowings

31 December 2021	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
RON loans	28 January 2022	5.16	454,573
TRY loans	3 June 2022	8.75	930
			455,503

Short-term lease liabilities

EUR lease liabilities	-	2.00	12,242
TRY lease liabilities	-	25.00	5,534
			17,776

Total short term borrowings **473,279**

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NOTE 6 – BORROWINGS (Continued)

Short-term portion of long-term borrowings (*)

31 December 2021	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
EUR loans	15 September 2023	2.82	2,168
TRY loans	31 December 2022	13.49	641,846
			644,014

(*) Bearing fixed interest rate

Long term borrowings (*)

31 December 2021	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY loans	5 August 2025	18.85	641,406
EUR loans	15 August 2023	3.15	591,954
			1,233,360

Long-term lease liabilities

EUR lease liabilities	-	2.00	19,149
TRY lease liabilities	-	25.00	8,655
			27,804

Total long term borrowings				1,261,164
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(*) Bearing fixed interest rate

As of 31 December 2022, the Group has not provided any guarantees for the borrowings (31 December 2021: None).

The Group has no financial commitments arising from its borrowings.

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NOTE 6 – BORROWINGS (Continued)

The movement of the borrowings for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
1 January	2,378,457	1,854,064
Borrowing received during the period	9,425,019	2,031,827
Cash outflows from debt payments from lease agreements	(6,777)	(16,502)
Changes in lease liabilities within the scope of TFRS 16	23,585	27,804
Principal payments (-)	(4,758,143)	(1,763,430)
Change in interest accruals	244,323	28,922
Change in exchange rates	240,960	215,772
31 December	7,547,424	2,378,457

	31 December 2022		31 December 2021	
	Carrying values	Fair values	Carrying values	Fair values
Fixed interest	7,603,581	7,118,644	1,878,305	1,878,305
Floating rate	349,192	349,192	454,572	454,572
	7,952,773	7,467,836	2,332,877	2,307,677

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments consist of the forward contracts which are entered in order to hedge foreign currency risk arising from Group's foreign currency sales.

	Contract amount	Current period contract maturity	Fair value assets
31 December 2022			
Forward transactions	2,275,924	5 January 2023 - 9 February 2023	2,450
Short-term derivative financial instruments	2,275,924		2,450
Total derivative financial instruments	2,275,924		2,450

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NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Contract amount	Current period contract maturity	Fair value assets
31 December 2021			
Forward transactions	132,090	6 January 2022	51
Short-term derivative financial instruments	132,090		51
Total derivative financial instruments	132,090		51

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	31 December 2022	31 December 2021
Trade receivables, net	2,658,318	1,073,224
Notes receivables, net	2,750	252,151
	2,661,068	1,325,375
Less: provision for doubtful receivables	(133,855)	(97,384)
Short-term trade receivables	2,527,213	1,227,991
Trade receivables from related parties (Note 27)	1,631,795	533,242
Short-term trade receivables	4,159,008	1,761,233
Long-term notes receivable, net	731,962	421,129
Long-term trade receivables	731,962	421,129

As of 31 December 2022, the average maturity of trade receivables is between 60-90 days (excluding notes receivables) (31 December 2021: 60-90 days).

As of 31 December 2022 and 2021, the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)Guarantees received for trade receivables

Receivables of the Group are mainly composed of minibuses and bus sales to dealers and military vehicle sales. As of 31 December 2022, the total trade receivable from dealers amounting to TRY 473,254 thousand (31 December 2021: TRY 268,134 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY 473,254 thousand (31 December 2021: TRY 268,479 thousand). The Group manages the credit risk of remaining balance in the manner described in the Credit Risk section of Note 28 to the consolidated financial statements.

The aging of the past due but not impaired receivables is as follows:

31 December 2022

1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	330
	330

Amount secured with guarantees	330
---------------------------------------	------------

31 December 2021

1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	395
	395

Amount secured with guarantees	395
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Legal follow up has been started for trade receivable balances which are overdue for 1-5 years.

The movement of the provision for doubtful receivables for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
1 January	97,384	61,524
Collections	(1,110)	-
Currency translation differences	3,406	1,372
Exchange differences	34,175	34,488
31 December	133,855	97,384

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	31 December 2022	31 December 2021
Trade payables, net	1,996,983	484,146
Short-term other trade payables	1,996,983	484,146
Trade payables to related parties (Note 27)	220,240	70,714
Short-term trade payables	2,217,223	554,860

As of 31 December 2022, average payment term for trade payables is 45-60 days (31 December 2021: 45-60 days).

As of 31 December 2022 and 2021, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

	31 December 2022	31 December 2021
Due from personnel	36	582
Deposits and guarantees given	870	630
	906	1,212

Other long-term receivables

	31 December 2022	31 December 2021
Deposits and guarantees given	5,257	4,474
	5,257	4,474

Short term other receivables

	31 December 2022	31 December 2021
Other miscellaneous payables	27,863	46,547
	27,863	46,547

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NOTE 10 - INVENTORIES

	31 December 2022	31 December 2021
Raw material	1,907,968	576,526
Semi-finished goods	110,760	73,797
Finished goods	927,746	276,878
Merchandise goods	385,212	164,392
Goods in transit	578,952	363,397
Impairment for inventories (*)	(40,785)	(28,597)
	3,869,853	1,426,393

(*) TRY 357 thousand of impairment is related to finished goods (31 December 2021: TRY 110 thousand), TRY 8,007 thousand related to finished goods (31 December 2021: TRY 4,026 thousand), TRY 32,421 thousand is related to raw materials (31 December 2021: TRY 24,461 thousand). The impairment has been accounted for under cost of sales.

The movements of impairment for inventories in 2022 and 2021 are as follows:

	2022	2021
1 January	(28,597)	(21,720)
Current year provisions	(12,188)	(6,877)
31 December	(40,785)	(28,597)

NOTE 11 - FINANCIAL INVESTMENTS

Otokar Central Asia Limited company was established on 5 November 2019 in Astana International Financial Center (AIFC), a special-status region that accepts the principles of British Law in Kazakhstan, in order to increase overseas sales and follow up export activities.

Financial investments include Otokar's investments in Private Venture Capital Investment Fund amounting to TRY 11.284 thousand.

Financial investments include blocked deposits amounting to TRY 60,000 thousand as of 31 December 2022.

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2022.

	1 January 2022	Additions	Currency translation differences	Disposal	Transfers	31 December 2022
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	18,112	10,060	-	-	-	28,172
Buildings	108,514	40,979	-	-	75,995	225,488
Machinery and equipment	246,086	85,286	2,322	(2,469)	18,060	349,285
Motor vehicles	19,869	9,322	-	(805)	4,606	32,992
Furniture and fixtures	131,673	107,739	1,388	(461)	13,132	253,471
Leasehold improvements	1,715	2,721	-	-	-	4,436
Construction in process	36,526	117,535	-	-	(111,793)	42,268
	599,932	373,642	3,710	(3,735)	-	973,549
Accumulated depreciation						
Land improvements	(5,351)	(645)	-	-	-	(5,996)
Buildings	(50,692)	(4,341)	-	-	-	(55,033)
Machinery and equipment	(104,958)	(23,176)	(1,557)	2,337	-	(127,354)
Motor vehicles	(8,062)	(2,747)	-	305	-	(10,504)
Furniture and fixtures	(33,090)	(15,851)	(1,101)	246	-	(49,796)
Leasehold improvements	(1,075)	(431)	-	-	-	(1,506)
	(203,228)	(47,191)	(2,658)	2,888	-	(250,189)
Net book value	396,704					723,360

There is no mortgage on property, plant and equipments as of 31 December 2022 (31 December 2021: None)

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2021.

	1 January 2021	Additions	Currency translation differences	Disposal	Transfers	31 December 2021
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	8,920	9,192	-	-	-	18,112
Buildings	60,781	19,840	-	-	27,893	108,514
Machinery and equipment	134,800	42,311	2,125	(2,291)	69,141	246,086
Motor vehicles	14,561	5,760	-	(452)	-	19,869
Furniture and fixtures	74,749	55,918	1,371	(433)	68	131,673
Leasehold improvements	1,132	583	-	-	-	1,715
Construction in process	74,109	59,519	-	-	(97,102)	36,526
	406,489	193,123	3,496	(3,176)	-	599,932
Accumulated depreciation						
Land improvements	(5,027)	(324)	-	-	-	(5,351)
Buildings	(48,582)	(2,110)	-	-	-	(50,692)
Machinery and equipment	(93,657)	(11,916)	(1,479)	2,094	-	(104,958)
Motor vehicles	(6,970)	(1,218)	-	126	-	(8,062)
Furniture and fixtures	(24,240)	(8,153)	(1,046)	349	-	(33,090)
Leasehold improvements	(999)	(76)	-	-	-	(1,075)
	(179,475)	(23,797)	(2,525)	2,569	-	(203,228)
Net book value	227,014					396,704

The distribution of depreciation and amortization expenses of tangible and intangible assets for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
Research and development expenses	107,526	66,089
Cost of goods sold	21,395	10,905
Right of use assets	16,598	12,400
Depreciation on inventories	12,362	4,582
Development projects in process	11,798	5,181
General administrative expenses	8,195	4,871
Currency translation differences	2,659	2,525
Selling and marketing expenses	1,771	1,120
	182,304	107,673

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Right of use assets

In 2022, while TRY 23,572 thousand new inflows to right-of-use assets; TRY 16,598 thousand depreciation expense was incurred.

The balances of right of use assets as of 31 December 2022 and 2021 and the accumulated depreciation amounts in the relevant periods are as follows:

31 December 2022	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	23,723	60,544	3,524	87,791
Accumulated depreciation	(15,254)	(32,049)	(540)	(47,843)
	8,469	28,495	2,984	39,948

31 December 2021	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	20,393	44,202	595	65,190
Accumulated depreciation	(11,073)	(19,750)	(421)	(31,244)
	9,320	24,452	174	33,946

NOTE 13 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the years ended 31 December 2022.

	1 January 2022	Addition	Currency translation differences	Disposal	Transfers	31 December 2022
Cost						
Other intangible assets	36,066	27,856	-	-	-	63,922
Development costs	731,479	-	-	-	435,952	1,167,431
Developments projects in progress	427,413	582,686	-	-	(435,952)	574,147
	1,194,958	610,542	-	-	-	1,805,500
Accumulated amortization						
Other intangible assets	(20,010)	(8,330)	-	-	-	(28,340)
Development costs	(435,573)	(107,526)	-	-	-	(543,099)
	(455,583)	(115,856)	-	-	-	(571,439)
Net book value	739,375					1,234,061

In 2022, the Group has capitalised TRY 37,564 thousand (2021: TRY 6,930 thousand) of its borrowing costs in relation to its qualifying asset.

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NOTE 13 - INTANGIBLE ASSETS (Continued)

Movements of intangible assets and related accumulated amortisation for the years ended 31 December 2021:

	1 January 2021	Addition	Currency translation differences	Disposal	Transfers	31 December 2021
Cost						
Other intangible assets	26,463	9,603	-	-	-	36,066
Development costs	574,432	-	-	-	157,047	731,479
Developments projects in progress	286,464	297,997	-	-	(157,047)	427,414
	887,359	307,600	-	-	-	1,194,959
Accumulated amortization						
Other intangible assets	(17,142)	(2,868)	-	-	-	(20,010)
Development costs	(369,490)	(66,083)	-	-	-	(435,573)
	(386,632)	(68,951)	-	-	-	(455,583)
Net book value	500,727					739,376

NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES

	31 December 2022	31 December 2021
Short-term	1,963	16,572
Long-term	12,364	11,283
	14,327	27,855

Government incentives have been originated from deferral of research and development incentive premiums provided to support research and development expenditures of the Group's various projects by the Scientific & Technological Research Council of Turkey (TUBITAK). The related balance will be recognized as income in line with the amortization of the respective R&D costs.

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NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	31 December 2022	31 December 2021
Provision for warranty expenses	345,980	254,819
Purchases costs provisions	185,281	41,890
Employee benefits		
short-term provisions (Note 16)	49,288	20,705
Litigation provisions	4,046	3,667
Other cost allowance	151,202	119,442
	735,797	440,523

Provision for warranty expenses

The Group covers the vehicles it has sold for a period of 2 years. Accordingly, as of the balance sheet date, a provision is provided for the warranty expenses for the vehicles under warranty.

The movements of the provision for warranty expenses during the periods ending on 31 December 2022 and 2021 are as follows:

	2022	2021
1 January	254,819	134,240
Additional provisions	295,796	205,751
Disposals/payments (-)	(204,635)	(85,172)
31 December	345,980	254,819

Commitments and contingencies

As of 31 December 2022 and 2021, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	31 December 2022	31 December 2021
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	3,463,280	1,856,622
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	100,680	567,653
c. Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations	-	-
d. Total amount of other guarantees, pledges and mortgages	-	-
	3,563,960	2,424,275

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NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The details of guarantees, pledges and mortgages in terms of original currencies are as follows:

	31 December 2022		31 December 2021	
	Original currency	TRY equivalent	Original currency	TRY equivalent
TRY	1,368,967	1,368,967	308,493	308,493
USD	80,184	1,499,311	85,823	1,113,770
EUR	23,469	467,845	58,640	860,970
RON	56,871	227,837	47,814	141,042
		3,563,960		2,424,275

a) Guarantees given as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Bank letters of guarantee	3,563,960	1,888,371
Surety	-	535,904
	3,563,960	2,424,275

b) Guarantees received as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Bank letters of guarantee	1,377,529	700,650
Guarantee notes	5,791	6,191
Mortgages received	20	20
	1,383,340	706,861

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NOTE 16 - EMPLOYEE BENEFITS

	31 December 2022	31 December 2021
Provision for employment termination benefits	314,077	89,427
Provision for unused vacation	49,288	20,705
	363,365	110,132

Employment termination benefits

The amount payable consists of one month's salary limited to a maximum of TRY 15,371.40 in full for each year of service as of 31 December 2022 (31 December 2021: TRY 8,284.51 in full).

The reserve for employment termination benefits is not legally subject to any funding and there are no funding requirements.

Provision for employment termination benefits is calculated by estimating the present value of the probable obligation that the employees will have to pay in case of retirement.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the real rate free of expected effects of inflation. The termination indemnity ceiling is revised semi-annually and the ceiling amounting to TRY 19,982.83 in full (1 January 2021: TRY 10,848.59 in full), which is effective from 1 January 2023, has been taken into consideration in calculation of retirement benefit provision in the consulate.

Turkish Accounting Standards promulgated by POA require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	31 December 2022	31 December 2021
Net discount rate (%)	0.55	4.45
Turnover rate to estimate the probability of retirement (%)	97.72	97.61

The movements of provision for employment termination benefits are as follows:

	2022	2021
1 January	89,427	63,725
Interest expense	9,479	5,767
Charge for the period	64,398	22,059
Remeasurement differences	157,899	1,670
Payments	(7,126)	(3,794)
As of 31 December	314,077	89,427

As of 31 December 2022, the important factors used in the calculation of the provision for severance pay of the sensitivity analyzes of the assumptions are as follows:

Sensitivity level	Interest rate		Inflation rate	
	%0.025 increase	%0.025 decrease	%0.025 increase	%0.025 decrease
Change in severance pay liabilities	8,577	(8,947)	(8,996)	8,657

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for unused vacation

The movements of provision for unused vacation are as follows:

	2022	2021
1 January	20,705	15,880
Charge for the period, net (Note 21)	28,583	4,825
31 December	49,288	20,705

NOTE 17 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES

a) Prepaid expenses

Short- term prepaid expenses	31 December 2022	31 December 2021
Prepaid expenses	123,213	20,045
	123,213	20,045
Long-term prepaid expenses	31 December 2022	31 December 2021
Advances given	39,905	16,446
Prepaid expenses	32,360	-
	72,265	16,446

b) Other non-current assets

	31 December 2022	31 December 2021
Value added tax receivables	697,662	97,129
Other	27,366	9,505
	725,028	106,634
Other non-current assets – long term	31 December 2022	31 December 2021
Value added tax receivables	43,472	-
	43,472	-

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NOTE 17 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES (Continued)

c) Liabilities from customer contracts

Liabilities from customer contracts - short term	31 December 2022	31 December 2021
Advances received	386,329	552,711
Deferred maintenance revenues	145,658	50,080
Other deferred revenues	5,336	-
	537,323	602,791

Liabilities from customer contracts - long term	31 December 2022	31 December 2021
Deferred maintenance revenues	424,440	278,783
	424,440	278,783

d) Employee benefits obligation

	31 December 2022	31 December 2021
Payables to employees	69,159	23,330
Social security payables	72,554	22,002
Taxes and funds payable	55,716	21,728
	197,429	67,060

e) Other current liabilities

	31 December 2022	31 December 2021
Taxes and funds payable	25,442	3,985
Deferred special consumption tax	5,497	1,101
Other	2,553	1,602
	33,492	6,688

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NOTE 18 - EQUITY

Share capital

As of 31 December 2022 and 2021, the principal shareholders and their respective shareholding percentages are as follows:

	31 December 2022		31 December 2021	
	TRY	(%)	TRY	(%)
Koç Holding A.Ş.	10,723	44.68	10,723	44.68
Ünver Holding A.Ş.	5,955	24.81	5,955	24.81
Other	7,322	30.51	7,322	30.51
	24,000	100.00	24,000	100.00
Inflation adjustment on equity items	52,743		52,743	
	76,743		76,743	

The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code.

The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The first and the second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Publicly traded companies enter into force as of 1 February 2014, dividend distributions according to the Communiqué No: II-19.1.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Group.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

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NOTE 18 - EQUITY (Continued)

As of 31 December 2022 and 2021, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows :

31 December 2022

	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24,000	52,743	76,743
Legal reserves	183,398	10,950	194,348
	207,398	63,693	271,091

31 December 2021

	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24,000	52,743	76,743
Legal reserves	133,530	10,950	144,480
	157,530	63,693	221,223

Historical value of legal and extraordinary reserves in the statutory financial statements are as follows:

	31 December 2022	31 December 2021
Legal reserves	183,398	133,530
Extraordinary reserves	840,217	204,709
	1,023,615	338,239
Year's net income per statutory financial statements	500,000	400,000
Dividend paid per share (piaster)	2.083	1.667

The Company's share capital is fully paid, and consists of 24,000,000,000 shares with piaster 0.1 par value each.

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NOTE 19 - REVENUE AND COST OF SALES

Net sales

	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales	2,626,598	1,251,396
Export sales	7,037,727	3,282,799
Gross Sales	9,664,325	4,534,195
Less: sales discounts and returns	(60,588)	(25,321)
Net sales	9,603,737	4,508,874

Sales of the Group for the years ended 31 December 2022 and 2021 in terms of the products are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Commercial vehicle	5,418,561	1,931,260
Military vehicle	2,772,492	2,011,010
Other sales (*)	1,412,684	566,604
	9,603,737	4,508,874

(*) Consists of spare parts, service and other sales income.

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NOTE 19 - REVENUE AND COST OF SALES (Continued)

Cost of sales

	1 January - 31 December 2022	1 January - 31 December 2021
Cost of finished goods sold	(5,846,596)	(2,584,143)
Cost of merchandise goods sold	(713,217)	(208,046)
	(6,559,813)	(2,792,189)

NOTE 20 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Sales and marketing expenses	(1,338,197)	(596,356)
General administrative expenses	(482,636)	(202,991)
Research and development expenses	(159,204)	(109,841)
	(1,980,037)	(909,188)

NOTE 21 - EXPENSES BY NATURE

	1 January - 31 December 2022	1 January - 31 December 2021
Cost of raw material and consumption goods	5,809,653	1,924,724
Personnel expenses	1,109,480	444,701
Cost of merchandises sold	485,737	446,153
Sales, incentives and premiums	387,411	121,064
Administrative expenses	313,649	118,183
Operational expenses	312,997	87,527
Provision for warranty expenses	281,257	194,314
Transportation, distribution and storage expenses	189,272	69,426
Depreciation and amortization expense	148,760	101,135
Advertising, promotion and promotion costs	85,252	38,107
Change in finished and semi-finished goods	(687,830)	99,195
Other expenses	104,212	56,848
	8,539,850	3,701,377

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NOTE 21 - EXPENSES BY NATURE (Continued)

The breakdown of personnel expenses for the years 2022 and 2021 is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Based on the account it's booked:		
Cost of sales and inventories on hand	613,363	222,393
Sales and marketing expenses	275,777	125,929
Capitalized development expenditures	252,984	117,921
General administrative expenses	200,257	86,869
Research and development expenses	20,083	9,510
	1,362,464	562,622
	1 January - 31 December 2022	1 January - 31 December 2021
By nature:		
Wages and salaries	984,277	435,179
Other social benefits	148,802	39,205
Social security premiums	116,012	49,996
Provision for employment termination benefits	73,962	27,832
Provision for vacation pay liability	28,583	4,825
Other	10,828	5,585
	1,362,464	562,622

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

The Group's explanation regarding the fees for the services rendered by the independent audit firms, which is based on the POA's letter dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Independent audit fee for the reporting period	1,324	782
Fee for other assurance services	-	17
Fees for services other than independent auditing	502	14
	1,826	813

The fees above have been determined by including the legal audit and other related service fees of all subsidiaries, and the foreign currency fees of foreign subsidiaries have been converted into TRY using the annual average rates of the relevant years.

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NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Other operating income		
Foreign exchange gains on operating activities	770,684	705,886
Revenue from charge of due date receivables	444,396	108,030
Gain on forward transactions	81,215	120,768
Other income	105,276	41,976
	1,401,571	976,660
	31 December 2022	31 December 2021
Other operating expenses		
Foreign exchange loss on operating activities	(685,886)	(611,854)
Loss on forward transactions	(83,681)	(92,474)
Expected credit losses on trade receivables	(1,682)	(3,240)
Other expenses	(1,319)	(1,051)
	(772,568)	(708,619)

NOTE 23 - FINANCIAL INCOME

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains on deposits	122,732	163,752
Interest income from time deposits	74,346	31,490
Foreign exchange gains on bank borrowings	50,542	28,056
	247,620	223,298

NOTE 24 - FINANCIAL EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange losses on bank borrowings	(723,134)	(183,125)
Interest expense on bank borrowings	(280,897)	(257,996)
Foreign exchange losses on deposits	(42,839)	(58,314)
Other	(6,597)	(3,738)
	(1,053,467)	(503,173)

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NOT 25 - TAX ASSETS AND LIABILITIES

The Company is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey. The Group's subsidiaries located abroad are subject to taxation in accordance with the tax regulations and laws of the relevant countries.

Regarding the tax regulations of the Law No. 7316 published in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate; It has been determined to be applied as 25% for 2021 corporate earnings and 23% for 2022 corporate earnings. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant year and is paid in a single installment until the end of the relevant month. In accordance with the tax legislation, 25% temporary tax is calculated and paid on quarterly earnings, and the amounts paid in this way are deducted from the tax calculated on the annual income.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

By the Presidential Decree No. 4936 dated 21.12.2021, by joint stock companies residing in Turkey; The income tax withholding rate has been reduced from 15% to 10% in dividend payments made to real persons residing in Turkey, non-income and corporate taxpayers or exempted from these taxes, and real and legal persons who are not resident in Turkey. Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to tax withholding. In addition, if the profit is not distributed or added to the capital, no tax deduction is made.

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations.

The aforementioned law has been enacted as of 1 April 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments.

As a result of its research and development expenditures made in 2022 amounting to TRY 508,523 (2021: TRY 266,854). The Group has utilized research and development incentives at 100% deduction without any withholding tax. The Company has an R&D center certificate.

As of 31 December 2022 and 2021, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 December 2022	31 December 2021
Income tax payable	9,369	827
Prepaid taxes (-)	(9,369)	(827)
	-	-

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NOT 25 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of total tax expense for the years ended 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Current tax charge	(9,369)	(827)
Deferred tax income/expense reflected in profit or loss		
Charged to profit for the period	171,646	137,805
	162,277	136,978

The reconciliation of profit before tax to total tax expense is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Profit before tax	1,076,841	904,546
Income tax charge at effective tax rate	(242,289)	(226,137)
Disallowable expenses	(30,936)	(720)
Discounts and exceptions	161,698	192,338
Real estate revaluation effect (*)	143,929	-
Tax effect on gain on investments accounted for using the equity method	41,688	26,863
Impact of foreign companies subject to different tax rates	1,688	(8,364)
Other differences	86,499	152,998
Total	162,277	136,978

(*) Law No. 7338, within the framework of the new regulations made in the temporary article 32 of the Tax Procedure Law (TPL), the revaluation of immovables and depreciable assets has been allowed. The Company has revalued its depreciable assets in accordance with the TPL. Valued depreciable assets are followed at cost model in the Group's consolidated financial statements within the scope of TAS 16 Tangible Fixed Assets Standard. As of 31 December 2021, the deferred tax effect calculated over the temporary difference arising from the cancellation of the effect of the valuation increase in the legal records and 2% tax effect on legal records due to the relevant valuation has been accounted in the current year profit or loss statement.

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NOT 25 - TAX ASSETS AND LIABILITIES (Continued)

Within the scope of the Law No. 7316 on 'The Law on the Collection of Public Claims and Amendments to Certain Laws' published in the Official Gazette dated April 22, 2021 and numbered 31462; Instead of 20%, the corporate tax rate will be 25% for 2021 and 23% for 2022. Within the scope of the said law, deferred tax assets and liabilities in the consolidated financial statements are calculated with a 25% tax rate for the portion of temporary differences that will have a tax effect in 2021, and 23% in 2022. In the deferred tax calculation for the year after 2022, the tax rate is considered as 20%.

As of 31 December 2022 and 2021, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liability)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Property, plant and equipment	55,221	(94,471)	14,525	(15,413)
Intangible assets	(79,292)	(123,144)	(15,858)	(24,629)
Deferred financial expenses	(10,970)	(3,144)	(2,194)	(786)
Inventories	86,260	40,541	17,252	9,538
Provision for warranty expenses	345,980	254,819	69,196	63,705
Provision for employment termination benefits	314,077	89,427	62,815	22,357
Deferred financial income	284,842	49,520	56,968	12,380
Other provisions	297,408	55,663	59,482	13,916
Deferred maintenance income	533,173	196,887	103,163	60,225
Investment incentives (*)	74,605	86,238	74,605	86,238
Other	45,169	23,019	(2,304)	6,893
Deferred tax assets, net			437,650	234,424

(*) The application of Investment Incentive Certificate made by the Group to T.C. Ministry of Industry and Technology, General Directorate of Incentive Implementation and Foreign Capital has been approved and an Investment Incentive Certificate numbered 512845 with a total amount of TRY 872,007 thousand was issued for the modernization investment envisaged to be made in the next 4 years.

The movement of deferred tax asset for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
1 January	234,424	96,285
Deferred tax income/loss		
Charged to profit for the period	171,646	137,805
Charged to other comprehensive income	31,580	334
As of 31 December	437,650	234,424

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met.

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NOTE 26 - EARNINGS PER SHARE (Continued)

Earnings per share are calculated by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned.

Companies can increase their share capital by making a pro rata distribution of shares to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly.

Earnings per main share are determined by dividing net income of the shareholders by the weighted average number of shares that have been outstanding during the related year concerned.

	31 December 2022	31 December 2021
Net income attributable to shareholders	1,250,160	1,041,524
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings per share (Piaster)	5.163	4.340

NOTE 27 - RELATED PARTY DISCLOSURES

Due from and due to the related parties at the period end and transactions with related parties during the periods are as follows:

i) Due from and due to related party balances as of 31 December 2022 and 2021:

Due from related parties	31 December 2022	31 December 2021
Ram Dış Ticaret A.Ş. (1) (*)	1,423,693	229,946
Al Jasoor Heavy Vehicles Industry LLC (3) (**)	208,029	303,111
Other (1)	73	185
	1,631,795	533,242

(*) The export registered sales to Ram Dış Ticaret A.Ş., comprise export sales made to third party customers.

(**) This amount consists of the trade receivables due to the sales to Al Jasoor Heavy Vehicles Industry LLC..

Due to related parties	31 December 2022	31 December 2021
Ram Dış Ticaret A.Ş. (1)	113,899	14,020
Zer Merkezi Hizmetler A.Ş. (1)	40,531	16,530
Koç Holding A.Ş. (2)	31,099	19,066
Setur Servis Turistik A.Ş. (1)	6,122	5,312
Divan Turizm İşletmeleri A.Ş. (1)	5,295	-
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	4,316	4,005
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	4,047	2,916
Opet Fuchs Madeni Yağ A.Ş. (1)	3,213	1,798
Ford Otosan A.Ş.(2)	2,669	456
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	1,703	525
Other (1)	7,346	6,086
	220,240	70,714

(1) Related parties of the parent company

(2) Shareholder of the Company

(3) Joint venture

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NOTE 27 - RELATED PARTY DISCLOSURES

Advances received from related parties	31 December 2022	31 December 2021
Al Jasoor Heavy Vehicles Industry LLC (3) (**)	137,137	6,271
Ram Dış Ticaret A.Ş. (1)	100,327	421,792
	237,464	428,063

(*) These are the advances received due to sales to Al Jasoor Heavy Vehicles Industry LLC, which is a Joint Venture of the Group.

ii) Significant sales to related parties and significant purchases from related parties:

Sales of products and services	1 January - 31 December 2022	1 January - 31 December 2021
Ram Dış Ticaret A.Ş. (1) (*)	2,851,674	473,018
Al Jasoor Heavy Vehicles Industry LLC (3)	308,736	1,665,582
Other (1)	1,369	410
	3,161,779	2,139,010

(*) The export registered sales to Ram Dış Ticaret A.Ş., comprise export sales made to third party customers.

Fixed asset purchases	1 January - 31 December 2022	1 January - 31 December 2021
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	24,175	13,178
Zer Merkezi Hizmetler A.Ş. (1)	10,201	6,743
Ark İnşaat A.Ş. (1)	-	12,373
Other (1)	2,127	562
	36,503	32,856

Inventory purchases	1 January - 31 December 2022	1 January - 31 December 2021
Zer Merkezi Hizmetler A.Ş. (1)	208,754	67,617
Ram Dış Ticaret A.Ş. (1)	71,836	9,820
Opet Petrolcülük A.Ş. (1)	16,976	4,215
Opet Fuchs Madeni Yağ A.Ş. (1)	15,023	6,229
Ford Otosan A.Ş. (2)	12,375	23,303
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	12,319	2,873
Bal Kaynak Su İth. İhr. San ve Tic A.Ş. (1)	2,914	945
Diğer (1)	924	577
	341,121	115,579

(1) Related parties of the parent company

(2) Shareholder

(3) Joint venture

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 December 2022	1 January - 31 December 2021
Service purchases		
Ram Dış Ticaret A.Ş. (1)	77,533	76,394
Eltek Elektrik Enerji İth. İhr. Top. Tic. A.Ş. (1)	64,419	11,452
Setur Servis Turistik A.Ş. (1)	46,554	14,430
Koç Holding A.Ş. (2) (*)	44,955	24,229
Koç Sistem Bilgi ve İlt. Hiz. A.Ş. (1)	28,462	11,671
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	20,570	12,721
Ram Sigorta Aracılık Hiz. A.Ş. (1) (**)	18,817	10,147
Divan Turizm İşletmeleri A.Ş. (1)	7,428	-
Ingage Dijital (1)	5,030	2,356
Ark İnşaat A.Ş. (1)	-	3,167
Other (1)	8,948	4,600
	322,716	171,167

(*) It includes service cost that are based on finance, law, planning, tax and including personnel and key management expenses provided by Koç Holding A.Ş. to the companies within the group organization, invoiced to Company with the contest of '11-Intercompany Services' in numbered 1 General Communiqué about Concealed Gain Distribution by Transfer Pricing.

(**) It includes paid and accrued premium as of 31 December 2022 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

	31 December 2022	31 December 2021
Banks deposits		
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	141,174	365,436
- Deposit deposits (*)	66,931	2
	208,105	365,438

(*) TRY 60,000 thousand is included in the Financial investments item under Current Assets.

	31 December 2022	31 December 2021
Loans		
Yapı ve Kredi Bankası A.Ş. (1)	840,642	141,828
	840,642	141,828

(1) Related parties of the parent company

(2) Shareholder of the Company

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

For the years ended 31 December 2022 and 2021, financial income and expense with related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
Trade receivables and payables		
foreign exchange gains		
Ram Dış Ticaret A.Ş. (1)	253,685	214,544
Other (1)	2,040	1,534
	255,725	216,078

	1 January - 31 December 2022	1 January - 31 December 2021
Trade receivables and payables		
foreign exchange expenses		
Ram Dış Ticaret A.Ş. (1)	54,499	179,021
Other (1)	3,351	2,082
	57,850	181,103

For the years ended 31 December 2022 and 2021, financial income and expense with related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
Interest income		
Yapı ve Kredi Bankası A.Ş. (1)	15,439	2,694
	15,439	2,694

(1) Related parties of the parent company

	1 January - 31 December 2022	1 January - 31 December 2021
Interest expense		
Yapı ve Kredi Bankası A.Ş. (1)	14,862	13,149
	14,862	13,149

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains		
Yapı ve Kredi Bankası A.Ş. (1)	37,899	23,362
	37,899	23,362

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

	1 January- 31 December 2022	1 January - 31 December 2021
Foreign exchange expenses		
Yapı ve Kredi Bankası A.Ş. (1)	14,996	13,010
	14,996	13,010

(1) Related parties of the parent company

Benefits provided to senior executives

For the year ended 31 December 2022, the total amount of benefits provided to senior management is TRY 67,596 thousand (31 December 2021: TRY 29,972 - TRY 1,400 thousand of this amount is related to the payments made due to separation and remaining part consists of short term benefits). The senior executives consist of board members, general manager and deputy general managers.

NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. These risks are market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Group mainly arises from trade receivables. The Group manages this risk that may arise from its dealers or from other customers by restricting the credit limits determined for the dealers according the amount of guarantees received, by receiving advance payments or by receiving the pledge of ownership of the vehicles sold. Credit limits are regularly monitored by the Group and the customers' credit quality are regularly evaluated by considering the customer's financial position, past experiences and other factors. All foreign sales are made after receiving confirmed letters of credit. Military vehicle sales are made to domestic or foreign governmental institutions or to companies acting as agents to these institutions; accordingly, the Group does not anticipate any collection risk related to military vehicle sales. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 8).

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NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)

31 December 2022	Receivables		
	Trade receivables	Other	Bank deposit
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	4,890,970	6,193	1,725,692
- Maximum risk secured by guarantee (2)	864,486	-	-
A. Net book value of financial assets neither overdue nor impaired	4,894,877	6,193	1,725,692
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-
C. Net book value of assets overdue but not impaired	330	-	-
D. Net book value of impaired assets	(4,237)	-	-
- Overdue (gross book value)	129,618	-	-
- Impairment (-) (Note 8)	(133,855)	-	-
- Net value under guarantee	(4,237)	-	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Net value under guarantee	-	-	-
E. Off- balance sheet items having credit risk	-	-	-

31 December 2021	Receivables		
	Trade receivables	Other	Bank deposit
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	2,374,028	5,686	644,806
- Maximum risk secured by guarantee (2)	478,548	-	-
A. Net book value of financial assets neither overdue nor impaired	2,372,357	5,686	644,806
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-
C. Net book value of assets overdue but not impaired	395	-	-
D. Net book value of impaired assets	1,276	-	-
- Overdue (gross book value)	98,660	-	-
- Impairment (-) (Note 8)	(97,384)	-	-
- Net value under guarantee	1,276	-	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Net value under guarantee	-	-	-
E. Off- balance sheet items having credit risk	-	-	-

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount.

(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund existing and prospective debt requirements are managed by maintaining the availability of adequate committed funding lines from high quality lenders.

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NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2022 and 2021, maturities of gross trade payables and financial liabilities are as follows:

31 December 2022

Maturities per agreements	Book value	Total cash outflow per agreements (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	7,467,836	8,129,444	1,378,899	5,463,436	1,287,109	-
Trade payables	2,217,223	2,228,192	2,228,192	-	-	-
Expected maturities	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 year	Over 5 years
Non-derivative financial liabilities						
Other payables	27,863	27,863	27,863	-	-	-
Other short-term liabilities	33,492	33,492	33,492	-	-	-
Expected (or maturities per agreement)	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 year	Over 5 years
Derivative financial liabilities (net)						
	2,450	2,450	2,450	-	-	-
Derivative cash inflows	1,139,187	1,139,187	1,139,187	-	-	-
Derivative cash outflows	(1,136,737)	(1,136,737)	(1,136,737)	-	-	-

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**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

31 December 2021

Maturities per agreements	Book value	Total cash outflow per agreements (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 years (III)	Over 5 years (IV)
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Non-derivative financial liabilities

Bank loans	2,332,877	2,823,104	692,772	640,943	1,489,389	-
Trade payables	554,860	554,860	554,860	-	-	-

Expected maturities	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 year	Over 5 years
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Non-derivative financial liabilities

Other payables	46,547	23,707	23,707	-	-	-
Other short-term liabilities	6,688	6,688	6,688	-	-	-

Expected (or maturities per agreement)	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 year	Over 5 years
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Derivative financial liabilities (net)

	51	51	51	-	-	-
Derivative cash inflows	66,071	66,071	66,071	-	-	-
Derivative cash outflows	(66,020)	(66,020)	(66,020)	-	-	-

Market risk**a) Foreign currency risk and related sensitivity analysis**

The Group is exposed to the foreign exchange risk through the rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by analyzing the foreign currency position. Currency risk is monitored and limited by analyzing the foreign currency position. The Group follows a policy of diversifying its foreign currency position in order to manage the foreign currency risk that may arise due to future operations and recognized assets and liabilities.

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NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The accompanying table represents the foreign currency risk of the assets and liabilities of the Group in the original currencies:

31 December 2022	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	3,487,288	95,051	85,779	-
2a. Monetary financial assets (including cash, bank accounts)	244,588	6,959	5,742	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	3,731,876	102,010	91,521	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	60	-	3	-
8. Non-current assets (5+6+7)	60		3	-
9. Total assets (4+8)	3,731,936	102,010	91,524	-
10. Trade payables	(1,314,279)	(46,511)	(22,279)	(21)
11. Financial liabilities	(965,567)	-	(48,436)	-
12a. Monetary other liabilities	(224,999)	(6,260)	(5,415)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(2,504,845)	(52,771)	(76,130)	(21)
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)				
18. Total liabilities (13+17)	(2,504,845)	(52,771)	(76,130)	(21)
Net balance sheet position (9+18)	1,227,091	49,239	15,394	(21)
Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(1,136,737)	(48,000)	(12,000)	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(1,136,737)	(48,000)	(12,000)	-
20. Net foreign currency asset/(liability) position (9+18+19)	90,354	1,239	3,394	(21)
Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	1,227,031	49,239	15,391	(21)
Total fair value of financial instruments used for foreign currency hedging	(2,450)	(3,105)	655	-
23. Export	6,998,600	194,086	188,864	10
24. Import	4,078,976	73,657	157,562	473

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NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)

31 December 2021	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	1,171,588	35,458	48,442	11
2a. Monetary financial assets (including cash, bank accounts)	319,360	21,648	2,617	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	26	2	-	-
4. Current assets (1+2+3)	1,490,974	57,108	51,059	11
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	1,490,974	57,108	51,059	11
10. Trade payables	(357,876)	(16,798)	(9,495)	(27)
11. Financial liabilities	(2,173)	-	(148)	-
12a. Monetary other liabilities	(544,449)	(35,147)	(6,016)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(904,498)	(51,945)	(15,659)	(27)
14. Trade payables	-	-	-	-
15. Financial liabilities	(591,961)	-	(40,318)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(591,961)	-	(40,318)	-
18. Total liabilities (13+17)	(1,496,459)	(51,945)	(55,977)	(27)
Net balance sheet position (9+18)	(5,485)	5,163	(4,918)	(16)
Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	51	(5,087)	4,500	-
19a. Hedged total assets amount	66,068	-	4,500	-
19b. Hedged total liabilities amount	(66,017)	(5,087)	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(5,434)	76	(418)	(16)
Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(5,511)	5,161	(4,918)	(16)
Total fair value of financial instruments used for foreign currency hedging	(51)	(51)	-	-
23. Export	3,269,963	219,714	103,911	31
24. Import	1,145,085	43,180	67,679	551

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Group's income before tax as of 31 December 2022 and 2021:

	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign foreign currency
31 December 2022		
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	2,316	(2,316)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	2,316	(2,316)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	6,766	(6,766)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	6,766	(6,766)
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(47)	47
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(47)	47
Total (3+6+9)	9,035	(9,035)

	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign foreign currency
31 December 2021		
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	99	(99)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	99	(99)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(614)	614
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(614)	614
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(28)	28
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(28)	28
Total (3+6+9)	(543)	543

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ('TRY') unless otherwise indicated.)

**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)****b) Interest position table and related sensitivity analysis****Interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not substantially subject to changes in market interest rates.

The Group's interest rate risk arises from short-term borrowings and time deposits. The Group has obtained fixed rate bearing borrowings and time deposits. However the borrowings and time deposits that the Group is going to obtain in future will be affected from future interest rates.

As of 31 December 2022 and 2021, the financial liabilities of the Group are consisted of fixed rate bank borrowings.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other companies in the industry, the Company monitors capital on the basis of the gearing factor. This factor is calculated as net financial liability divided by total capital. Net financial liability is calculated as total borrowings (including borrowings as shown in balance sheet) less cash and cash equivalents.

	31 December 2022	31 December 2021
Total financial liability	7,547,424	2,378,457
Less: Cash and cash equivalents (Note 4)	(1,731,458)	(644,857)
Net financial liability	5,815,966	1,733,600
Total equity	2,102,980	1,496,535
Financial debt/shareholders' equity factor	279%	116%

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 29 - FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2022 and 2021:

31 December 2022

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	2,450	-	2,450
	-	2,450	-	2,450

31 December 2021

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	51	-	51
	-	51	-	51

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The Group considers that carrying amounts reflect fair values of the financial instruments.

Monetary assets - Short term monetary assets are considered to approximate their respective carrying values due to their short-term nature and low level of credit risk.

Monetary liabilities - Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of long-term bank borrowings with fixed interest rates are noted that it is close to approximate their respective carrying values, since the interest rate as of balance sheet date is used. The fair values of short-term bank borrowings are considered to approximate their respective carrying values due to their short-term nature.

NOTE 30 - SUBSEQUENT EVENTS

None.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 13.03.2023 TO REVIEW 2022 ACTIVITIES

1. INVITATION TO THE ORDINARY GENERAL ASSEMBLY ON 13.03.2023

The Ordinary General Assembly will convene to review the activities of the company in 2022 and to discuss the agenda detailed below at 3:30 pm on Monday, 13.03.2023 at the Divan İstanbul Hotel, Asker Ocağı Cad. No: 1, Elmadağ, Şişli, İstanbul (Phone: 0 212 315 55 00).

The Annual Report, which includes Financial Statements related to the 2022 fiscal year, Independent Audit Report prepared by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., Dividend Distribution Proposal, Corporate Governance and Sustainability Principles Compliance Reports, and the detailed Information Note that includes these agenda items and the required disclosures for compliance with the Capital Markets Board Regulations will be made available for the shareholders to view within the legal period of 3 weeks before the Annual General Meeting at the company headquarters, on the corporate website www.otokar.com.tr, and the Public Disclosure Platform and the Electronic Annual General Meeting System of Central Registry Agency.

Shareholders who will not personally attend the Annual General Meeting, without prejudice to the rights and obligations of shareholders who will participate electronically, must submit their powers of attorney – bearing their notarized signatures – to the company according to the form available or provide a copy of the power of attorney through Yapı Kredi Yatırım Menkul Değerler A.Ş. (Yapı Kredi Plaza / Levent - İstanbul), relevant departments of the company or the corporate website at www.otokar.com.tr, by also fulfilling the conditions stipulated in “Communiqué on Voting by Proxy and Proxy Solicitation”, No. II-30.1, published in the Official Gazette No. 28816 on 24.12.2013. The Proxy who is assigned electronically via the Electronic General Meeting System is not required to submit a printed power of attorney document. **The powers of attorney that do not conform with the conditions stipulated by the Communiqué and the form annexed to the invitation will definitely not be accepted due to our legal obligations.**

Shareholders intending to vote via the Electronic General Meeting System are requested to obtain information from the Central Registry Agency, our company's website at www.otokar.com.tr or from the company headquarters (Phone: 0 216 489 29 50) to ensure that they comply with the provisions of the applicable regulations and communiqués.

Pursuant to article 415 clause 4 of the New Turkish Commercial Code No. 6102 and article 30 clause 1 of the Capital Markets Law, the right to participate and vote in the Annual General Assembly Meeting is not dependent on the condition to deposit the shares. Accordingly, shareholders who wish to participate in the General Assembly Meeting are not required to block their shares.

In accordance with the Law No. 6698 on Protection of Personal Data, detailed information on processing your personal data by our company is provided in the Personal Data Protection and Processing Policy of Otokar Otomotiv ve Savunma Sanayi A.Ş. which is available on www.otokar.com.tr.

At the Ordinary General Assembly Meeting, the voters will use open voting system by a raise of hands, without prejudice to the provisions of electronic voting regarding the voting of each item on the agenda.

All shareholders, stakeholders, and members of the media are invited to attend the General Assembly Meeting.

Pursuant to the Capital Markets Law, shareholders holding registered shares that are traded on the stock exchange will not receive a separate registered invitation letter for the meeting.

Submitted to the esteemed shareholders with due respect.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 13.03.2023 TO REVIEW 2022 ACTIVITIES

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS

Headquarters Address: Aydınevler Mahallesi, Saygı Caddesi No. 58 34854 Maltepe – İstanbul

Trade Registry and Number: İstanbul – 83467

Mersis No: 0649001827200034

2. ADDITIONAL DISCLOSURES IN ACCORDANCE WITH CMB REGULATIONS

Pursuant to Capital Market Board's (CMB) Corporate Governance Communiqué II-17.1, the additional required disclosures regarding the agenda topics are provided in the relevant item below and other mandatory general disclosures in this section:

2.1. Shareholding Structure and Voting Rights

There are no distinctions in terms of privileged share groups at Otokar. The voting rights of the shareholders at the time this document is made public are provided in the table below:

Shareholder	Share Amount (TL)	Stake (%)	Voting Right	Voting Right (%)
Koç Holding A.Ş.	10,722,749.81	44.68	1,072,274,980.90	44.68
Ünver Holding A.Ş.	5,954,943.83	24.81	595,494,383.00	24.81
Other	7,322,306.36	30.51	732,230,636.10	30.51
Total	24,000,000.00	100.00	2,400,000,000.00	100.00

The main shareholder Koç Holding A.Ş. is controlled by Koç Family and companies that Koç Family owns. The Shareholder Ünver Holding A.Ş. is controlled by Ünver Family.

2.2. Changes in the Management and Operations of the Company that may Materially Affect the Activities of the Company and the Subsidiaries

Information on changes in the management or operations that have occurred in the previous accounting period of our company and subsidiaries or that may materially affect its activities planned for the upcoming accounting periods, and the reasons for such changes, are provided below:

There were no changes in the management or operations in 2022 that could materially affect the activities of the company or its subsidiaries. No material changes are planned in management and operations for upcoming accounting periods. Material disclosures made by our company according to applicable legislation can be found at www.kap.org.tr.

2.3. Information concerning the Requests of Shareholders for Inclusion of an Issue in the Agenda

Information on shareholders' written requests submitted to the Investor Relations Department for inclusion of a topic in the agenda, rejected requests and the reasons thereof in the event that the Board of Directors did not accept such requests are provided below:

No such requests were received for the Ordinary General Assembly where the 2022 activities will be discussed.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 13.03.2023 TO REVIEW 2022 ACTIVITIES

3. REMARKS ON THE AGENDA TOPICS OF THE ORDINARY GENERAL ASSEMBLY ON 13.03.2023

1. Opening and election of the Chairman to Preside over the Meeting

The election of the Chairman who will preside over the Ordinary General Assembly will be carried out in accordance with the provisions of the Turkish Commercial Code No. 6102 ("TCC") and the Regulation on the Procedures and Principles Applicable to Ordinary General Assemblies of Joint Stock Companies and the Representatives of the Ministry of Customs and Commerce to Attend Ordinary General Assembly (the "Regulation" or the "General Assembly Regulation"), and article 7 of the General Assembly Internal Directive. The Chairman of the General Assembly will appoint at least one Secretary to record the minutes of the meeting in accordance with the General Assembly Internal Directive. The Chairman may also select sufficient number of vote collectors.

2. Presentation for reading, discussion and approval of the 2022 Annual Report prepared by the Board of Directors

Information on the 2022 Annual Report, made available for shareholders to review at the company's Headquarters, on the Electronic General Assembly portal of the Central Registry Agency and on our company's website at www.otokar.com.tr for three weeks preceding the Ordinary General Assembly, in accordance with the TCC, the Regulation and the regulations concerning the Capital Markets Law will be provided, and the 2022 Annual Report will be presented for discussion by and approval of the shareholders.

3. Presentation of the summary Independent Audit Report for the 2022 fiscal year

Information concerning the Independent Auditor's Report, prepared pursuant to the regulations of the Capital Markets Board and the TCC and made available three weeks prior to the General Assembly meeting at the company's Headquarters, on the Electronic General Assembly portal of the Central Registry Agency and on our company's website at www.otokar.com.tr, will be presented to the General Assembly.

4. Presentation, reading, discussion and approval of the Financial Statements of the Company for the 2022 fiscal year

Information on our financial statements and statutory financial statements issued in accordance with the Tax Procedure Law that were made available for shareholders to review at the company's Headquarters, on the Electronic General Assembly portal of the Central Registry Agency and on our company's website at www.otokar.com.tr for three weeks preceding the Ordinary General Assembly pursuant to the TCC, the Regulation and the regulations concerning the Capital Markets Law will be presented for discussion and approval of the shareholders.

5. Release of each member of the Board of Directors individually for the affairs of the company in 2022

Release of the members of the Board of Directors individually with respect to the activities, transactions and accounts in 2022 according to the provisions of the TCC and the Regulation will be presented for the approval of the General Assembly.

6. Approval, approval with modifications or refusal of the Board of Directors' proposal pertaining to when and how the profit of 2022 will be distributed in accordance with the company's profit distribution policy

According to the financial statements for the accounting period of 01.01.2022-31.12.2022, prepared by the company in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Law and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, the corporation has earned a Consolidated Net Profit for the Period amounting to TL 1,239,118,536. The table showing our profit distribution proposal, which was prepared by taking into account our Profit Distribution Policy, long-term strategies, investment and financing policies, and the profitability and liquidity position in line with the Communiqué on Dividends II-19.1 and the Profit Distribution Guidelines announced in accordance with this Communiqué is provided in **ATTACHMENT/1**.

7. Resolution of the number of members of the Board of Directors and their terms of office, election in accordance with the resolved number and election of the independent members of the Board of Directors

New members will be elected to replace the existing members of the Board of Directors whose term has ended in accordance with the principles regarding the election of Board members or as set forth in the company's articles of association pursuant to CMB regulations, the TCC and the Regulation. In addition, independent member(s) will be elected to the Board to ensure compliance with the CMB's Corporate Governance Communiqué II-17.1.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 13.03.2023 TO REVIEW 2022 ACTIVITIES

Pursuant to article 11 of the Articles of Association, the company is managed by a Board of Directors composed of minimum 5 (five) members who are elected for a maximum term of 3 years by the General Assembly as per the provisions of the Turkish Commercial Code. The General Assembly may resolve to renew the Board of Directors even if its term has not yet ended. Three of the nominees for the Board of Directors, which is proposed to consist of nine members, are required to meet the criteria for independency as defined in CMB's mandatory Corporate Governance Principles.

Upon the proposal of the Corporate Governance Committee, which has evaluated the candidates presented to it, Mr. Ali İhsan İlkbahar, Mr. Ali İhsan Kamanlı and Mr. Kenan Güven have been nominated by the Board of Directors as Independent Members of the Board of Directors. The company has been advised that there was no negative opinion about the Independent Board Members by the letter of CMB on 23.01.2023. The résumés of the nominees for the Board of Directors and the declarations of independence of the independent members are provided in **ATTACHMENT/2**.

8. Presentation of the Remuneration Policy for the members of the Board of Directors and the Senior Executives and payments made thereof pursuant to the Corporate Governance Principles to the shareholders for approval

Pursuant to CMB's mandatory Corporate Governance Principle 4.6.2, principles applicable for remuneration of the members of the Board of Directors and the senior management must be in writing and presented to the shareholders as a separate agenda topic, and the shareholders must be given the opportunity to express their views. The revised remuneration policy prepared for this purpose is provided in **ATTACHMENT/3**. Otokar Otomotiv ve Savunma Sanayi A.Ş. has disclosed information about the benefits provided to the Board Members and Senior Executives in 2022 in note 27 of the financial statements for the 2022 fiscal year.

9. Resolution of the annual gross salaries to be paid to the members of the Board of Directors

The amount of the annual gross salaries to be paid to the members of the Board of Directors during the 2023 fiscal year in accordance with the Remuneration Policy, presented to the approval of the shareholders in line with agenda item 8, will be determined by the shareholders.

10. Approval of the appointment of the Independent Audit Firm selected by the Board of Directors pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Board regulations

In its resolution dated 07.02.2023, the Board of Directors, in consultation with the Audit Committee, has resolved to appoint Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi to audit the financial statements of the company pertaining to the 2023 accounting period and to carry out the other tasks under applicable relevant regulations in accordance with the Turkish Commercial Code and the Capital Markets Board regulations. This appointment will be presented to the General Assembly for approval.

11. Giving information to the shareholders regarding the donations made by the Company in 2022 in accordance with the Company's Donation and Sponsorship Policy and determination of an upper limit for donations to be made in 2023,

Otokar Otomotiv ve Savunma Sanayi AŞ Donation and Sponsorship Policy, approved by the Board of Directors on March 3, 2021 and disclosed to the public, was submitted to and confirmed by the shareholders at the General Assembly Meeting on March 17, 2021 as per Corporate Governance Principle 1.3.10, which states "Donation and aid policy is created and submitted to the General Assembly for approval."

According to article 6 of the Capital Market Board's Communiqué on Dividends II-19.1, the limit of donations should be determined at the Ordinary General Assembly in cases when it is not addressed in the Articles of Association. Donations and payments made should be presented to the shareholders at the Ordinary General Assembly. The donations made to foundations and associations in 2022 amounted to TL 9,737,108. Of this amount, TL 8,500,000 was donated to Vehbi Koç Foundation, and the remainder to various other institutions and organizations. These other donations are each lower than TL 200,000 and are not materially significant for the investors. The upper limit for donations in 2023 will be determined by the General Assembly.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 13.03.2023 TO REVIEW 2022 ACTIVITIES

12. Pursuant to Capital Markets Board regulations, informing the shareholders about the income or benefits obtained in 2022 through guarantees, pledges, liens, and sureties given by the company and its subsidiaries to third parties

Pursuant to Article 12 of the Corporate Governance Communiqué No. II-17.1 of the Capital Markets Board, the topic of income or benefits obtained through guarantees, pledges, liens and sureties given by the company and its subsidiaries to third parties should be included as a separate agenda item of the Ordinary Annual General Assembly Meeting. This is mentioned in note 15 of the Financial Statements dated 31.12.2022.

13. Pursuant to Articles 395 and 396 of the Turkish Commercial Code and CMB regulations, authorization of the shareholders with management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree; and presentation to the shareholders, of the transactions carried out thereof in the 2022 pursuant to the Corporate Governance Communiqué of the Capital Markets Board,

According to the first paragraph of article 395, "Ban on Execution of Transactions with the company and on Borrowing from the company", and article 396, "Ban on Competition" of the TCC, transactions by members of the Board of Directors can only be possible with the approval of the General Assembly.

Pursuant to CMB's mandatory Corporate Governance Principle 1.3.6, in the event that the shareholders with management control, members of the Board of Directors, senior executives with administrative authority, and their spouses and blood relatives up to the second degree engage in transactions that may result in a significant conflict of interest due to their affiliations or related partnerships, and/or perform a transaction on their own or others' behalf in an area that has the same commercial business as the parent company or its subsidiaries and affiliates, the said transactions will be presented to the General Assembly under a separate agenda topic and recorded in the minutes of the Ordinary General Assembly.

In order to fulfill the requirements of these regulations, the aforementioned permission will be presented to the shareholders for approval at the General Assembly. In addition, the shareholders will be advised about the transactions of this nature during the year, and that some of the shareholders, members of the Board of Directors, executives with administrative responsibilities and their spouses, blood relatives up to the second degree, can be engaged in other activities including those with similar activities to the company's, and that they may serve as a Board member or executive at Koç Group or Ünver Group companies. In 2022, there was no materially significant transaction requiring disclosure within the scope of the principle 1.3.6 of the Corporate Governance Communiqué.

14. Wishes and opinions

ATTACHMENTS:

ATTACHMENT/1	Profit Distribution Policy and the proposal of the Board of Directors related to the Profit Distribution of 2022 and proposed Profit Distribution Table (See pages 32-33)
ATTACHMENT/2	Résumés of the Candidates for the Board of Directors and the Declarations of Independence of the Independent Member Candidates (See pages 34-35)
ATTACHMENT/3	Remuneration Policy for Members of the Board of Directors and Senior Management (See pages 36)

CORPORATE GOVERNANCE COMPLIANCE REPORT

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

I. CORPORATE GOVERNANCE COMPLIANCE REPORT (URF)

	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures, which may affect the exercise of shareholder rights, are available to investors on the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	No such transaction has been reported.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				Donations made by the company are provided in a separate item on the General Assembly agenda and the details of the donations with the highest amounts are included in the General Assembly information document. The remaining amount, not detailed in the information document, consists of various donations, each lower than TL 200,000 made to various institutions and organizations and that are not of material significance for investors. Donations lower than this amount are not followed by the investors and the company has plans to continue disclosing this materiality limit in the coming years.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	Otokar Otomotiv ve Savunma Sanayi AŞ does not have any cross-ownership associated with a controlling relationship.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Minority rights for shareholders holding less than one twentieth of the capital have not been defined in the articles of association, and the rights have been defined within the frame of general provisions in the legislation. The investors have not expressed any interest in this matter while the company follows the best practices and does not foresee any changes in the near future.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	Dividends have been paid out.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions..	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

	Yes	Partial	No	Exempted	Not Applicable	Explanation
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3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY

3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					

4.1. ROLE OF THE BOARD OF DIRECTORS

4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

4.2. ACTIVITIES OF THE BOARD OF DIRECTORS

4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	X					
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.		X				A minimum period of time has not been defined to communicate the information and documentation about the agenda topics to the Board members. The timing of when to provide information to the Board members is determined based on the topics and processes on the Board agenda and the members are advised reasonably in advance. Even though an urgent need to define such a period is not apparent, given the effective functioning of the Board, this topic may be revisited in the times to come.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	Even though expressing an opinion in writing is possible, Board members who were unable to attend the meetings have not communicated such a request.
4.4.4 - Each member of the board has one vote.	X					

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.4.5 - The board has a charter/ written internal rules defining the meeting procedures of the board.			X			Committees are formed by considering the knowledge and experience of the Board Members, with some serving on multiple committees. Board members serving on more than one committee facilitate communication and increase the opportunities for cooperation between committees handling related subjects. Considering the efficient work of the Board members with their wealth of knowledge and experience, the current committee structure is deemed effective and no changes are anticipated in the near future.
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Considering that Board members contribute significantly to the Board with their business experience and industry knowledge, they are not restricted in terms of assuming other duties outside the company. The résumé of each Board member and their other duties outside the company are provided in the annual report. Given the effective functioning of the Board, no changes to the current practice are anticipated in the near future since no negative consequence has been observed in terms of corporate governance.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Committees are formed by considering the knowledge and experience of the Board members in compliance with the applicable regulations and some Board members serve on multiple committees. Board members serving on more than one committee facilitate communication and increase the opportunities for cooperation between committees handling related subjects. Considering the efficient work of the Board members with their wealth of knowledge and experience, the current committee structure is deemed effective and no changes are anticipated in the near future.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	Such a consultancy service has not been procured.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Remunerations provided to the Board members and executives with administrative responsibilities are provided in the notes to the financial statements and disclosed to the public as a total figure. Given that this matter is important due to the privacy of personal data, practices in the market are followed with plans to act in line with the wide-spread preferences.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

II. CORPORATE GOVERNANCE INFORMATION FORM (KYBF)

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/etc.) organised by the company during the year

In 2022, 24 online and 4 in-person investor meetings and 59 teleconferences took place. The department also attended investor conference in person.

1.2. Right to Obtain and Examine Information

The number of special audit request(s)

-

The number of special audit requests that were accepted at the General Shareholders' Meeting

-

1.3. General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)

<https://www.kap.org.tr/tr/Bildirim/1002136>

Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time

Yes, available.

The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9

There is no such transaction.

The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)

There is no such transaction.

The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)

Material disclosure regarding common and continuous transactions can be found at: <https://www.kap.org.tr/tr/Bildirim/1002133>

The name of the section on the corporate website that demonstrates the donation policy of the company

The Donation and Sponsorship Policy is available on the corporate web site's Investor Relations/Corporate Governance section.

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved

Material disclosure about the general assembly meeting where the upper limit for donations and aid was approved: <https://www.kap.org.tr/tr/Bildirim/1011814>

The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting

Article 15-a

Identified stakeholder groups that participated in the General Shareholders' Meeting, if any

General Assembly Meeting was open to the public, including stakeholders without speaking rights and the media.

1.4. Voting Rights

Whether the shares of the company have differential voting rights

There are no privileged shares.

In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.

-

The percentage of ownership of the largest shareholder

44.68%

1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association

No

If yes, specify the relevant provision of the articles of association

-

1.6. Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy

Investor Relations/Corporate Governance/Dividend Policy

Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend

Dividends have been paid out.

PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends

-

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

General Assembly Meetings	
General Meeting Date	21.03.2022
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	-
Shareholder participation rate to the General Shareholders' Meeting	75.94%
Percentage of shares directly present at the GSM	0.025%
Percentage of shares represented by proxy	75.92%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Investor Relations – General Assembly Meetings
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	No question has been communicated with respect to Corporate Governance Principle 1.3.5.
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	-
The number of declarations by insiders received by the board of directors	0
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/tr/Bildirim/1011814
2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations- Corporate Information – Shareholder Structure
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	General Assembly and Corporate Governance Practices Section
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Corporate Governance Practices Section
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance Practices Section
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Legal Disclosures Section
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Legal Disclosures Section
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Legal Disclosures Section
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Legal Disclosures Section
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Sustainability and Human Resources

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Even though a dedicated severance policy is not available, all Koç Group companies and Koç Holding manage the rights of stakeholders to severance in accordance with national and international laws and norms.
The number of definitive convictions the company was subject to in relation to breach of employee rights	5
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Audit Department and Ethics Board
The contact detail of the company alert mechanism	https://www.otokar.com.tr/iletisim/iletisim-formu

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Internal regulations do not have links open to the public.
Corporate bodies where employees are actually represented	Otokar employees engage with the management through various means and express their views. Employees have representatives in the Occupational Health and Safety, Discipline and Annual Leave Committees.
	All employees are able to communicate their ideas on development areas through the electronic suggestion system. The annual Employee Loyalty Survey is conducted with open-ended questions to obtain the opinions of each employee anonymously.
	Furthermore, there are practices that enable the employees to instantly communicate their requests and suggestions regarding OHS and Employee Experience via the mobile application. There is also a Diversity, Equality and Inclusion channels, where employees share their views and provide direction for the activities.
	In addition to all these communication channels, insights are derived from the employees through structured methodology such as pulse-keeping surveys and ethnographic surveys throughout the year, and the actions planned within this scope are implemented.

3.3 Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	There are succession plans in place for all key executive positions. The succession plans are finalized upon the General Manager's approval.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Otokar is a signatory of Women's Empowerment Principles (WEPs), a joint initiative of UN Women and (UN Global Compact) since 2017. The required qualifications are specified in each job posting. The Code of Ethics also emphasizes equal opportunity in recruitment. https://www.otokar.com.tr/getmedia/2eed753a-8c54-4b34-9f4b-9d5b9bbf7803/otokar_human-rights-policy_07052021
Whether the company provides an employee stock ownership programme	No stock option is offered for employees.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Human Resources
The number of definitive convictions the company is subject to in relation to health and safety measures	1

3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations – Corporate Governance – Code of Ethics
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Sustainability
Any measures combating any kind of corruption including embezzlement and bribery	Principles on these topics are covered in the Anti-bribery and Anti-corruption Policy as well as Otokar Code of Ethics. https://www.otokar.com.tr/getmedia/aa6798c7-0e90-45d1-a5f5-5d1f5ab0da1d/otokar_anti-bribery-and-corruption-policy_07052021

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS - I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	30.12.2022
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	No delegation was made among the board members.
Number of reports presented by internal auditors to the audit committee or any relevant committee	Internal audit department presents aggregate information to the audit committee regarding the operations within the year.
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Internal Audit Department
Name of the Chairman	Yıldırım Ali Koç
Name of the CEO	Ahmet Serdar Görgüç
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	Investor Relations - Corporate Governance
The number and ratio of female directors within the Board of Directors	1 (11.1%)

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director or Not	Whether Independent Director or Not	The First Election Date To Board	Link to PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience on Audit, Accounting And/Or Finance or Not
Yıldırım Ali Koç	Non- Executive	Not Independent	26.03.2015				
Levent Çakıroğlu	Non- Executive	Not Independent	26.03.2015				
Selin Ayla Ünver	Non- Executive	Not Independent	22.10.2018				
Haydar Yenigün	Non- Executive	Not Independent	21.03.2022				
İsmail Cenk Çimen	Non- Executive	Not Independent	18.03.2019				
Ahmet Serdar Görgüç	Executive	Not Independent	20.04.2006				
Ali İhsan İlkbahar	Non- Executive	Independent	16.03.2020	https://www.kap.org.tr/tr/Bildirim/1021201	Considered	No	Yes
Ali İhsan Kamanlı	Non- Executive	Independent	15.03.2018	https://www.kap.org.tr/tr/Bildirim/1021201	Considered	No	Yes
Kenan Güven	Non- Executive	Independent	15.03.2018	https://www.kap.org.tr/tr/Bildirim/1021201	Considered	No	

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS - II

4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	3
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	There is no such practice.
The name of the section on the corporate website that demonstrates information about the board charter	There is no such practice.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is no such practice.

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	Members of the Board of Directors and Members of the Committees section
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/tr/Bildirim/1023670

Composition of Board Committees - I

Names of The Board Committees	Name of Committees Defined as "Other" in The First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Audit Committee	-	Kenan Güven	Chairman	Board Member
Audit Committee	-	Ali İhsan Kamanlı	Member	Board Member
Corporate Governance Committee	-	Ali İhsan İlkbahar	Chairman	Board Member
Corporate Governance Committee	-	Levent Çakıroğlu	Member	Board Member
Corporate Governance Committee	-	Hüseyin Odabaş	Member	Not Board Member
Risk Management Committee	-	Kenan Güven	Chairman	Board Member
Risk Management Committee	-	Haydar Yenigün	Member	Board Member

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS - III

4.5. Board Committees - II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices – Committees formed by the Board
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices – Committees formed by the Board
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	There is no nomination committee. Corporate governance committee carries out its tasks.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices – Committees formed by the Board
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	There is no remuneration committee. Corporate governance committee carries out its tasks.

4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report) Board of Directors' Annual Report	Board of Directors' Annual Report
Specify the section of website where remuneration policy for executive and non-executive directors are presented	Investor Relations – Corporate Governance
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	General Assembly Section – Remuneration Policy

Composition of Board Committees-II

Names of The Board Committees	Name of Committees Defined as "Other" in The First Column	The Percentage of Non-executive Directors	The Percentage of Independent Directors in The Committee	The Number of Meetings Held In Person	The Number of Reports on its Activities Submitted to the Board
Audit Committee	-	100%	100%	8	8
Corporate Governance Committee	-	67%	33%	6	6
Risk Management Committee	-	100%	50%	6	6

GLOSSARY

- BIST:** İstanbul Stock Exchange (Borsa İstanbul)
- CMB:** Capital Markets Board
- EBITDA:** Earnings before Interest, Taxes, Depreciation and Amortization
- ESG:** Environmental, Social, and Governance
- IAA:** International Motor Show
- IoT:** Internet of things
- İETT:** İstanbul Electric Power, Funicular, and Streetcar Board
- ISO:** International Organization for Standardization
- KAP:** Public Disclosure Platform
- KGK:** Public Oversight Accounting and Auditing Standards Authority
- KPI:** Key Performance Indicator
- LCA:** Life Cycle Assessment
- MESS:** Turkish Employers Association of Metal Industries
- NGO:** Non-Governmental Organisation
- OHS:** Occupational Health and Safety
- OHSAS:** Occupational Health and Safety Management Systems
- OSD:** Automotive Manufacturers Association
- POA:** Public Oversight Accounting and Auditing Standards Authority
- R&D:** Research and Development
- TAS:** International Accounting Standards
- TFRS:** Turkish Financial Reporting Standards
- TÜSİAD:** Turkish Industry and Business Association
- UN:** United Nations
- WEPS:** Women's Empowerment Principles

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