



**FOR A CENTURY, WE HAVE PROUDLY FOLLOWED THE PATH
CHARTED BY OUR VISIONARY LEADER ATATÜRK AND GUIDED
BY THE REPUBLIC'S LIGHT.**

At Koç Group, we believe that the best way to celebrate our legacy and build the future of our Republic is to work hard, create, and always aim for excellence.

We take our responsibility to impart the Republic's values to the next generations seriously and remain committed to serving our nation with utmost loyalty. We are determined to safeguard and defend the ideals and principles of our Republic, entrusted to us by Atatürk, as we honor our past, embrace our present and shape the future.



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A RICH HERITAGE, A DYNAMIC ENERGY AND A VISIONARY OUTLOOK...

exemplify the spirit of Otokar!

With a legacy exceeding half a century, **we boldly lead** in innovation,
and **driven by boundless energy**, we keep pushing **toward new horizons**.

OUR COMPASS ALWAYS POINTS AHEAD!

In constant pursuit of advancement, we strive to exceed our own limits,
seamlessly **bridging the present with the future**.

Through our commitment to continuous **innovation**,
we shed light on the path **forward**.

Blending trust with **dynamism**,
we forge ahead.

A **trailblazer** since the beginning,
an **unstoppable power** today and tomorrow...

**WE ARE
OTOKAR!**

**WE SEIZE THE PRESENT AND CARRY IT TO THE FUTURE
INSTEAD OF WAITING FOR TOMORROW TO COME!**

Otokar

CHAIRMAN'S MESSAGE

'FOLLOWING OUR AMBITION TO BECOME A GLOBAL PLAYER, WE WILL MAINTAIN OUR POSITION IN OUR COUNTRY AS WE ACCELERATE OUR OPERATIONS IN THE INTERNATIONAL MARKETS.'



Esteemed Shareholders, Partners, and Colleagues,

We have left behind a significant year, marked by the commemoration of the centennial of our Republic, a testament to the visionary leadership of Mustafa Kemal Atatürk. In 2023, Otokar also celebrated its 60th anniversary, as we remained and will remain committed to serving our country and upholding the ideals of our Republic, the greatest gift of Atatürk to our nation.

This historic year sadly started with an earthquake disaster in February, claiming the lives of tens of thousands of our people. Guided by the philosophy of our founder, the late Vehbi Koç, who said, "I exist if my country exists," we rallied as a Group to aid in the restoration of normalcy in the aftermath of the earthquake. Establishing container cities (Hope Cities), we brought shelter and hope to 20,000 people in the affected region. Otokar's Natural Disaster Search and Rescue team, ODAK, swiftly mobilized within the first 24 hours, actively participating in rescue efforts, while Otokar's Mobile Kitchen was on the ground, serving meals. We supported the earthquake region with the efforts and dedication of our entire team.

The year 2023 saw economic volatility and uncertainty, exacerbated by the earthquake and other factors, including a high inflationary environment, liquidity constraints in global and local markets, and the geopolitical tensions and conflicts across the world.

Nonetheless, Otokar, a pioneer in the Turkish automotive and defense industries, thrived in its 60th year, capturing remarkable growth and global success with its innovations. Today, Otokar stands as an international company, empowered by nearly 4,000 employees and exporting to more than 75 countries across five continents.

Despite the challenges in 2023, prudent measures enabled us to achieve outstanding financial results. Our revenues increased by 53%, reaching TL 27 billion, while our main operating profit surged by 94% to TL 2,492 million. Net profits amounted to TL 1,968 million TL, with exports totaling 667 million US dollars and constituting 73% of our revenues. I am grateful to the great Otokar Family and our valued business partners for their dedication and making it possible for

us to realize these results amidst the challenges.

WE COMPETE WITH GLOBAL GIANTS IN LAND VEHICLES

We are able to compete with global industry giants, thanks to our military vehicles, coupled with our robust after-sales services, engineering expertise, and manufacturing capabilities. Throughout 2023, Otokar continued to receive new vehicle orders from numerous friendly and allied countries spanning Europe, South America, Africa, and the Gulf region.

Our Arma vehicles, used by nine clients in five countries, secured two major agreements in 2023. Passing the rigorous evaluations of the Estonian Armed Forces, Otokar's Arma 6x6 vehicle was awarded the contract over its international counterparts. Furthermore, Arma 8x8 armored vehicle entered the inventory of the Turkish Land Forces Command for the first time.

Meanwhile, the Otokar subsidiaries in Kazakhstan and the United Arab Emirates closely follow the emerging needs in their respective territories to seize new opportunities.

WE INTRODUCED MORE INNOVATIONS TO THE TURKISH DEFENSE INDUSTRY

As Otokar's pioneering research and development continued in 2023, we added a new version of Arma II 8x8 armored combat vehicle to our product range, now equipped with a local engine, marking a first in Türkiye. Addressing the evolving requirements of modern armies, Otokar unveiled Alpar, the heavy-class unmanned tracked armored ground vehicle, a first for Türkiye, and introduced it to a global audience.

OUR PRESENCE IN THE EUROPEAN BUS MARKET EXPANDS WITH NEW SUBSIDIARIES

Making strides toward sustainable growth, we acquired Mauri Bus System, our trusted dealer in Italy since 2010, and subsequently established Otokar Italia Srl. This strategic move will expand our presence in the European commercial vehicle market, a key target for our exports, and bring us closer to our customers.

WE CAPTURED 77% GROWTH IN COMMERCIAL VEHICLE EXPORTS

Year on year, Otokar achieved a remarkable 77% increase in commercial vehicle exports. The addition of new electric buses to our product portfolio garnered significant interest in the European market. These vehicles underwent rigorous user tests across key countries such as Germany, Spain, France, and Belgium, eliciting positive feedback from customers.

As we maintained our growth trend in the Turkish truck market, we started to export Atlas light trucks and established a dealer network in countries such as Romania and Bulgaria.

On the other hand, the production and delivery of buses as part of

our agreement with Iveco Bus also continued.

WE ARE THE PROUD LEADER OF THE TURKISH BUS MARKET FOR THE 15TH CONSECUTIVE YEAR

In 2023, Otokar was once again the most preferred Turkish brand in the total of the midibus and bus segments, proudly holding the market leadership title for 15 consecutive years.

ZERO-EMISSION AND AUTONOMOUS VEHICLES WILL ENHANCE OUR FUTURE-READINESS

Last year, we expanded our zero-emission product lineup with the addition of two new vehicles. We introduced our Kent Hydrogen bus, powered by hydrogen fuel cell technology, as a sustainable solution for public transportation. During the fair in Belgium, we unveiled our electric e-Territo bus, developed to operate in the zero-emission zones in Europe. User tests of e-Centro, our electric autonomous microbus featuring Level 4 autonomous driving technology, continued throughout the year.

WE ARE COMMITTED TO BUILDING A SUSTAINABLE FUTURE

In constant pursuit of sustainable value creation for our stakeholders, we have embraced an efficient and profitable business model that respects the environment and people.

As part of our ongoing efforts to combat climate change, we have undertaken initiatives to mitigate the environmental footprint of our operations and products. As an active participant in Koç Holding's Carbon Transition Program targeting net zero by 2050, Otokar completed and commissioned a new solar power plant at the factory site in 2023. Additionally, plans for a Solar

Power Plant installation in Malatya are progressing.

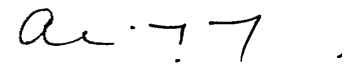
As a responsible company dedicated to upholding environmental, social, and governance principles and encouraging stakeholder engagement, Otokar follows a sustainability roadmap to bolster its business strategy. Respecting the environment, people and the future, this roadmap guides Otokar's gender equality, inclusion and diversity initiatives, which included promoting women's employment as a key priority in 2023.

OUR GLOBAL GROWTH AND VALUE CREATION FOR OUR STAKEHOLDERS WILL CONTINUE

In a new year of operations, Otokar remains committed to working for our nation and adding value to the Turkish economy and society. Following our ambition to become a prominent global player in the automotive and defense industries, we will intensify our efforts in international markets while maintaining our strong presence in our country. In addition to our defense industry exports, we will explore opportunities for technology transfer and joint production with local partners in foreign markets.

I extend my heartfelt gratitude to our esteemed shareholders and loyal customers for believing in us and our dedicated employees and their families, and our trusted business partners for their efforts and invaluable contributions to Otokar's continued success.

Warm regards,



ALİ Y. KOÇ
Chairman

ABOUT



OTOKAR HAS PRODUCED TÜRKİYE'S FIRST HYBRID, FIRST ELECTRIC, FIRST SMART BUSES IN COMMERCIAL VEHICLES, AND INTRODUCED MANY FIRSTS, INCLUDING THE FIRST HEAVY-CLASS UNMANNED GROUND VEHICLE AND THE FIRST ORIGINAL 8X8 ARMORED VEHICLE TO THE DEFENSE INDUSTRY.

Otokar was established in 1963, at a time when industrialization and modernization initiatives were being launched in Türkiye, 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 Türkiye's first tactical wheeled armored vehicle in the 1990s.

Today, as Türkiye's prominent 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. As a leading company in the defense industry, Otokar maintains its strong position in the sector. Otokar, a Koç Group company, manufactures at its Arifiye (Sakarya) plant, offering solutions tailored to customer needs with its technologies, designs and applications.

Otokar's broad product lines are currently sold and used in five continents in more than 75 countries including Türkiye. Otokar has established subsidiaries in five countries – France, Italy, Romania, United Arab Emirates, Kazakhstan – to be closer to its clients and meet their needs and expectations.

In the commercial vehicles segment, Otokar maintains its title as the bestselling bus brand in Türkiye with a broad product offering that

75+

COUNTRIES THAT OTOGAR

PRODUCTS ARE BEING USED IN

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 Türkiye's first hybrid bus, first electric bus, and first smart bus to the market. Accelerating its green mobility endeavors to contribute to a sustainable future, Otokar introduced Kent Hydrogen, its first bus with hydrogen fuel cell technology, in 2023. 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.

With numerous firsts to its name since its inception, Otokar engages in R&D activities in world standards. 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. World-class know-how in the defense industry as well as engineering, R&D and technology transfer capabilities distinguish Otokar among its peers. As the brand behind some of Türkiye's leading land vehicles, Otokar boasts a wide range of newly-developed products from its first heavy-class unmanned ground vehicle to its first original 8x8 armored vehicle.

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.

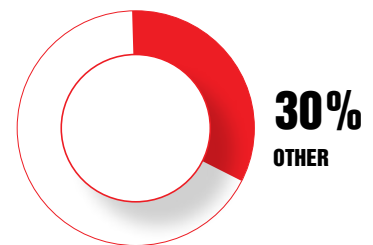
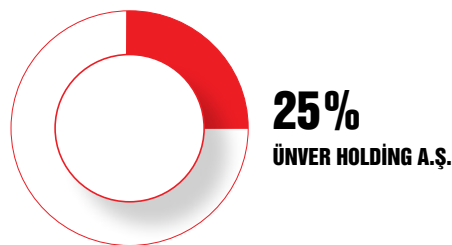
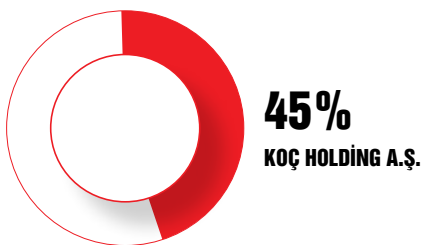
MISSION

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, empowered by 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

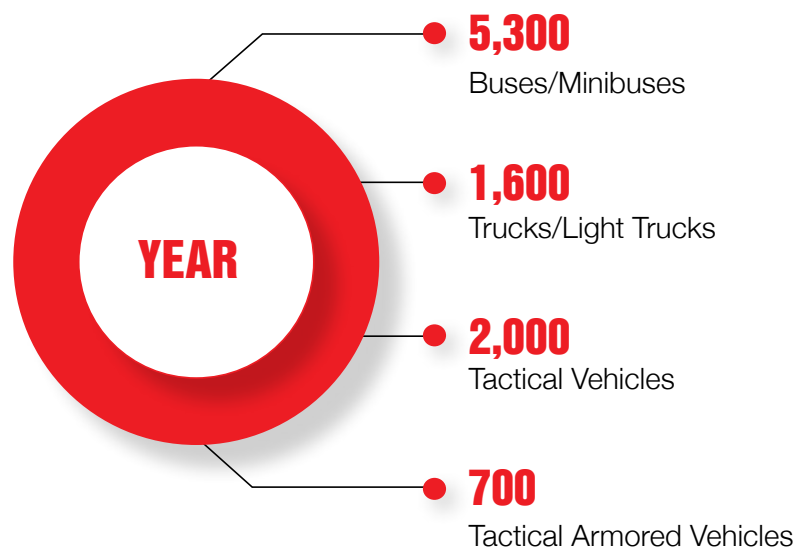


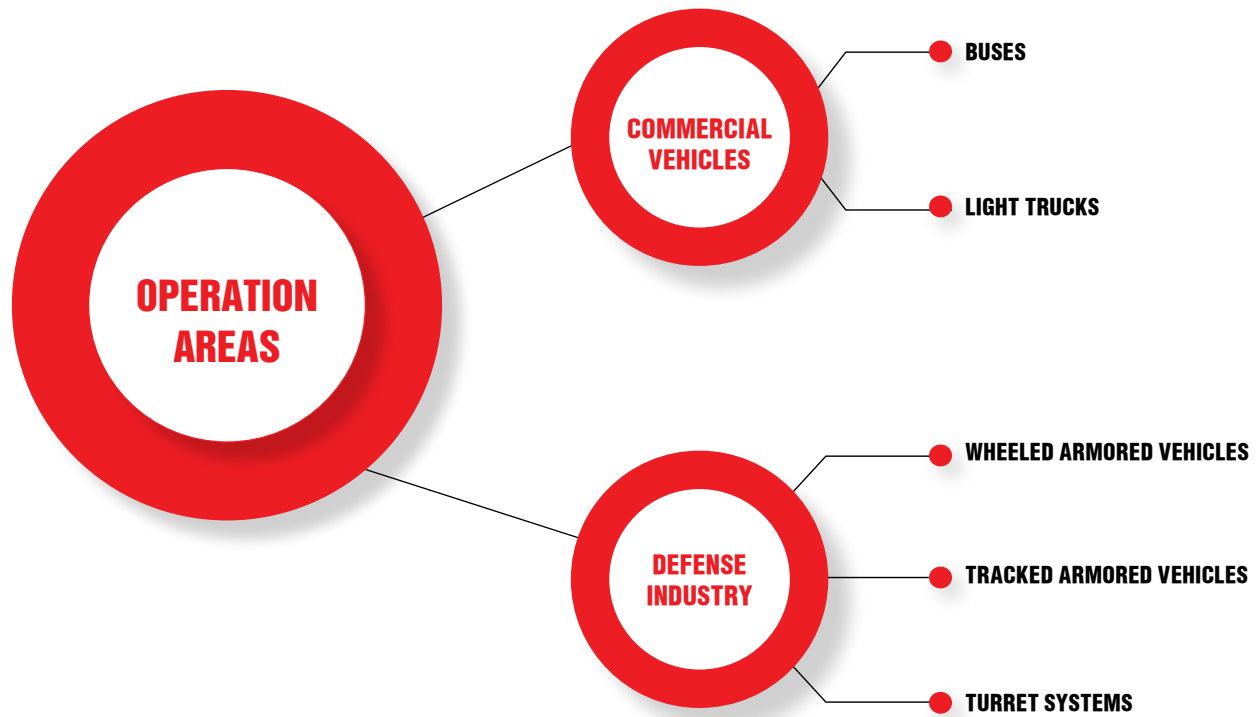
3,580
EMPLOYEES

552,000 M²
PRODUCTION AREA

300+
SALES AND AFTERSALES NETWORK

PRODUCTION CAPACITY





\$ 667 MILLION 2023 EXPORT REVENUES

TL 27 BILLION 2023 TURNOVER

GLOBAL COMPANY

Products with Otokar-owned intellectual property rights, used in over 75 countries across 5 continents

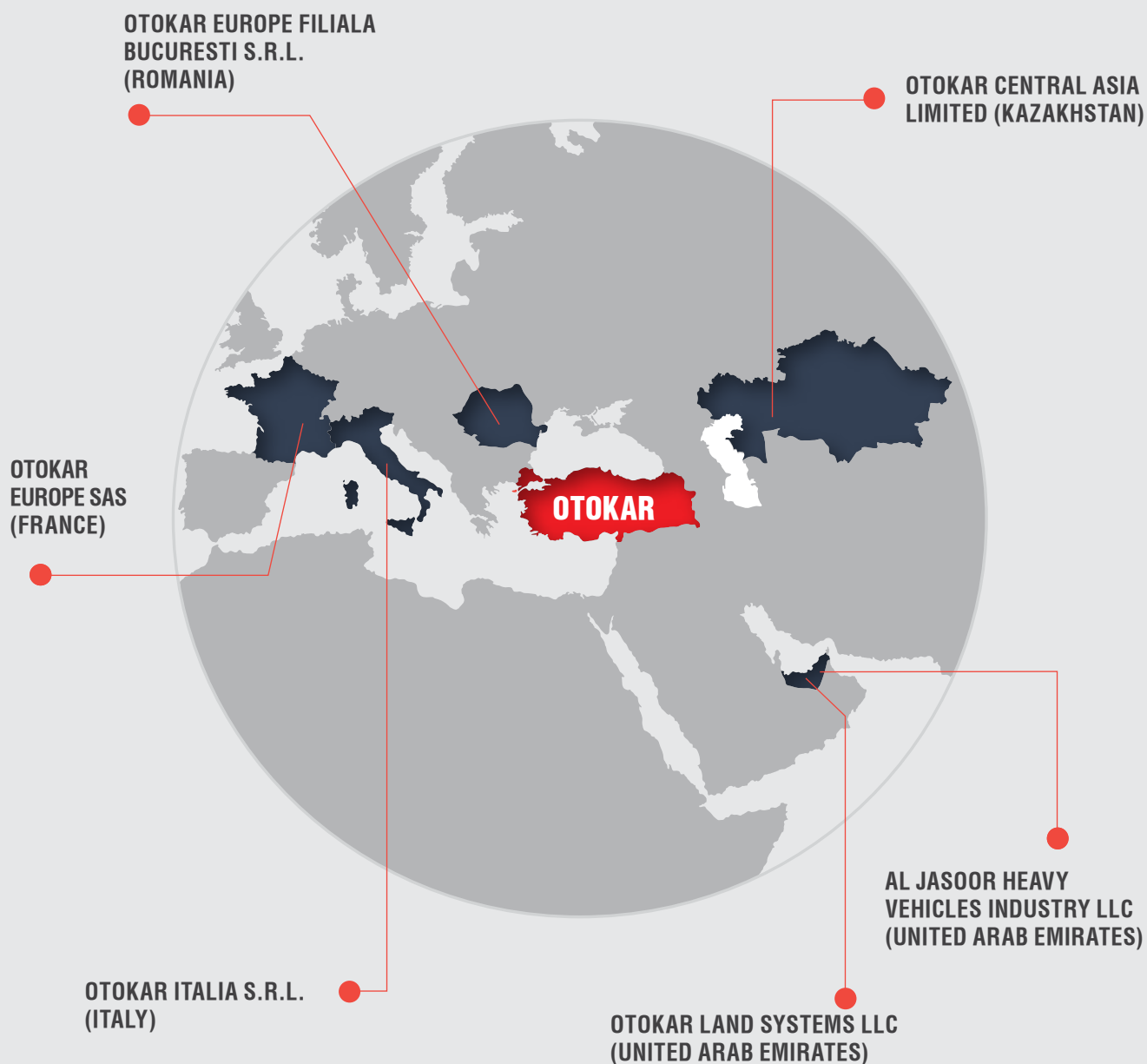
PIONEER

Türkiye's pioneer commercial vehicle manufacturer and land defense systems supplier

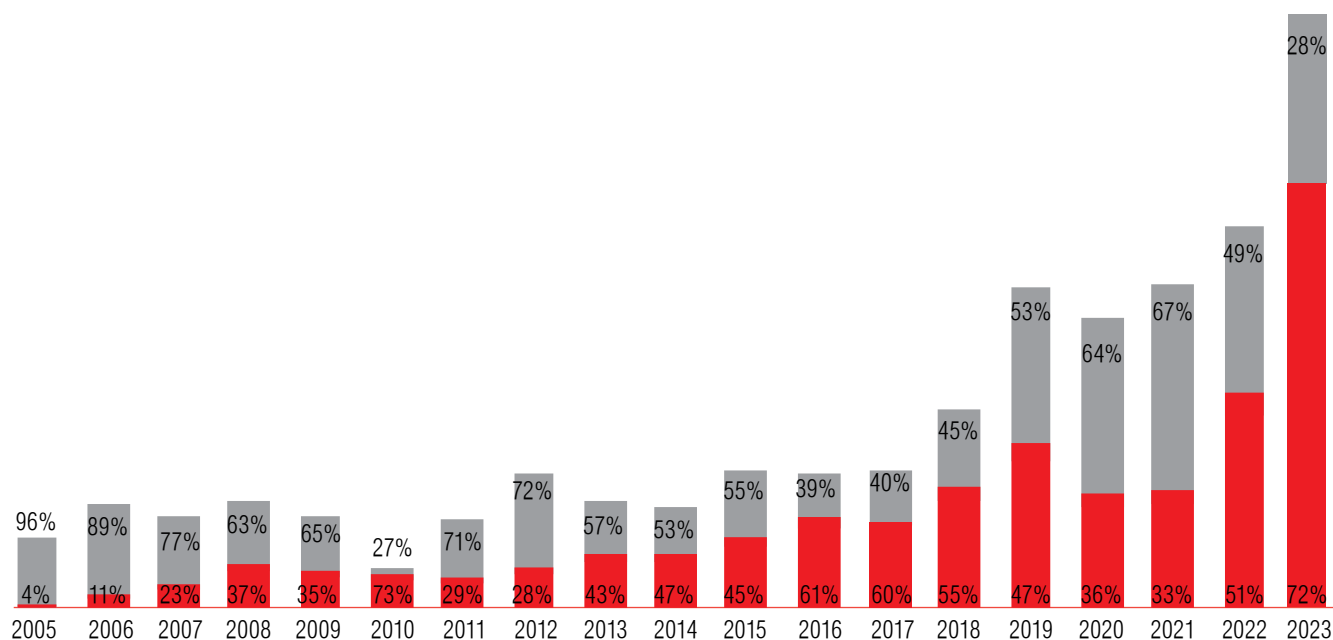
MARKET LEADER

Most preferred bus brand in Türkiye

OTOKAR WORLDWIDE



SEGMENT BASED EXPORT / ■ COMMERCIAL ■ DEFENCE



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

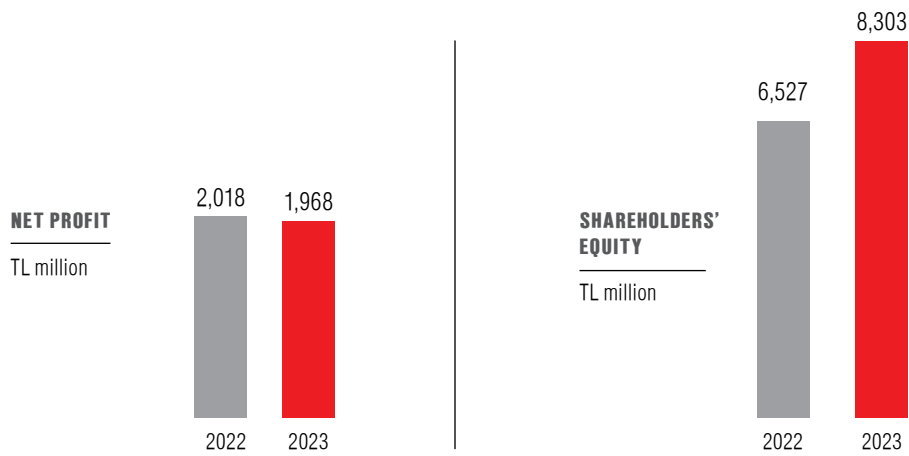
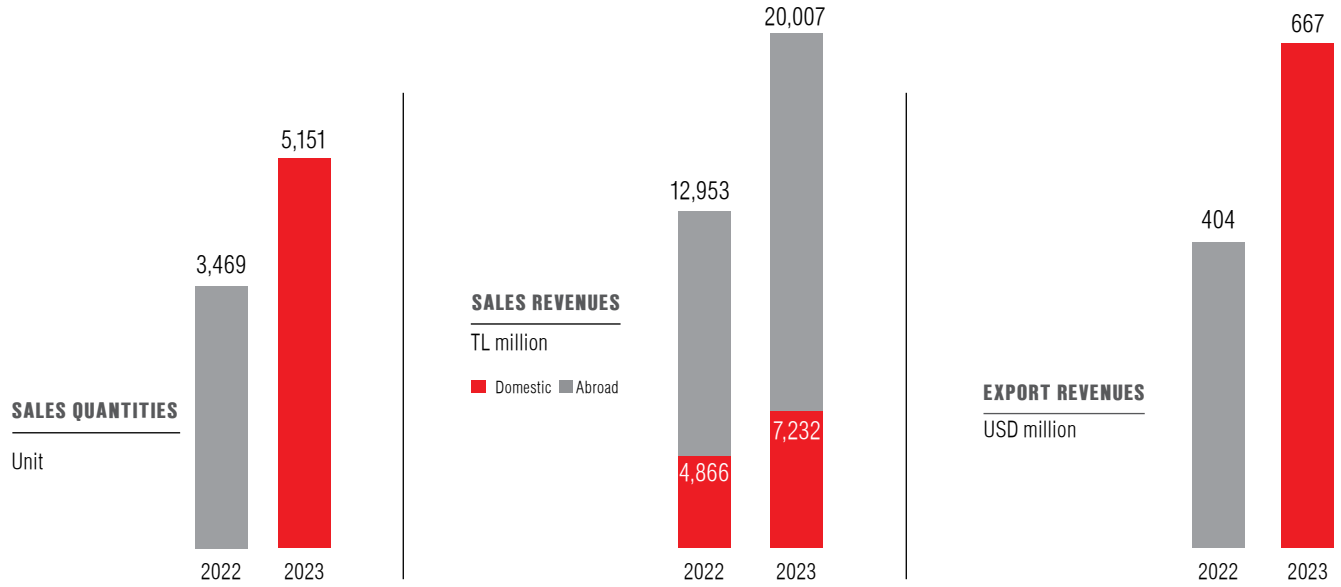
CAPABILITY TO OFFER CUSTOMIZED FEATURES

Customer satisfaction guarantee

NO FOREIGN SHAREHOLDERS

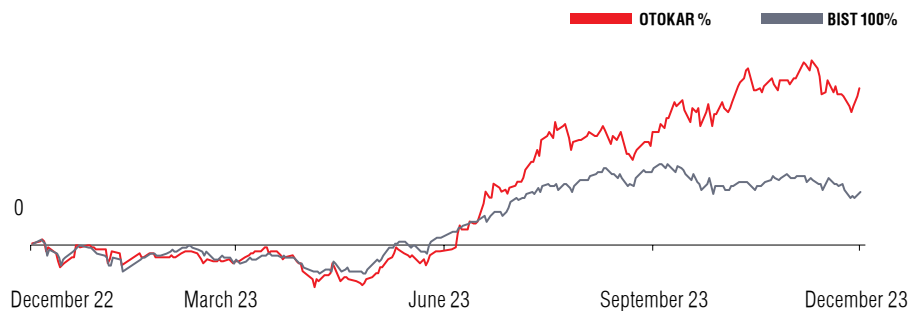
Freedom to determine company strategies

SUMMARY FINANCIAL INFORMATION



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 2023, BIST 100 rose 35.60%, while Otokar shares were traded at lowest TL 148.10 and highest TL 467 seeing 104.96% increase throughout the year.



MAIN RATIOS (%)

	2023	2022
Gross Profit Margin	23.2	22.7
Operating Margin	9.1	7.2
Pre-Tax Profit Margin	5.4	12.19
EBITDA Margin	6.1	4.2
Net Profit Margin	7.2	11.3

FINANCIAL RATIOS

Liquidity Ratios	2023	2022
Current Ratio (Current Assets/Short Term Liabilities)	1.15	1.11
Liquidity Ratio (Current Assets-Inventories/Short Term Liabilities)	0.80	0.67
Financial Leverage Ratios	2023	2022
Total Debt to Total Assets Ratio (Short Term Debt + Long Term Debt/Total Assets)	0.74	0.75
Equity/Total Debt Equity/(Short Term Debt + Long Term Debt)	0.34	0.32
Profitability Ratios	2023	2022
Sales Profitability Ratio (Pre-Tax Profit/Net Sales)	0.05	0.12
Return on Assets (Pre-Tax Profit/Total Assets)	0.04	0.08
Return on Equity (Net Profit/Shareholders' Equity)	0.24	0.31

INDICATORS

4%

In 2023, revenues for R&D expenditures

95%

Share of Otokar-designed vehicle sales in turnover

52%

Capacity utilization rate

CORPORATE GOVERNANCE RATING SCORE

9.56

AREAS OF OPERATION

COMMERCIAL VEHICLES



DESCRIPTION

- Develops and manufactures the widest bus portfolio in Türkiye, including public, intercity and tourism transportation buses ranging from 6 meters to 21 meters in length with varying passenger capacities.
- Exports buses to nearly 60 countries and primarily the European market.
- Offers an alternative fuel vehicle range, including electric, CNG and hybrid versions.
- Manufactures 8.5-ton and 12-ton light trucks under license.

DEFENSE INDUSTRY



- Türkiye's leading defense industry company.
- More than 33,000 vehicles are actively used by 60 users in 40+ countries.
- Products are manufactured to order, depending on the intended purpose, capacity and protection levels.
- Exports of all armored vehicles subject to requirements of related governments' export license regulations.

PRODUCTS

BUSES

Centro, e-Centro, e-Centro Autonomous Sultan/Navigo (Sultan Comfort, Sultan Mega, Sultan LF, 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 Hydrogen)
Kent Articulated (Kent Articulated, Kent Articulated CNG, e-Kent Articulated)
Kent XL
Territo (Territo U, Territo CNG, e-Territo)

LIGHT TRUCKS

Otokar Atlas, Otokar Atlas 3D

MARKET POSITION AND HIGHLIGHTS OF 2023

- Maintained leadership in the Turkish bus market.
- Introduced Kent Hydrogen, the hydrogen fuel cell bus.
- Widen its product range with 39 passenger capacity Sultan Giga / Navigo T, and Navigo received a facelift.
- User tests for the electric autonomous e-Centro featuring Level 4 autonomous driving technology continued throughout the year.
- Acquired its Italian dealer, Mauri Bus System, as a subsidiary in line with expansion targets in Europe.
- Attended exhibitions and test drives in the European market, including Germany, Latvia, Spain, France, Bulgaria and Greece.
- Hosted Türkiye's leading superstructure manufacturers for trucks at its plant.
- Started exporting Atlas trucks and formed a dealer network in countries such as Romania and Bulgaria.

TACTICAL WHEELED VEHICLES

4x4 Tactical Wheeled Armored Vehicles (Ural, Akrep II, 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)

UNMANNED ROBOTIC VEHICLES

Alpar

TURRET SYSTEMS

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

- Alpar, Türkiye's first heavy-class unmanned ground vehicle, added to product range.
- Introduced Arma II 8x8.
- Introduced Türkiye's first 8x8 armored vehicle equipped with a locally manufactured engine.
- Received orders for parts, training, maintenance and integrated logistics support services from diverse markets.
- Broad product range and capabilities exhibited at defense industry exhibitions and events in Spain, Brazil, Peru and Abu Dhabi.

MILESTONES

AS THE LEADING COMMERCIAL VEHICLE AND DEFENSE INDUSTRY MANUFACTURER IN TÜRKİYE, OTOCAR CONTINUES TO BRING INNOVATION TO ITS SEGMENTS.



1960s

- Company incorporated
- Production of Magirus Deutz buses under license
- Production of Türkiye'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 Türkiye's first tactical armored vehicle
- IPO
- Plant relocated to Sakarya



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 Türkiye's first hybrid bus



2010s

- Launch of the multi-wheeled armored vehicles range
- Otokar Europe incorporated in France
- Production of Türkiye's first electric bus
- Production of public transportation buses
- Production of Otokar Atlas light truck
- Production of Türkiye'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 Türkiye's first electric armored vehicle
- Otokar Europe Filiala Bucuresti SRL incorporated in Romania
- Otokar Central Asia incorporated in Kazakhstan

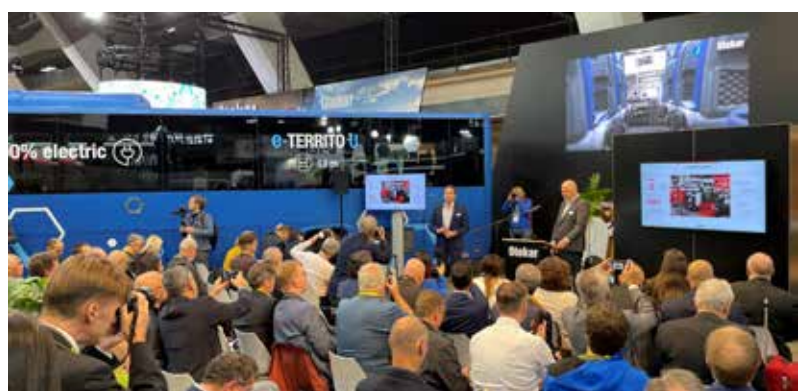
2020s

- Production agreement signed between Otokar and IVECO BUS
- First defense industry order from Africa
- Commissioning of the Cataphoresis Line
- Türkiye's Best Employer Award
- Safe production during the pandemic
- "Safe Bus" reducing coronavirus infection risk
- Investment incentive certificate
- Production of e-Centro autonomous microbus
- e-Territo and Navigo T added to the commercial vehicles range, Cobra II MRAP and Arma II 8x8 added to the defense industry portfolio
- Heavy-class unmanned ground vehicle Alpar added to the product range, marking a first in Türkiye
- İETT's metrobus tender awarded to Otokar
- Exports of Otokar Atlas truck started
- Introduction of Kent Hydrogen, the first hydrogen fuel cell powered bus
- Otokar Italia SRL incorporated in Italy

HIGHLIGHTS OF 2023



- Otokar was named the most preferred bus brand of the Turkish market for the 15th time.
- An order worth USD 130 million received from Estonia for Arma 6x6 vehicles.
- Developed Türkiye's first heavy-class unmanned ground vehicle, Alpar.
- Arma II added to product range. The Arma II became the first 8x8 armored vehicle equipped with a locally produced engine in Türkiye.
- Kent Hydrogen, the hydrogen fuel cell bus, unveiled in Belgium.
- 39 passenger capacity Navigo T added to the product range. Navigo buses introduced with a new facelift.
- Otokar extended the warranty of Atlas trucks to four years.
- Received orders from diverse markets for parts, training, maintenance and integrated logistics support services for armored vehicles.
- Commercial vehicles promoted in European countries, including Germany, Latvia, Spain, France, Bulgaria, Greece and Belgium.
- Showcased products in defense and security fairs in Spain, Peru, Brazil and the United Arab Emirates.
- Public transportation buses delivered to the Muğla, Bursa and Izmir municipalities.
- Spectrum Committee organized events to promote diversity, equity and inclusion.
- A cooperation agreement signed with Kocaeli University on R&D and applied training.
- Online training sessions, consisting of the Communication, Persuasive Sales Skills, and Handling Difficult Customers modules, were delivered for sales representatives at dealers to strengthen their customer relations.



- The rainwater treatment system, installed with a new investment, recovered and reused 4,725 tons of rainwater in a year. 720 tons of the recovered rainwater was used for the cleaning trucks.
- Otokar started to exports Atlas trucks and formed a dealer network in countries like Romania and Bulgaria.
- Awareness-raising activities have been initiated across Koç Group to promote the importance of wearing seat belts and driving safety among both field and office employees.
- The Italian dealer, Mauri Bus System, was acquired in line with expansion targets in commercial vehicles in Europe.

- Otokar Italia was incorporated.
- Otokar was recognized with the Golden Exporter award by the Uludağ Automotive Exporters Association.
- Otokar climbed up 25 places in the ISO 500 list, ranking 97th among Türkiye's 100 largest industrial enterprises. Otokar also stands among the 19 companies that have been continuously listed in Türkiye's 500 Largest Industrial Enterprises, published since 1968.
- Cobra II Armored Medical Evacuation Vehicle was showcased at the Antalya Science Fest, which was visited by approximately 2 million people.

- Otokar hosted Türkiye's leading recommended superstructure manufacturers for Atlas at its manufacturing plant.
- Otokar supported the installation of Hope Cities, built by Koç Holding in the earthquake-affected region, while several employees volunteered during the relocation of the families to the container cities.
- Otokar organized a celebratory march in Sakarya with its employees to mark the centennial of the Republic.
- Arma 8x8 entered the Turkish Armed Forces inventory for the first time.



A photograph of a line of military vehicles in a desert. On the left is a tank, followed by three wheeled armored vehicles. They are parked on a sandy, flat landscape with mountains in the background under a clear sky. A red banner with white text is overlaid on the right side of the image.

GENERAL

ASSEMBLY

GENERAL ASSEMBLY

MEETING AGENDA

Agenda of the Ordinary Annual General Meeting of Otokar Otomotiv ve Savunma Sanayi A.Ş. on 27.03.2023

1. Opening and election of the chairman to preside over the meeting.
2. Presentation for discussion and approval of the 2023 Annual Report prepared by the Board of Directors.
3. Presentation of the summary of the Independent Audit Report for the 2023 fiscal year.
4. Presentation, discussion and approval of the company's Financial Statements for the 2023 fiscal year.
5. Release of each member of the Board of Directors individually for the affairs of the company in 2023.
6. Approval, approval with modifications or refusal of the Board of Directors' proposal pertaining to when and how the profit of 2023 will be distributed in accordance with the company's dividend 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 Senior Executives and Members of the Board of Directors, 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. Providing information to the shareholders regarding the donations made by the Company in 2023 in accordance with the Company's Donation and Sponsorship Policy and determination of an upper limit for donations to be made in 2024.
12. Pursuant to Capital Markets Board regulations, informing the shareholders about the income or benefits obtained in 2023 through guarantees, pledges, liens, and sureties extended 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 2023 pursuant to the Corporate Governance Communiqué of the Capital Markets Board.
14. Wishes and opinions.

GENERAL ASSEMBLY

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS



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 1/1/2023-31/12/2023.

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 26 February 2024 on the full set consolidated financial statements of the Group for the period of 1/1/2023-31/12/2023.

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

4 March 2024
İstanbul, Türkiye

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2023 - 31.12.2023

Esteemed Shareholders, Partners, and Employees,

We have left behind a year marked by the centennial celebration of our Republic, the remarkable legacy of our visionary leader Mustafa Kemal Atatürk. Our foremost responsibility is to honor, uphold and perpetuate our Republic, born from the collective will of the people and entrusted to our care. With gratitude, we remember Mustafa Kemal Atatürk and his comrades-in-arms, who bestowed upon us this gift of enlightenment, guiding our path with unwavering hope and faith for a century.

In 2023, as Otokar proudly celebrates its 60th anniversary, we reaffirm our commitment to safeguarding and advancing the ideals of the Republic, bestowed upon us by Atatürk, forging ahead with the same determination that has always driven us.

The consolidated financial statements of our company, containing the 2023 activities and the results thereof, prepared in in compliance with Turkish Financial Reporting Standards (TFRS) and formats determined by the Capital Markets Board (CMB) in accordance with the CMB's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1, and pursuant to the resolution dated 28.12.2023 on the implementation of inflation accounting, 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 13, 2023 and served during the reporting period are:

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

Chairman, Vice Chair and members of the Board of Directors have been elected on March 13, 2023 to serve until the next Ordinary General Assembly Meeting where 2023 activities would 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.

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.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
BOARD OF DIRECTORS' REPORT 01.01.2023 - 31.12.2023

CAPITAL AND SHAREHOLDING STRUCTURE

As of December 31, 2023, the company's registered capital ceiling is TL 100 million, and the issued capital is TL 120 million.

Even though the registered capital ceiling of our company is TL 100,000,000 TL, the issued capital was increased by TL 96,000,000 (400%) from TL 24,000,000 to TL 120,000,000, fully covered by internal sources, in alignment with the CMB's Communiqué On Authorized Capital System (II-18.1), which stipulates, "Upper limit of registered capital may be exceeded only once for each ceiling period, through capitalization of all kinds of internal sources and profit shares, and as a result of mergers, demergers, and similar other processes requiring a decision of the general assembly."

Shareholders with more than 10% of the capital, their shares, and their stakes in the capital are listed below.

Shareholder's Title	Share (TL)	Share %
Koç Holding A.Ş.	53,613,749	44.68
Ünver Holding A.Ş.	29,774,719	24.81
Other Shareholders	36,611,532	30.51
Total	120,000,000	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 36,611,532 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 Industries
Otokar Europe Filiala Bucuresti S.R.L.	Romania	Sales and marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and marketing	Automotive and defense Industries
Otokar Italia S.R.L. (*)	Italy	Sales and marketing	Automotive
Joint Ventures	Country	Main Field of Operation	Industry
Al Jasoor Heavy Vehicle Industry	United Arab Emirates	Sales and marketing	Automotive and defense Industries

(*) Otokar Europe SAS, a group subsidiary, acquired all stakes in Mauri Bus System S.R.L., an Otokar dealer until September 12, 2023. The closing procedures pertaining to the Share Transfer Agreement signed on September 12, 2023 were finalized as of September 30, 2023. Subsequently, the company was renamed "Otokar Italia S.R.L." on October 12, 2023. The incorporation procedures regarding the company's title and Board of Directors structure were registered in the respective countries.

The addition of Otokar Italia S.R.L., acquired in September 2023, to the Group's global operations is expected to contribute to operational growth in its respective territory.

Our shareholders may access corporate and financial information about our company from the "Investor Relations" section at www.otokar.com.tr.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2023 - 31.12.2023

AUTOMOTIVE INDUSTRY AND OTOKAR

Otokar operates in the automotive industry's commercial vehicles segment, manufacturing a product lineup that consists of minibuses, midibuses and buses preferred in public transportation and personnel shuttles for the commercial market as well as light trucks. On the other hand, the defense industry range includes various types of tactical wheeled armored vehicles, tracked armored vehicles, and turret systems. As a global company with 100% Turkish capital, Otokar is currently positioned in the automotive and defense industries with products with owned intellectual rights.

MARKET - SALES - PRODUCTION

The industry-specific developments of 2023 can be summarized below in line with the OSD (Automotive Manufacturers Association) data:

- In 2023, total vehicle production increased by 9% year-on-year, reaching 1,469,393 units while passenger car production rose to 952,667 units with an increase of 18%. Total transportation vehicles market recorded 55% growth in 2023, reaching 1,283,952 units while the passenger car market grew by 63% year on year with 967,341 units.
- In 2023, vehicle production by segments performed as follows year-on-year:

Light Commercial Vehicles Segment

Minibuses	9% increase
Midibuses	40% increase
Pick-up trucks	9% decrease

Heavy Commercial Vehicles Segment

Buses	30% increase
Trucks	12% increase

- In 2023, domestic light commercial vehicle sales increased by 9% and imported light commercial vehicle sales by 82% year-on-year.
- In the same period, imports accounted for 54% of the light commercial vehicle (minibus + pick-up truck) market.

PRODUCTION AND SALES

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

	2023		2023		Change (Units)		Change (%)	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Minibus	225	195	-	-	225	195	-	-
Small Bus	1,670	1,718	1,394	1,341	276	377	20	28
Bus	1,899	1,937	1,223	1,138	676	799	55	70
Military Vehicles	312	305	216	214	96	91	44	43
Light Trucks	912	996	844	776	68	220	8	28
TOTAL	5,018	5,151	3,677	3,469	1,341	1,682	36	48

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2023 - 31.12.2023

According to the consolidated financial statements prepared in line with applicable legislation, the company's 2023 revenues increased by 53% year-on-year.

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

	2023 (TL thousand)	2022 (TL thousand)	Change (%)
Domestic sales	7,232,179	4,866,388	49
Exports	20,006,702	12,952,581	54
TOTAL	27,238,881	17,818,972	53

The company's exports amounted to \$666,536 thousand in 2023 (2022: \$403,545 thousand), accounting for 73% of total revenues (2022: 73%).

In 2023, capacity utilization rate was 52% (2022: 38%).

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 2023.

The company's total investments, including R&D expenditures, amounted to approximately \$72.6 million in 2023.

ADMINISTRATIVE AFFAIRS

The company's senior management team and their titles in 2023 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
Onur VURAL	Assistant General Manager - Operations

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2023 - 31.12.2023

Number of Group employees as of year-end:

Year-end	31.12.2023	31.12.2022
Office employees	980	861
Field employees	2,600	2,081
Total	3,580	2,942

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 17, 2024 to be effective from September 1, 2023.

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 95.53 (9.55) in 2022 to 95.60 (9.56) in 2023.

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.

2023 Otokar Sustainability Report is available on the corporate website: www.otokar.com

FINANCIAL RESULTS

The company presents to the public its 2023 consolidated financial statements, prepared in in compliance with Turkish Financial Reporting Standards (TFRS) and formats determined by the Capital Markets Board (CMB) in accordance with the CMB's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1, and pursuant to the resolution dated 28.12.2023 on the implementation of inflation accounting.

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 2023, and the financial tables, notes and ratios showing the results of the activities in 2023 are also presented.

The consolidated revenues of the company as of year-end 2023 amounted to TL 27,238,881 thousand and gross profit to TL 6,306,847 thousand.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
BOARD OF DIRECTORS' REPORT 01.01.2023 - 31.12.2023

Pursuant to CMB regulations and according to the consolidated financial statements prepared in accordance with the Turkish Financial Reporting Standards and the resolution dated 28.12.2023 on the implementation of inflation accounting, the company has posted a profit of TL 1,458,019 thousand before tax, and a net period profit of TL 1,967,962 thousand in 2023.

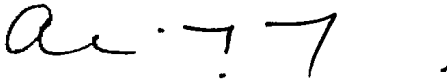
We hereby submit an overview of the operations in 2023 and the results for your consideration.

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.

İstanbul, March 4, 2024



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, 2023, 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, 2023, 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 100.

GENERAL ASSEMBLY

SUMMARY OF FINANCIAL TABLES

Consolidated Balance Sheet

Thousand TL	2023	2022
Total Current Assets	24,092,387	18,279,448
Non-Current Assets	8,392,290	8,352,878
Total Assets	32,484,677	26,632,326
Total Non-Current Liabilities	20,908,042	16,533,972
Total Liabilities	3,273,492	3,571,167
Total Equity	8,303,143	6,527,187
Total Liabilities and Equity	32,484,677	26,632,326

Consolidated Income Statement

Thousand TL	2023	2022
Sales	27,238,881	17,818,972
Cost of Goods Sold	(20,932,034)	(13,772,811)
Gross Profit	6,306,847	4,046,161
Operating Profit	2,492,045	1,281,688
Profit Before Tax	1,458,019	2,171,586
Tax Income/Expense	509,943	(153,506)
Profit for the Period	1,967,962	2,018,080
Earnings Per Share (kr)	16.399	16.817

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, an Executive Board Member at European Club Association (ECA), and a member of the Board of Trustees at TEMA Foundation. 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 Türkiye at CBI-Confederation of British Industry.



Selin Ayla Ünver / Vice Chair

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. and the Vice Chair of Otokar.



Levent Çakıroğlu / Board Member

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 is also the Chairman of Arçelik-LG and TürkTraktör, Vice Chairman of Yapı Kredi Bank, and a Board Member at Otokar and some Koç Group companies.



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. and Board Member at Otokar 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 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 SANAYİ 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

01.01.2023-31.12.2023 FISCAL YEAR DIVIDEND PAYMENT PROPOSAL

Otokar Otomotiv ve Savunma Sanayi A.Ş. Dividend Distribution Table 2023 (TL)

1. Paid-in/Issued Capital *		120,000,000
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	1,458,019.252	783,266,193
4 Taxes Payable (-)	(509,942,574)	21,068,962
5 Net Current Period Profit (=)	1,967,961,826	762,197,231
6 Losses in the Previos Years (-)		
7 Primary Legal Reserve (-)		
8 NET DISTRIBUTABLE CURRENT PERIOD PROFIT (=)	1,967,961,826	762,197,231
9 Donations made during the year (+)	37,615,853	
10 Donations-Added Net Distributable Current Period Profit	2,005,577,679	
11 First Dividend to Shareholders ***		
- Cash	720,000,000	6,000,000
- 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	-	687,452,028
16 Legal Reserves	71,400,000	68,745,203
17 Status Reserves		
18 Special Reserves		
19 EXTRAORDINARY RESERVES	1,176,561,826	-
20 Other Distributable Resources		
- Previous year's profit		26,547,972
21 Legal Reserves Allocated for Other Source as Proposed to be Distributed		2,654,797

Kâr Payı Oranları Tablosu

	Group	Cash Dividend Amount (TL)		Total Dividend Amount/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	-	720,000,000.00	0	36.59	6.00000	600.000
	TOTAL	720,000,000.00	0	36.59	6.00000	600.000
Net	-	648,000,000.00	0	32.93	5.40000	540.000
	TOTAL	648,000,000.00	0	32.93	5.40000	540.000

* This is the registered nominal capital amount. In the statutory records according to the Tax Procedure Law (TPL), the capital has been adjusted upward for inflation by a difference of TL 600,037,904. This is the nominal first-rank legal reserve amount.

** In the statutory records according to the Tax Procedure Law (TPL), the legal reserves have been adjusted upward for inflation by a difference of TL 1,242,292,248.

*** The amount to be paid as the first dividend is calculated based on the registered nominal capital.

GENERAL ASSEMBLY

RÉSUMÉS OF THE CANDIDATES FOR THE BOARD OF DIRECTORS

Yıldırım Ali Koç (Board of Directors Candidate)

See Page 32 Board of Directors' Résumés

Selin Ayla Ünver (Board of Directors Candidate)

See Page 32 Board of Directors' Résumés

Levent Çakıroğlu (Board of Directors Candidate)

See Page 32 Board of Directors' Résumés

Haydar Yenigün (Board of Directors Candidate)

See Page 32 Board of Directors' Résumés

İsmail Cenk Çimen (Board of Directors Candidate)

See Page 33 Board of Directors' Résumés

Ahmet Serdar Görgüç (Board of Directors Candidate)

See Page 33 Board of Directors' Résumés

Ali İhsan İlkbahar (Board of Directors Independent Member Candidate)

See Page 33 Board of Directors' Résumés

Fatma Füsün Akkal Bozok (Board of Directors Independent Member Candidate)

Fatma Füsün Akkal Bozok earned a bachelor's degree in Business Administration from Istanbul University. She also holds an MBA from Boğaziçi University and a PhD in Business Administration from Istanbul University. She started her career as an Auditor at Arthur Andersen in 1980. Joining Koç Holding in 1983 as an auditor at the Internal Audit Department, she went on to serve as an Audit Coordinator (1992-2003), and was later appointed Finance Director (2003). During her tenure as an audit coordinator, Bozok also worked as a Project Manager (1995-1996) for Koç Group's MIS Project. Bozok later pursued an academic career, teaching Computer Systems Oversight and International Finance at Koç University (2006-2008), and International Finance and Auditing at the Sabancı University, Sabancı Business School (2008-2020). Füsün Bozok was previously a Board Member at Yapı Kredi Bank (2004-2018), Akış GYO (2017-2021), İzocam (2018-2021), and an Independent Board Member at Bizim Tiptan (2017-2023). She was appointed as an Independent Member to the Boards of Tat Gıda Sanayi, and Ford Otosan in 2018, Gözde Girişim Sermayesi in 2020, and Kocaer Çelik in 2023. Bozok, a member of Corporate Governance Association of Türkiye, holds CMB Credit Rating, Corporate Governance, Advanced Level and Derivative Licenses.

Kamil Ömer Bozer (Board of Directors Independent Member Candidate)

Kamil Ömer Bozer earned his bachelor's degree in Business Administration from the Middle East Technical University, followed by an MBA from Georgia State University (USA). He started his professional career as a management trainee at Koç Holding A.Ş. in 1985. He went on to serve as Deputy General Manager at Maret A.Ş. (1990), General Manager at Düzey A.Ş. (1995), and General Manager at Migros Türk T.A.Ş. (2002). During his term at Migros Türk T.A.Ş., he also began to serve as the Food, Retail and Tourism Group President at Koç Holding A.Ş. (September 2004), a position he held until April 2011 when he resigned from his executive roles. Since then, Kamil Ömer Bozer has held Independent Board Member and Board Member positions at Coca-Cola İçecek A.Ş., Anadolu Efes, Adel Kalemcilik Ticaret ve Sanayi A.Ş., Anadolu Isuzu, Anadolu Etap A.Ş., Kamil Yazıcı Yönetim A.Ş., Carrefoursa, and Dardanel A.Ş. Mr. Bozer is currently a Board Member at Boyner Holding and an Independent Member on the Boards of Tüpraş A.Ş. and Arçelik A.Ş.

Statements of Independence by the nominated Independent Members of the Board of Directors are provided on page 37-39.

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 Türkiye 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

GENERAL ASSEMBLY

STATEMENT OF INDEPENDENCE

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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 Türkiye 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;

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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.



FATMA FÜSÜN AKKAL BOZOK

GENERAL ASSEMBLY

STATEMENT OF INDEPENDENCE

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- 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 Türkiye 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;
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- 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.



KAMİL ÖMER BOZER

GENERAL ASSEMBLY

REMUNERATION POLICY FOR SENIOR EXECUTIVES AND MEMBERS OF THE BOARD OF DIRECTORS

This policy document defines the remuneration system and practices applicable to members of Board of Directors, General Manager, Assistant General Managers and Senior Executives.

Pursuant to the Turkish Commercial Code and Article 13 in Articles of Association of Otokar Otomotiv ve Savunma Sanayi A.Ş., a fixed salary is determined every year at the ordinary general assembly meeting for the Board membership functions, applicable to all members of the Board of Directors. The Board members receive payments on a pro rata basis, in consideration of the duration they serve from the date of appointment to the date they leave their positions. Board members with executive responsibilities are paid per the same policy – detailed below - defined for senior executives. The Board members also serve on the committees under the Board of Directors to assist in the oversight of the company's activities may be entitled to extra benefits, based on the opinion of the Corporate Governance Committee, in addition to the fixed salaries approved by the General Assembly. The bonus plans based on company performance are not used in the remuneration of the Independent Members of the Board of Directors. The company may cover the expenses (transportation, phone, insurance, etc.) incurred by the Board members during the execution of their duties.

Remuneration of senior executives consists of two parts: fixed salary and performance based bonuses. The remuneration policy stipulates that management of remuneration and benefits should be fair, objective, recognizing high performance, competitive, rewarding and motivating. Fixed salaries of Senior Executives are determined 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. The objectives of the remuneration policy include improving the motivation and commitment of employees by considering the internal salary balances and competitiveness in the market, and attracting and retaining qualified employees who will ensure that the company's strategic business goals are achieved. Bonuses for the Senior Executives are calculated based on the company's 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 continued success. The criteria for bonus calculations are summarized below:

- **Bonus Basis:** Bonus bases are updated at the beginning of each year and vary according to the positions of the executives. When updating the bonus bases, the senior management's bonus policies in the market are taken into account.
- **Company Performance:** Performance of the company is evaluated at the end of each year by measuring the extent that the financial and operational targets (market share, exports, international operations, productivity, etc.) assigned to the company at the beginning of each year have been attained. The targets for the company by considering continued success and improvements compared with the previous years as key principles.
- **Individual Performance:** Individual and collective targets set by Senior Executives with their own teams and managers, as well as key performance indicators, are taken into account in evaluating individual performance. In measuring individual performance, long-term sustainable improvement in non-financial areas, compliance with Environmental, Social and Corporate Governance (ESG) policies are also considered.

In the event that the Senior Executives leave their positions within the company, they may be entitled to a severance bonus in consideration of their tenure as senior executives, their contributions, that last targeted bonus prior to their resignation, and their salaries and bonuses in the last year.

Total amounts determined in accordance with the above principles and paid to Senior Executives and Members of the Board of Directors during the year are presented to the shareholders for information purpose and/or approval at the next General Assembly Meeting.







OTOKAR

IN 2023

COMMERCIAL VEHICLES



OTOKAR HAS SUCCESSFULLY MAINTAINED ITS TITLE AS THE MOST PREFERRED BUS BRAND IN TÜRKİYE FOR THE 15TH CONSECUTIVE YEAR.

The midibus market grew by 24%, while the bus market captured a growth of 7% in 2023, according to Automotive Manufacturers Association (OSD) data. Maintaining its successful performance in its segments, Otokar was once again the most preferred bus brand in the total of Turkish midibus and bus markets in 2023, per OSD data, reconfirming its market leadership for the 15th consecutive year. With a broad product range that includes buses from 6 meters to 21 meters in length, Otokar remained the first choice in transportation, with one out of every three buses sold in the market bearing the Otokar brand. In addition to the 20 metrobuses delivered to the Istanbul Metropolitan Municipality, Otokar also completed deliveries of public transportation buses to various cities, including Bursa, Balıkesir and Muğla.

In 2023, Otokar increased its total commercial vehicle exports by 77%, fueled by the large volumes of bus orders from different markets, starting with Europe. Otokar's new electric buses are also received with high praise by European operators. Otokar received the first orders for its electric microbuses from Italy. Moreover, various vehicles were tested by users in countries such as Germany, Spain, France and Belgium. As product development continued for a number of vehicles, the small bus, a favorite in several countries, including Türkiye, France and Italy, received a complete facelift.

NEW SUBSIDIARY

Otokar, which exports buses to nearly 60 countries, mostly in Europe, continued to take strategic steps to maintain its success in its primary export market. In line with its expansion plans to grow its bus business

~60
COUNTRIES THAT OTOKAR
BUSES ARE EXPORTED TO

further in Europe, Otokar Italia was incorporated by acquiring Mauri Bus System, a prominent bus dealer with 101 years of history in Italy. Otokar Italia follows the company's other subsidiaries in France and Romania. Otokar now aims to bring its successful growth across the continent to Germany, Latvia, and Scandinavian countries, aspiring to take its place among the top five players in the European bus market over the medium term.

LOW AND ZERO EMISSION TARGET

Since introducing the first electric bus in 2012 to the Turkish market with the aim of reducing carbon footprint to tackle global climate change, Otokar has continued to expand its electric bus portfolio for public transportation with models ranging from 6 meters to 19 meters in length. Making strides toward its ultimate goal of having an entire product range of low and zero emission vehicles by further growing its alternative fuel bus family, Otokar is already prepared to meet the needs of the European market, which is undergoing a significant transformation to minimize the negative impact of global climate change, with its zero-emission buses.

As the green mobility efforts gain momentum to contribute to a sustainable future, Otokar introduced Kent Hydrogen, its first bus powered by hydrogen fuel cell technology, in 2023. Kent Hydrogen is developed with the mission of supporting the carbon emission reduction efforts, clean energy transition, and sustainable transportation policies. Furthermore, the electric e-Territo, designed specifically to operate in the zero-



emission zones in Europe, was added to the Otokar product family and debuted at the Busworld fair in Belgium.

Another vehicle showcased at the fair was Navigo, Otokar's most preferred product in markets such as Türkiye and France. Navigo T, the 39-passenger variant of Navigo was also added to the product range in 2023. Meanwhile, Navigo received a facelift within the year.

THE ICONIC MICROBUS ENHANCED WITH NEW FEATURES

Otokar enhanced its iconic microbus, the electric e-Centro, a favorite since its launch, with new capabilities. Featuring Level 4 autonomous driving technology, e-Centro is able to travel without a driver. The vehicle, developed to adhere to traffic rules, detects its position precisely. The vehicle, which is able to provide uninterrupted service any time of the day or night in all weather conditions, pulls up to the designated stops on specific routes, allowing the passengers to easily get on and off the bus. Designed to meet the expectations of municipalities and operators, the vehicle is suitable for diverse climate and weather conditions. Functioning as an ideal platform for the autonomous



vehicles of the future, the autonomous e-Centro was used to shuttle the visitors at the fair ground in Belgium, where Otokar showcased a select product offering.

IVECO BUS ACTIVITIES

As part of the agreement signed to manufacture IVECO BUS buses in Türkiye, production and deliveries continued throughout the year.

ATLAS ARRIVES IN THE EUROPEAN TRUCK MARKET

Otokar increased its truck sales by nearly 45% in 2023. With a flexible and adaptable structure, Otokar Atlas remained a top choice for businesses in various sectors.

Boasting the highest standard equipment level in its class, Otokar Atlas captured a market share of 25% in the light truck segment in 2023. Otokar has started to export its Atlas trucks and already established a dealer network in multiple European countries, including Spain, Poland, Republic of North Macedonia, Romania, Bulgaria and Serbia. Otokar currently stands as the only light truck brand capable of officially exporting to the European Union countries through its own sales network.

DEFENSE INDUSTRY



OTOKAR ENHANCES ITS PRODUCTS WITH THE LATEST TECHNOLOGICAL ADVANCEMENTS TO MEET CLIENT EXPECTATIONS, MAINTAINING ITS POSITION AS A PIONEER IN LAND SYSTEMS WITH NEW VEHICLES.

Otokar, the pioneer national defense company of Türkiye, offers different types and variants of military vehicles and turret systems, which currently serve 60 users in more than 40 countries.

EXPORT ORDERS

In 2023, Otokar continued to receive new vehicle orders from many friendly and allied countries in Europe, South America, Africa, and the Gulf region. Otokar keeps a close eye on the tenders and purchases in our country and diverse regions worldwide and participates in user tests with its armored vehicles. The company's subsidiaries in Kazakhstan and the United Arab

Emirates also monitor the market requirements in their respective territories.

Currently, more than 500 Arma vehicles, with proven track records in diverse geographical conditions and climates around the world, serve in the inventories of nine clients in five countries. The Arma family was the subject of two major contracts in 2023. Passing the rigorous tests of the Estonian Armed Forces with flying colors, Otokar's Arma 6x6 left behind its international competitors to win the bid. The contract worth nearly Euro 130 million awarded by Estonia marks the second time that Arma 6x6 will be included in the inventory

60

CLIENTS IN WHOSE INVENTORIES OTOGAR'S DEFENSE INDUSTRY PRODUCTS SERVE

of a NATO member country. Moreover, the Arma 8x8 armored vehicle entered the inventory of the Turkish Land Forces Command for the first time in 2023.

As Türkiye's leading land systems manufacturer, Otokar is committed to contributing the country's exports with its product development, R&D and technology transfer capabilities in global markets.

NEW PRODUCTS

In 2023, Otokar added the unmanned ground vehicle, Alpar, and Arma II to its portfolio. With a maximum payload of 15 tons, Alpar, the heavy-class unmanned ground vehicle, marks a first for the Turkish defense industry. Arma II 8x8 Armored Vehicle, developed by Otokar by considering the most common asymmetrical threats, best-in-class ballistic, mine and improvised explosive device (IED) protection and optimal terrain capability. Arma II is Türkiye's first 8x8 armored vehicle equipped with a local engine. In 2023, Otokar also introduced the Arma 8x8 Mobile Repair and Rescue Vehicle variant and the Akrep II R Reconnaissance and Surveillance Vehicle.

PROMOTIONS AROUND THE WORLD

Otokar showcased its wide product range and capabilities at defense industry fairs throughout the year. In addition to IDEF, Türkiye's premier defense industry fair, Otokar continued its promotional activities worldwide at various events and fairs across a vast geography spanning the United Arab Emirates to Spain, Peru and Brazil.

A first for the Turkish defense industry: Alpar

Alpar, the heavy-class unmanned ground vehicle, has marked a first for the Turkish defense industry. The vehicle, which features a serial hybrid electric drive system and runs in complete silence, can be operated autonomously with remote control. Alpar stands out with a low thermal footprint, dimensions and weight to be airlifted, and a fast-change battery infrastructure. All the environmental detection and decision-making algorithms used in Alpar were developed with local resources. The vehicle is also equipped with Adaptive Drive Support Systems developed by Otokar.



CREATING VALUE FOR STAKEHOLDERS



OTOKAR MAINTAINS RELATIONSHIPS BUILT ON TRUST AND COOPERATION WITH ITS CURRENT AND PROSPECTIVE BUSINESS PARTNERS.

Otokar, always committed to maintaining relationships built on mutual trust and cooperation with existing and prospective business partners, continued to create value for all its stakeholders, while also focusing on improving efficiency in 2023.

AGILE ORGANIZATION

Otokar, on an agile transformation journey, works toward its vision of evolving into a resilient organization that creates value through innovation, continually learns, and drives change. Through this cultural evolution, 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 various projects focused on

improving efficiency in the production, quality and OHS processes in 2023. As part of the ongoing efforts, 391 employees took agile transformation training.

LEAN MANUFACTURING LAYOUT

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

1,426

SUPPLIERS THAT OTOKAR WORKS WITH
FOR PROCUREMENT

CUSTOMER FOCUS

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

SUPPLIER RELATIONS

Otokar works with various suppliers for strategic purchasing, 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 2023, Otokar worked with 1,426 suppliers, including 1,130 local companies, for direct and indirect procurements. During the reporting period, purchasing costs amounted to TL 14.8 billion, with local sourcing rate at 48% levels.

Otokar leverages working models such as VMI (Vendor Managed Inventory), BTO (Build to Order), Kanban and JIT (Just in Time) to ensure efficiency in sourcing. MilkRun collection programs, introduced to support these processes particularly in local sourcing, have been ongoing since 2009.



CONTINUOUS IMPROVEMENT

As a company that always strives 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.

REWARDING AND RECOGNITION

In 2023, Otokar rewarded 1,673 employees as part of the ongoing rewarding and recognition programs.

DIGITAL TRANSFORMATION



DIGITAL TRANSFORMATION PRESENTS A CRITICAL OPPORTUNITY FOR OTOKAR TO EXPLORE NEW PRODUCTION SEGMENTS.

Otokar has designed its digital transformation strategy in a way to ultimately make it an integral part of the company culture, while also leading the industry with its digitalization efforts. Accordingly, Otokar builds its digital transformation vision on four pillars: Customer Facing Digital Channels, Digitalized Production and Supply Chain, Analytical Decision and Marketing, and Digital Products and Services to develop projects.

BUS MONITOR

Otokar introduced its product on predictive or preventive maintenance, developed to facilitate fleet operations, at the Busworld Fair. Bus Monitor, Otokar's telematics technology solution tracks performance in real time, enabling the users to track and manage their fleets more effectively.

PROJECTS

VALU3S (Verification and Validation of Automated Systems' Safety and Security):

As the project continued, the Hardware Security Module (HSM) and Secure Gateway (SG) were integrated into the industrial robotics system, resulting in enhanced cyber security for the system. A digital twin platform software that creates the safe robot trajectory was developed. Then this trajectory was observed on the digital twin platform and determined that it functioned properly without creating occupational safety risks such as collision. At the last meeting of the project in Portugal in July 2023, demonstrations of the improvements were presented to the project referees from the EU, and the project was successfully completed.

4

PILLARS THAT THE

DIGITAL TRANSFORMATION

PROJECTS SHAPED

AROUND

TASTI (Application-Tailored Synthetic Image Generation): 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 Türkiye, the Netherlands, Spain, Belgium, Sweden and Canada in the project. The project has already received the Celtic (Eureka) label and TÜBİTAK's approval. In the first year of the project, the working scenario, requirements and system topology were determined. An autoencoder-based AI algorithm has been developed for detecting anomalies in data received from camera sensors.

Signaling: Bluetooth signals are received from beacons (Bluetooth-based interaction technology) placed on production vehicles via gateways (antennas) positioned in various places across the plant floor. An algorithm developed by Otokar is used for real-time location calculations of the vehicles. Clients are shown the status of different stages of production via interfaces developed by Otokar.

Andon Boards: This project involves using boards developed by Otokar as part of digitalization on the production floor to monitor data in real time. The speed and efficiency of the lines are monitored instantly on

the production monitoring screens to determine whether there are any errors/malfunctions in the lines on the production floor and whether the daily production targets are met within the projected times. The board equipment was selected by Otokar, which also designed the boards' interiors and developed the software running on the GPU and the interface.

Factory IoT: This project involves Platform360, which enables instant monitoring of the equipment in the factory (air conditioning unit, pumps, busbars, motors, etc.). In addition, analog signals were converted to digital and a more efficient work environment was created for the employees with comfort sensors (carbon dioxide, temperature, humidity, smoke detectors) placed in the offices. Furthermore, advance alerts were created against possible anomalies to ensure early intervention and predictive maintenance.

SA4CPS: This project focuses on issues such as cyber-secure data transfer of the signaling system, which tracks vehicle and forklift locations, ensuring that the stored data remains unalterable and secure with blockchain technology, and establishing infrastructures to monitor the safe operation of the systems in real time. The project, which received the Celtic label, is executed by an international consortium of 20 stakeholders from six countries constitute. The approval processes at TÜBİTAK are ongoing.

EDIH (European Digital Innovation Hubs): The objective of the EDIH program, coordinated by the Presidential Digital Transformation

Office and the Ministry of Industry and Technology at the national level, is to develop hubs in Türkiye to help public institutions, businesses of all sizes, including SMEs, university research centers and other stakeholders, on the journey to successful digital transformation. EDIHs offer the 'test before invest' option, along with technical expertise, financial guidance, training and skills development. The consortium, in which Otokar is a stakeholder, was selected among the successful consortiums in the pre-application phase and moved to the next phase.

Trend Analysis Project: This project involved the creation of a predictive algorithm that anticipates potentially popular technologies by reviewing patent databases to be cognizant of technological advancement in product development areas and to take quick action. The algorithm clusters the patents, identifies the fields they belong, analyzes the changes in these fields over the years, and offers recommendations about when to invest in a technology or not.



SUSTAINABILITY



OTOKAR'S SUSTAINABILITY STRATEGY ADDRESSES DIGITAL TRANSFORMATION, INNOVATION, FUTURE TALENT, CLIMATE CHANGE, AND DIVERSITY, EQUALITY AND INCLUSION AS KEY PILLARS.

Otokar adopts a sustainability management approach rooted in environmental sensitivity, respecting people, and upholding ethical values. Otokar's sustainability journey extends beyond its own operations and encompasses the entire value chain. 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.

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 identified during 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

2014

THE YEAR WHEN OTOKAR WAS FIRST

LISTED IN THE BIST SUSTAINABILITY

INDEX

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. The Otokar Sustainability Model will evolve 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 sustainability reports published annually. The reports, prepared in accordance

Listed in the BIST Sustainability Index

Otokar aims to create long-term value by integrating 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. Otokar is also included in the Refinitiv ESG Score rating.

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



with the GRI standard, contain five-year historical and comparable data pertaining to the key sustainability performance indicators.

Information on Otokar's sustainability activities is also disclosed through the Annual Report and on 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, the company seeks to understand stakeholder expectations and develop the right responses as a key part of the value creation process. Accordingly, Otokar actively engages 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

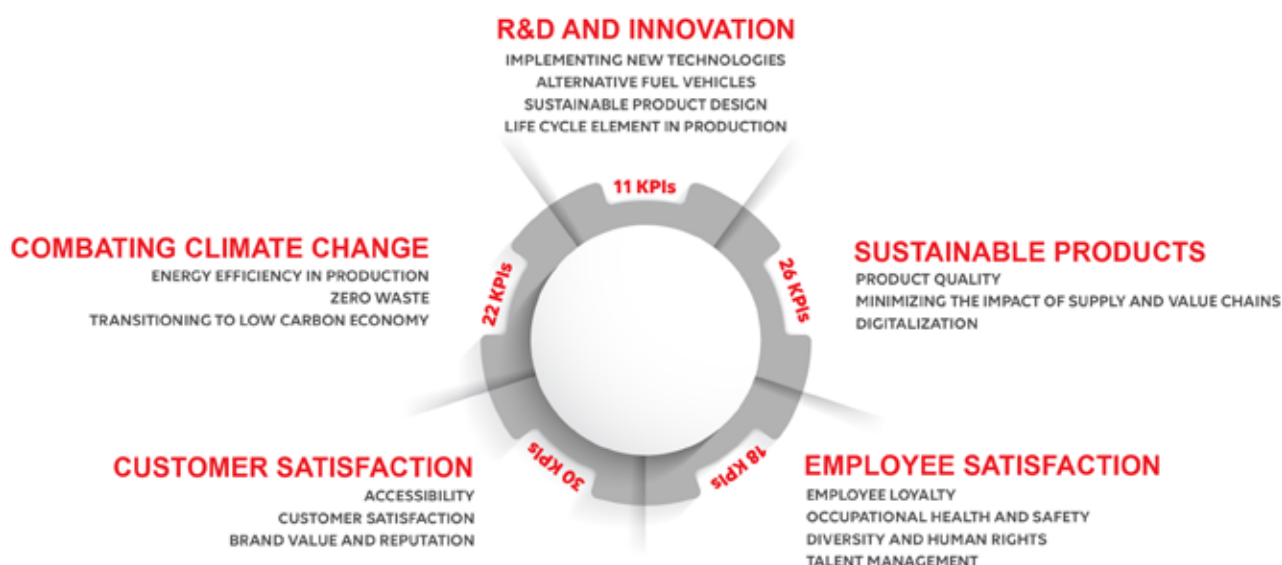
trust and cooperation. As part of stakeholder communications, Otokar supports the activities of NGOs and platforms by becoming a member and taking responsibility in such organizations' management bodies.

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 specific 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,

MATERIAL SUSTAINABILITY ASPECTS



The company's sustainability model and strategies were reviewed in 2021, and 14 different stakeholder groups were included in the studies.

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.

Compliance training has been integrated into the orientation process. In 2022, all the employees completed their compliance training. According to the report extracted from the platform where the compliance training is included, 140 new employees who joined Otokar in 2023 completed the Code of

Ethics training and 99 new employees completed anti-bribery and anti-corruption training.

ENVIRONMENTAL SUSTAINABILITY

Managing environmental

aspects: Otokar Environmental 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.

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 legislation. Responsibility for ensuring that environmental practices are implemented belongs to the Environmental Management Unit. Environmental goals are among the key factors that affect the personal performance assessment and the remuneration system.

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 Sustainability Reports, published annually, 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 audits.

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. Otokar attends the monthly meetings of the Koç Group Environmental Committee as a member, contributing to Group companies by sharing its best practices.

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.

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 2023. Otokar also strives to minimize waste through efficient use of materials and resources with the help of reuse and recovery practices. In 2023, various methods were employed to recover 6 thousand tons of the total waste from production operations.

Combating climate change:

Otokar's efforts to combat climate change are guided by 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 in alignment with the Task Force on Climate-related Financial Disclosures (TCFD). Sustainable products, services, and strategies that facilitate the shift to a low carbon economy are 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 activities carried out in 2023 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. The Scope 1-2-3 emissions for 2022 have been accredited by BVQI (Bureau Veritas).

Environmental Key Performance Indicators	2019	2020	2021	2022	2023
Total Energy Consumption (GJ)	158,992	156,184	169,235	202,263	273,151
Direct Energy Consumption (GJ)	101,751	103,607	106,863	122,818	171,204
Direct Renewable Energy Consumption (GJ)	240	240	240	294	2,894.4
Indirect Energy (Electricity) Consumption (GJ)	57,241	52,577	62,132	79,152	99,053
Total Water Withdrawal (m ³)	152,058	183,907	226,435	178,401	193,042
Underground Water (m ³)	77,484	114,270	135,652	80,632	91,328
Municipal Water (m ³)	73,154	68,537	90,783	97,769	101,714
Rain Water (m ³)	1,420	1,100	0	0	30
Total Wastewater Discharge (m ³)	119,000	140,000	150,000	92,000	106,042
Recovered Water (m ³)	150,350	150,500	150,500	150,500	150,000
Ratio of Recovered Water in Water Consumption (%)	50	45	40	45	40
Total Waste (from production) (tons)	2,785	3,894	4,543	7,077	9,161
Recycled Waste (tons)	2,742	3,288	3,801	6,990	9,085
Scope 1 Greenhouse Gas Emissions (tons CO ₂ e)	5,157	4,952	7,910	10,298	9,063
Scope 2 Greenhouse Gas Emissions (tons CO ₂ e)	7,633	6,543	8,083	9,703	11,712

Otokar's Sustainability Compliance Statement can be found on page 86 of this report.

[Click to view Otokar's company policies.](#)

[Click to view Otokar's Sustainability Reports.](#)

Calculations were also made with Carbon Trust in accordance with the GHG standard. Otokar started to work on setting targets in line with the Science Based Targets initiative (SBTi) in 2022. Pending SBTi's revision of the automotive industry guidelines, Otokar plans to apply for approval of its target commitments in 2024 without waiting for the publication of the guidelines.

As an active participant in Koç Holding's Carbon Transition Program targeting net zero by 2050, Otokar completed and commissioned a new solar power plant at the factory site in 2023, after starting to generate electricity from photovoltaic panels. Additionally, work is ongoing to build a Solar Power Plant in Malatya.

In 2023, Otokar conducted product life cycle assessments on two different electric buses. The company also eliminated single-use plastics completely the same year. Otokar's exemplary environmental practices were recognized with the Environment Prize at the Stars of Sakarya Awards Ceremony organized by the Sakarya Chamber of Commerce and Industry in December 2023.

Otokar reduced its impact on climate change by offsetting the carbon footprint of its booth at the Busworld Fair on press day on October 6, 2023, along with the participants' travel emissions and press conference activity through Net Zero Climate Investments.

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 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 considers low carbon economy and stakeholder expectations.

Transportation is a major contributor to 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.

Otokar, committed to expanding its zero-emission vehicles, introduced Kent Hydrogen, its first bus powered by hydrogen fuel cell technology, to its product lineup in 2023. Another addition was the electric e-Territo bus, developed specifically to operate in the zero-emission zones in Europe, which was unveiled at the Busworld Fair in Belgium. The electric autonomous e-Centro bus, featuring Level 4 autonomous driving technology, was also added to the product range in 2023. The vehicle was used for shuttling the visitors during the fair in Belgium.

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, 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 fosters 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:

Guided by 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.

In 2023, Otokar continued to raise awareness within the organization as part of its diversity, equality and inclusion activities. The infrastructure required to employ women was completed, and the company began to recruit female field workers. Furthermore, the necessary adjustments have been made in the workplace to improve the comfort and safety of the employees with disabilities.

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 ethics violations they may witness using the available mechanisms. Reporting of such violations is treated in strict confidence. Otokar has implemented a Whistleblowing 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 Türkiye, 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 fosters 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 2023, Otokar employees took 102,845 person*hours of training across 900 topics.

Suggestion system: Fostering the development of 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

SOCIAL INDICATORS

3,580 Total Workforce	5% Female Employment Ratio	100% Unionization Ratio of Field Employees	6.81 Injury Rate	37,243 PERSON*HOURS OHS Training	102,845 PERSON*HOURS Total Training
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work environment where this can be possible through a number of practices. Accordingly, the company organizes various events and activities to enhance the social life of the employees and strengthen interpersonal communication. For this purpose, employee clubs also organize 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 2023, total OHS training time amounted to 37,243 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 STRIVES TO MOTIVATE AND CONTINUOUSLY DEVELOP ITS HUMAN RESOURCE, RECOGNIZING THAT ENSURING EMPLOYEE HAPPINESS AND LOYALTY LEADS TO SUCCESS IN PROFESSIONAL LIFE.

Otokar embraces a people-centric management approach creates a fair and equal work environment where employee rights are upheld and protected. Work life at Otokar is shaped around the fundamental 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 2023, the number of Otokar employees totaled 3,580. In 2023, 209 new office employees started working at Otokar, including 90 employed as engineers at the R&D Center. As a result, the number of R&D employees reached 691.

In 2023, Otokar received 15,514 applications for field jobs and recruited 1,902 field workers as a result of 3,673 job interviews. On the other hand, 884 field workers' employment status changed from fixed term to indefinite term.

During the year, 17 Otokar employees took a new step in their career journeys by joining the rotation program within the group. In 2023, 177 high school students and 38 vocational junior college students were recruited as interns. Those who completed the Vocational Junior College Internship Program were employed at Otokar.

As the activities to strengthen the employer brand continued in 2023, several university students visited the Otokar plant. The recruitment team

102,845

HOURS OF TRAINING ON 900 TOPICS

also participated in-person and online events to introduce Otokar to young talents.

Otokar was recognized by SATSO with an award in 2023 as the employer to provide the highest number of jobs with social security in the province of Sakarya. The company expanded its candidate pool by participating in İŞKUR's Disability Day and created jobs for 70 people with disabilities in 2023.

TRAINING PROGRAMS

Otokar continuously strives to develop its human resource. Based on the OtoRota online training and development catalogue, which contains 14 personal development and nine technical training themes, 34 group training sessions were planned, reaching 529 Otokar employees. 900 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 102,845 hours. Furthermore, Vocational Qualification Certificates were obtained for 460 field workers in their respective areas. A "Development Journey" training was provided for the newly recruited employees. Otokar employees also took various training courses delivered by in-house trainers throughout 2023 and benefited from individual coaching support.

OCCUPATIONAL HEALTH AND SAFETY

Otokar regards its human resource 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 at the factory site, whether for work, internship or a visit. As a result of the 168 field inspections conducted throughout the year, 2,056 corrective actions were implemented and duly reported to the senior management in 2023. 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. During the year, Otokar held 12 Occupational Health and Safety Committee meetings and six Contractor Occupational Safety Committee

meetings. Furthermore, 37,243 hours of occupational health and safety training was delivered to Otokar employees in 2023. The incident rate was 6.81 in one million hours.

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 employees' work/life balance. Employee clubs, which support the employees' social life and foster employee engagement, also promote socialization outside the work setting. In 2023, these clubs organized 25 activities.

INVESTOR RELATIONS



OTOKAR STRIVES TO CONTINUOUSLY INCREASE SHAREHOLDER VALUE THROUGH SUSTAINABLE GROWTH, CONSISTENT DIVIDEND DISTRIBUTION AND WORLD-CLASS INVESTOR RELATIONS AND 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 the 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 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 15 online and four in-person meetings, and 57 conference calls 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 submitted the report on its 2023 activities to the Board of Directors on March 4, 2023.

GENERAL ASSEMBLY

The company's Ordinary General Assembly will convene to review 2023 activities on Wednesday, March 27, 2024 at 2.00 p.m. 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, Dividend 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),

9.56

OTOKAR'S CORPORATE GOVERNANCE RATING

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, 2023 with a material disclosure, Otokar's Corporate Governance Rating measured by SAHA Kurumsal Yönetim ve Derecelendirme Hizmetleri A.Ş. (SAHA) rose to 95.60 (9.56 out of 10).

CREDIT RATING

In 2023, 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," and Long-Term International Rating (local and foreign currency rating) as "BB" and outlook as "Negative."

COMPANY SHARES

Otokar Otomotiv ve Savunma Sanayi A.Ş. shares have been traded on Borsa İstanbul since April 24, 1995 with ticker symbol "OTKAR". Otokar shares, traded on the Star Board, are also listed in the Corporate Governance and Sustainability Indexes.

As an outcome of Otokar's focus on sustainability and based on the evaluations by Borsa İstanbul, the company has been listed in the BIST Sustainability Index for the eighth

consecutive term. Otokar shares are included in the following indexes: BIST 500, BIST 100, BIST Corporate Governance, BIST Sustainability, BIST Stars, BIST All, BIST Industrial, BIST Metal Equipment Machinery, and BIST 100-30.

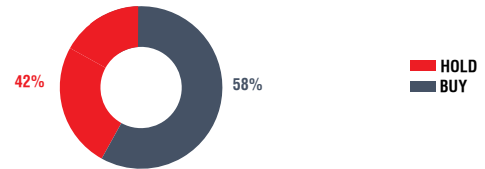
In 2023, BIST 100 rose by 35.60% while Otokar shares were traded at lowest TL 148.10 and highest at TL 467.00, seeing 104.96% increase throughout the year. The company's market capitalization as of December 29, 2023 was TL 51.1 billion.

ANALYST RECOMMENDATIONS

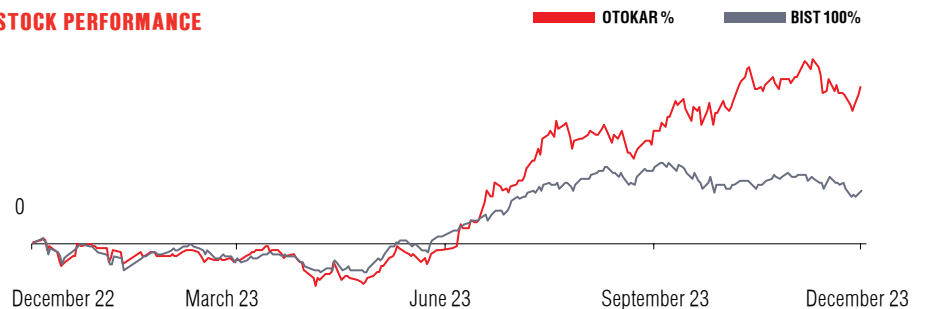
Among the 12 investment firms that actively report on Otokar, seven have recommended BUY and five HOLD, based on their latest reports issued in 2023.

DIVIDEND DISTRIBUTION

The company's Dividend Policy is available on the corporate website and page 34 of this report. 2023 Dividend Distribution proposal can be found on page 35 of this report.

ANALYST RECOMMENDATION

Corporate Governance Rating	Weight	Score
Shareholders	25%	95.92
Public Disclosure and Transparency	25%	96.19
Stakeholders	15%	97.13
Board of Directors	35%	94.30
Total	100%	95.60

STOCK PERFORMANCE

R&D ACTIVITIES



OTOKAR IS DEDICATED TO DELIVERING SUPERIOR PRODUCTS AND SERVICES BY LEVERAGING ITS GLOBAL EXPERTISE, ENGINEERING EXCELLENCE AND ADVANCED R&D AND TECHNOLOGICAL CAPABILITIES.

Otokar remains committed to ongoing innovation, striving to develop cutting-edge products and services that anticipate future needs. 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. In 2023, the R&D spending corresponded to 4% of the company'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 accessible to various other industries and companies.

ALTERNATIVE FUEL VEHICLES

In line with its objectives, Otokar has primarily directed its R&D projects toward alternative fuel vehicles, placing a particular emphasis on electric vehicle development within its long-term strategy. Since 2018 when the research and

4%

SHARE OF R&D SPENDING IN THE COMPANY'S REVENUES

development accelerated in this focus area, the company has successfully commercialized the electric versions of the 12-meter and 18-meter Kent and the 6.6-meter Centro public transportation buses. Furthermore, ongoing projects include the development of electric versions of the e-Territo school bus and Intercity vehicles. Additionally, Otokar is actively engaged in studies focusing on modular design and alternative battery applications aimed at replacing the existing Kent public transportation bus.

Otokar, committed to advancing green mobility solutions for a sustainable future, has intensified its efforts by introducing Kent Hydrogen, its first bus powered by hydrogen fuel cell technology, to its product lineup. Kent Hydrogen operates by utilizing hydrogen, a gas derived from renewable energy and water, which reacts with oxygen in the fuel cell atop the vehicle to generate electricity. This innovative design not only significantly reduces harmful emissions, emitting only water vapor, but also plays a crucial role in enhancing urban air quality. Engineered with plug-in hybrid technology, the vehicle can charge its fuel cell while in motion, thereby extending its range. With the capability to be recharged in under 10 minutes, Kent Hydrogen offers a remarkable range exceeding 600 kilometers.

AUTONOMOUS VEHICLE PROJECT

The electric autonomous e-Centro, equipped with Level 4 driving technology, operates without requiring a human driver. Engineered to

adhere to traffic regulations, this vehicle boasts precise positioning capabilities, ensuring safe navigation. Capable of providing seamless service round-the-clock and in all weather conditions, the autonomous e-Centro effortlessly pulls up to designated stops along its route, facilitating passenger boarding and alighting with utmost efficiency. Otokar showcased its pioneering autonomous vehicle technology with the e-Centro at the Busworld fair in Belgium, where it not only introduced the advancements in public transportation but also provided shuttle services to fair visitors.

MILITARY VEHICLES

Boasting superior design, testing and production capabilities, Otokar quickly responds to the ever-evolving needs and requirements of its clients. With excellent design and development capabilities, Otokar competes with global industry titans.

In 2023, Otokar expanded its portfolio with the introduction of two new products. The R&D team at Otokar designed Arma II to address both conventional combat scenarios and the asymmetric threats often encountered in diverse conflict zones worldwide. Boasting best-in-class ballistic, mine and improvised explosive (IED) protection, Arma II delivers high terrain capability in an optimal combination. Arma II, with a maximum payload of 40 tons and a 720 HP engine, allows for the

integration of heavy weapon systems up to 120 millimeter caliber, along with higher carrying capacity and extensive protection features.

In the process of developing Arma II, Otokar also wanted to take an important step toward reducing Türkiye's dependence on imported land systems and used its own design transfer case and suspension system. Furthermore, locally designed and manufactured subsystems, including the cooling package, were preferred. One of the most important innovations was the option of an Arma II, equipped with a locally produced engine.

Otokar showcased the Mobile Repair and Rescue Vehicle variant of Arma II 8x8 at the IDEF Defense Industry Fair. This versatile vehicle is capable of quickly rescuing the damaged, overturned, sunken tracked and wheeled armored vehicles on the battlefield where it operates, provide all kinds of maintenance, repair and towing services, perform ground leveling and remove obstacles.

In a pioneering move toward unmanned vehicle technology, Otokar unveiled its heavy-class unmanned ground vehicle in 2023, marking a first for Türkiye and garnering high praise at its debut at the IDEF Fair.

Throughout the year, Otokar continued to explore and develop diverse vehicle types and variants across its existing product range.

FUTURE



AS A LEADING TURKISH COMMERCIAL VEHICLE AND DEFENSE INDUSTRY MANUFACTURER, OTOKAR IS COMMITTED TO DRIVING ITS GROWTH NEXT YEAR.

Otokar, Türkiye's prominent commercial vehicle and defense industry manufacturer, stands out with its engineering and R&D capabilities, qualified human resource, flexible production capacity, solutions tailored to client needs, and aftersales services lend to Otokar's global success. As a pioneer of firsts in both the commercial and defense industries, Otokar is fast on track toward becoming a global company. 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, Kazakhstan, and Italy. Otokar is also committed to fostering 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.

In the defense industry, Otokar aims to grow its vehicle park in the export markets and seize opportunities for technology transfer and local production with international partners, and remains committed to contributing to the country's exports for years to come. As a prominent land systems manufacturer, Otokar will pursue its international ambitions by introducing innovative products and services that align with global market demands and user requirements. Moreover, it will diligently extend its product offerings, capabilities, and opportunities to serve the best interests of our nation.

In commercial vehicles, Otokar's main targets include maintaining its leading position in the domestic bus market and growing its vehicle portfolio, particularly in Europe, with its new electric vehicle range. Otokar's zero-emission buses are poised to address the evolving needs of cities worldwide, especially in Europe, where efforts to mitigate the adverse impacts of climate change are underway. The company is dedicated to broadening its range of alternative fuel vehicles, aiming to offer a comprehensive lineup of low and zero-emission options to these markets. In the logistics sector, Otokar plans to expand its Atlas truck product family with new models, grow its market share domestically while fostering growth in the European market.







CORPORATE

GOVERNANCE

CORPORATE GOVERNANCE

LEGAL DISCLOSURES

Reporting Period:

01.01.2023 - 31.12.2023

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 120,000,000

Shareholder	Share (TL)	Share (%)	Votes	Votes (%)
Koç Holding A.Ş.	53,613,749	44.68	5,361,374,905	44.68
Ünver Holding A.Ş.	29,774,719	24.81	2,977,471,915	24.81
Free Float	36,611,532	30.51	3,661,153,180	30.51
Total	120,000,000	100.00	12,000,000,000.00	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.

In 2023, the issued capital of the Company was increased by TL 96,000,000 to TL 120,000,000, fully covered by own assets.

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. Each share in the nominal value of Kr 1 has one vote.

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 / T: +90 216 489 29 50

Factory Address:

Atatürk Caddesi No. 6
54580 Arifiye-Sakarya / T: +90 264 229 22 44

Website:

www.otokar.com.tr

CORPORATE GOVERNANCE

LEGAL DISCLOSURES

Organizational Changes within the Year:

No materially significant organizational change took place within the reporting period.

Legal Actions Taken and Lawsuits Filed Against the Company that Could Materially Affect the Company's Financial Standing and Activities, and the Potential Implications:

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 2023:

There were no private or public audits completed in 2023.

Administrative and Legal Sanctions Imposed on the Company or the Board Members due to Regulatory Non-compliance:

No administrative and legal sanctions have been imposed on the Company or the Board Members due to regulatory non-compliance:

Implementation of the Ordinary General Assembly Resolutions:

The resolutions reached at the Ordinary General Assembly on March 13, 2023 have been implemented.

Extraordinary General Assembly Meetings Held Within the Year:

None.

Amendments to the Articles of Association within the Reporting Period:

"Article 7 – Capital" in the Articles of Association was amended due to the increase of the Company's capital to TL 120,000,000.

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 120,000,000 of Otokar Otomotiv ve Savunma Sanayi A.Ş. is preserved with TL 8,303,143,000 in shareholder's equity as of 31.12.2023 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 1.12.

CORPORATE GOVERNANCE

2023 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 March 4, 2024. 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 note 28 to 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 March 1, 2024: "The Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.Ş. reached the conclusion that, in all transactions conducted in 2023 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 2023 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 2023 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.

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 95.60 (9.56 over 10) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., as announced in our material disclosure on 23.03.2023. The Corporate Governance Rating Report can be found on the corporate website at www.otokar.com.

DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Otokar recognizes 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 2023, as well as compliance with the majority of the non-mandatory principles. While full compliance with the non-mandatory principles is ultimately targeted, due to the challenges encountered in the implementation of some principles, ongoing discussions in Türkiye 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 300,000, 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 company 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

Given the effective functioning of the Board, an urgent need to define such a period is not apparent, but this topic may be revisited in the times to come.

- 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 multiple committees. 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 180-193) and the relevant documents can also be accessed in the Company's corporate governance page on the Public Disclosure Platform.

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 Leader)

In 2023, the Investor Relations Department held 15 online and 4 in-person meetings and 57 conference calls, 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 2023, call to meeting and meeting minutes were carried out in compliance with applicable regulations, articles of association and other relevant company bylaws.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

All kinds of public disclosure obligations required by the regulations, such as financial reporting and disclosing of material situations to the public, are fulfilled by the Investor Relations Department. In 2023, 75 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.

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 2023 was evaluated by the Corporate Governance Committee and the Board of Directors on March 4, 2024.

The company acts diligently to ensure compliance with legislation in satisfying investors' demands. In 2023, 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 allocate 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 made available for the shareholders to view 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 2023, 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, 2023, determining them to be independent member candidates. All independent board members submitted their declarations of independence to the Corporate Governance Committee, and in the 2023 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%.

The table on page 76 provides an overview of the current Board members, elected at the General Assembly on March 13, 2023 to serve until the next General Assembly meeting to review the 2023 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 32-33 of the Annual Report.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

Full Name	Title	Independence	First Elected to BoD	Term	Committee Assignments	External Assignments
Yıldırım Ali KOÇ	Chairman	Not independent	26.03.2015	1 Year		Vice Chairman - Koç Holding A.Ş., Chairman, Board Member and Committee Member at multiple Koç Group Companies
Selin Ayla ÜNVER	Vice Chair	Not independent	22.10.2018	1 Year		Ünver Holding A.Ş. Chairwoman
Levent ÇAKIROĞLU	Member	Not independent	26.03.2015	1 Year	Corporate Governance Committee - Member	CEO and Board Member - Koç Holding A.Ş., Chairman, Board Member and Committee Member at multiple Koç Group Companies
Haydar YENİGÜN	Member	Not independent	21.03.2022	1 Year	Risk Management Committee - Member	Board Member and Committee Member at multiple Koç Group Companies
İsmail Cenk ÇİMEN	Member	Not independent	18.03.2019	1 Year		Board Member and Committee Member at multiple Koç Group 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 circulating them per article 390, paragraph 4 of the Turkish Commercial Code. The Board of Directors passed 25 resolutions in 2023. Furthermore, the Board convened three times with all members in attendance to address strategic matters and discuss the company's position and activities.

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 40 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

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.

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 specified for audit committees in the Capital Markets Legislation.

The Board of Directors resolved on April 4, 2023 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 2023, 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 2023.

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 4, 2023 that the Corporate Governance Committee be composed of three members and that the independent Board member Ali İhsan İlbahar 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 2023 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 2023, 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 2023.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

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 4, 2023 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 2023, 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 2023 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 2023. The report presented by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. on February 26, 2024 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

BOARD SKILLS MATRIX

TENURE ON THE COMPANY’S BOARD OF DIRECTORS



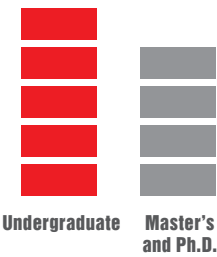
PROFESSIONAL EXPERIENCE



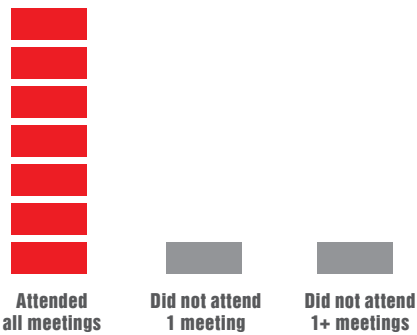
CITIZENSHIP / RESIDENCE



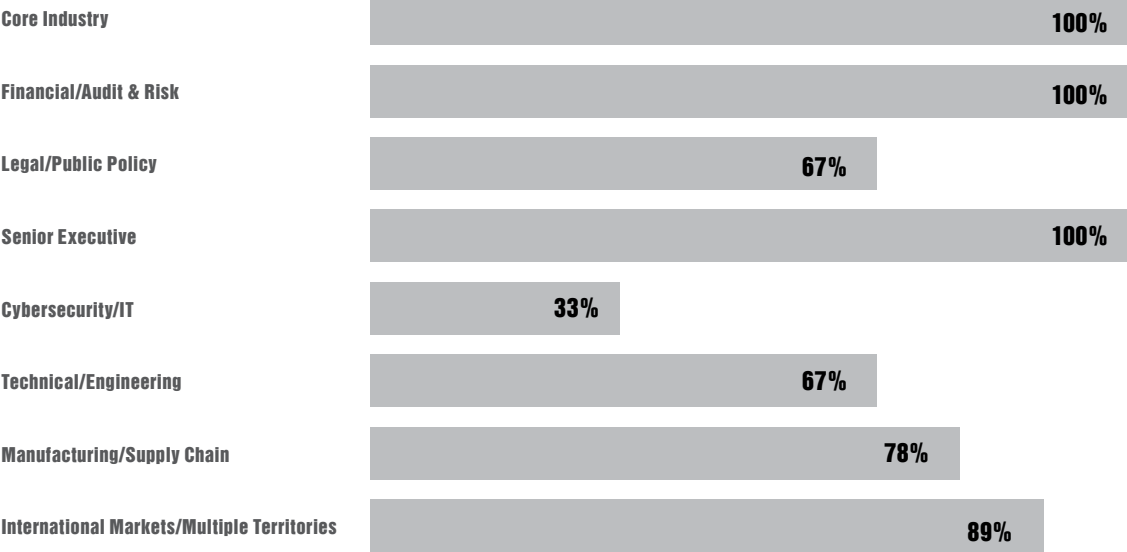
EDUCATION LEVEL



PARTICIPATION RATE IN MEETINGS



SKILLS



Appraisal criteria are based on Glass Lewis Board Skills Matrix.

CORPORATE GOVERNANCE

MEMBERS OF THE BOARD OF DIRECTORS AND THE COMMITTEES

Board of Directors	Title	Term Start	Term End
Yıldırım Ali Koç	Chairman	3/13/2023	3/27/2024
Selin Ayla Ünver	Vice Chair	3/13/2023	3/27/2024
Levent Çakıroğlu	Member	3/13/2023	3/27/2024
Haydar Yenigün	Member	3/13/2023	3/27/2024
İsmail Cenk Çimen	Member	3/13/2023	3/27/2024
Ahmet Serdar Görgüç	Member - General Manager	3/13/2023	3/27/2024
Ali İhsan İlkbahar	Independent Member	3/13/2023	3/27/2024
Ali İhsan Kamanlı	Independent Member	3/13/2023	3/27/2024
Kenan Güven	Independent Member	3/13/2023	3/27/2024
Audit Committee	Title	Term Start	Term End
Kenan Güven	Chairman	3/13/2023	3/27/2024
Ali İhsan Kamanlı	Member	3/13/2023	3/27/2024
Corporate Governance Committee	Title	Term Start	Term End
Ali İhsan İlkbahar	Chairman	3/13/2023	3/27/2024
Levent Çakıroğlu	Member	3/13/2023	3/27/2024
Hüseyin Odabaş	Member	3/13/2023	3/27/2024
Risk Management Committee	Title	Term Start	Term End
Kenan Güven	Chairman	3/13/2023	3/27/2024
Haydar Yenigün	Member	3/13/2023	3/27/2024

- 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 the annual reports and the company's corporate website (www.otokar.com).
- The compensations provided to Senior Executives in 2023 have been included in note 28 to the financial statements for the 2023 fiscal year.
- Detailed information on committees and their operating principles have been provided on pages 76-77 of the annual report and the company's corporate website (www.otokar.com).
- As stated in Board Resolution no. 2024/09, the Board of Directors has been briefed on the activities of the Board Committees in 2023.
- In 2023, the Audit Committee convened 7 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 32-33.

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 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.



Mustafa Kerem Erman / Assistant General Manager – Commercial Vehicles

Mustafa Kerem Erman, graduated from the Faculty of Business Administration at Boğaziçi University in 1995 and earned Executive MBA degree from ESSEC Business School in 2002. Mr. Erman started his professional career in 1995 at GM Packard Electric and Electronic Architecture Systems as Factory Finance Manager. Afterwards he worked as Internal Auditor at Delphi Chassis Systems in France, as Finance Director at Delphi Powertrain Division in France, as Country Director at Delphi Diesel Systems in Türkiye, as Country Director at Delphi Diesel Systems in France, as 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 working as Assistant General Manager responsible for Commercial Vehicles, at Otokar since 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.

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 jeopardize the company's existence, 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 Koç Group's Risk Policies.

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. The company's policies are followed for short-term and long-term borrowing. 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 for future readiness. These risks are related to products, customers, competitors, the brand, the market, industry, management and managing transformation.

CORPORATE GOVERNANCE

RISK MANAGEMENT AND ACTIVITIES OF THE RISK COMMITTEE

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.

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, earthquakes and fires are included in this category.

Operational risks are monitored and managed by the relevant internal functions. 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 2023, 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 regularly 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.

The accounting records and financial 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 "2023 Otokar Audit Activities" report prepared by the Internal Audit Department.

Otokar Otomotiv ve Savunma Sanayi A.Ş. has not completed any special or public audits in 2023.

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 2023. 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>

More information on the structure and activities of the Committees is provided in the "Corporate Governance Practices" section of this report (See pages 76-77)

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 Sustainability Practices. 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 2023 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. The Scope 1-2-3 emissions for 2022 have been accredited by BVQI (Bureau Veritas). Calculations were also made with Carbon Trust in accordance with the GHG standard. Otokar started to work on setting targets in line with the Science Based Targets initiative (SBTi) in 2022. Pending SBTi's revision of the automotive industry guidelines, Otokar plans to apply for approval of its target commitments in 2024 without waiting for the publication of the guidelines.

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 85-91), 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 (pp. 52-53) Sustainability Report (pp. 12-13) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
	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.	www.otokar.com.tr/surdurulebilirlik
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 Declaration of Compliance with Sustainability Principles Section (p. 86)
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. 52)
	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 (pp. 52-54) Sustainability Report (p. 9)
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. 52-54) Sustainability Report https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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. 53) Sustainability Report https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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. 56-57) Sustainability Report https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr

CORPORATE GOVERNANCE

DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

		COMPLIANCE STATUS					
		YES	NO	PARTIAL	N/A	EXPLANATION	REPORT/LINK WHERE RELATED INFORMATION IS DISCLOSED PUBLICLY
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. 52-59)
A3.2	It should provide information as to with which of the United Nations (UN) 2030 Sustainability Development Goals its activities are related.	X				Otokar publicly discloses its activities in areas identified as material sustainability issues through annual and sustainability reports and provides information about how the relevant KPIs are connected to different SDGs.	Annual Report Sustainability Section (p. 53) Sustainability Report (p. 13) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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 Consolidated Financial Statements (p. 71)
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 Declaration of Compliance with Sustainability Principles Section (pp. 86)
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. 55) Sustainability Report (p. 36) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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.	Information on the environmental reporting scope, period and limitations is provided in the Sustainability Reports.
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. 55) Sustainability Report (pp. 43-52) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr

CORPORATE GOVERNANCE

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. (p. 53) Sustainability Report (p. 13) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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. 55) Sustainability Report (p. 20) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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 TÜSIAD. Furthermore, ISO and TÜSIAD 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. 55) Sustainability Report (p. 14 member associations) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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 2023 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. The Scope 1-2-3 emissions for 2022 have been accredited by BVQI (Bureau Veritas). Calculations were also made with Carbon Trust in accordance with the GHG standard. Otokar started to work on setting targets in line with the Science Based Targets initiative (SBTi) in 2022. Pending SBTi's revision of the automotive industry guidelines, Otokar plans to apply for approval of its target commitments in 2024 without waiting for the publication of the guidelines	Annual Report Sustainability Section (p. 55) Sustainability Report (pp. 3-35-38) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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. 54) Sustainability Report (pp. 1,50) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr

CORPORATE GOVERNANCE

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. 55) Sustainability Report (pp. 37-38-43) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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 (pp. 86)
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 (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.	Annual Report Sustainability Section (p. 56) Sustainability Report (p. 35) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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 (p. 57) Sustainability Report (p. 23) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
	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 (pp. 55-56) Sustainability Report (p. 20) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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.	Annual Report Declaration of Compliance with Sustainability Principles Section (p. 86)
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 Sustainability Section (p. 56-57) Sustainability Report (pp. 43-51) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
B17	Should provide information about electricity, heat, steam and cooling generated and consumed in the reporting year.	X					Annual Report Sustainability Section (p. 56-57) Sustainability Report (p. 43) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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 Sustainability Section (p. 56-57) Sustainability Report (pp. 3-38-43) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
B19	Should conduct energy efficiency projects, and disclose the resulting reduction in energy consumption and emission due to its projects.	X					Annual Report Sustainability Section (p. 56-57) Sustainability Report (p. 43) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr

CORPORATE GOVERNANCE

DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

		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 Sustainability Section (p. 56-57) Sustainability Report (p. 38) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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 Sustainability Section (pp. 56-57) Sustainability Report (pp. 3-39-43) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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. 86)
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. 86)
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. 86)
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 (p. 54) Sustainability Report https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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 Türkiye, 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.	www.otokar.com.tr/etik-ilkeler-ve-uyum-politikalari/etik-ilkeler-ve-uyum-politikalari
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. 58) Sustainability Report (pp. 11-20) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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 (p. 57) Sustainability Report (p. 20) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr https://www.otokar.com.tr/etik-ilkeler-ve-uyum-politikalari/etik-ilkeler-ve-uyum-politikalari

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.	www.otokar.com.tr/surdurulebilirlik/ www.otokar.com.tr/etik-ilkeler-ve-uyum-politikalari www.otokar.com.tr/insan-kaynaklari-kariyer/
	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.	www.otokar.com.tr/surdurulebilirlik/ www.otokar.com.tr/etik-ilkeler-ve-uyum-politikalari
	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. 57-61) Sustainability Report (pp. 28-29) https://www.otokar.com.tr/etik-ilkeler-ve-uyum-politikalari
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/surdurulebilirlik/is-sagligi-ve-guvenligi-politikasi
	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. 59-61) Sustainability Report (p. 33) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000a6c1/otokar-sr-tr
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.	www.otokar.com.tr/etik-ilkeler-ve-uyum-politikalari
C1.8	Should formulate and disclose its ethics policy.	X				Otokar Code of Ethics is published on the corporate website.	www.otokar.com.tr/etik-ilkeler-ve-uyum-politikalari
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	https://www.otokar.com.tr/getmedia/56472490-c34a-4aa5-8832-24a9d3c7bee0/otokar_toplumsal-yatirim-politikasi-28092021
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. 59-60) https://www.otokar.com.tr/getmedia/99994f0b-5b18-4709-a056-57c137972b5a/ofr-2022-tr-final Sustainability Report (p. 11)
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.	Annual Report Sustainability Section (p. 59) Sustainability Report (p. 26) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000a6c1/otokar-sr-tr www.otokar.com.tr/surdurulebilirlik/musteri-memnuniyeti-politikasi

CORPORATE GOVERNANCE

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. 14) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
C2.3	Should disclose international reporting standards it has adopted.	X				In sustainability reporting, GRI Standards are taken as basis.	Annual Report Sustainability Section (p. 54) Sustainability Report (pp. 1-50) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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. 55) Sustainability Report (p. 36) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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. 53) Sustainability Report (p. 12) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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. 53) Sustainability Report (p. 13) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr
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, 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.	Annual Report Sustainability Section (p.55) Sustainability Report (p. 40, 41, 42) https://www.otokar.com.tr/getmedia/03132b39-432f-4a75-8a83-b6c51000aec1/otokar-sr-tr

CORPORATE GOVERNANCE

RESPONSIBILITY STATEMENT FOR FINANCIAL STATEMENTS

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: 26.02.2024

RESOLUTION NUMBER: 2024/03

Regarding the consolidated financial statements pertaining to the period from 01.01.2023 to 31.12.2023, which were prepared by the company and independently audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Financial Reporting Standards (TFRS) and formats determined by the Capital Markets Board (CMB) in accordance with the CMB's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1, and pursuant to the resolution dated 28.12.2023 on the implementation of inflation accounting, 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 MARKETS 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: 04.03.2024

RESOLUTION NUMBER: 2024/09

The 2023 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 2023, 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 CMB's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1, and pursuant to the resolution dated 28.12.2023 on the implementation of inflation accounting 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 2023 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

26/02.2024

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 2023**



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, 2023, 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, 2023, 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) 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 2023**

Key audit matter	Audit procedures in relation to key audit matter
<p>Trade receivables recoverability and impairment</p> <p>Trade receivables are considered as a significant balance sheet item since they represent 28% 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, 2023, there is impairment amounting to TRY 229,199 thousand on trade receivables amounting to TRY 9,282,004 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 9.</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 2023

Application of the hyperinflationary accounting	
<p>As stated in 2 to the consolidated financial statements, the Group has started to apply “TAS 29 Financial Reporting in Hyperinflation Economies” since the functional currency of the Group (Turkish Lira) is the currency of a hyperinflationary economy as per TAS 29 as of December 31, 2023.</p> <p>In accordance with TAS 29, consolidated financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of Turkish Lira as of the reporting date.</p> <p>In accordance with the guidance in TAS 29, the Group utilized the Turkey consumer price indices to prepare inflation adjusted financial statements. The principles applied for inflation adjustment is explained in 2.</p> <p>Given the significance of the impact of TAS 29 on the reported result and financial position of the Group, we have assessed the hyperinflation accounting as a key audit matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> - We inquired management responsible for financial reporting on the principles, which they have considered during the application of TAS 29, identification of non-monetary accounts and tested TAS 29 models designed, - We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations, - We have audited the restatements of corresponding figures as required by TAS 29, <p>We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29</p>

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2023**

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, 2023 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 2023

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 2023

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 February 26, 2024.
- 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 2023 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, Partner
26 February 2024

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 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	(Audited) 31 December 2023	(Audited) 31 December 2022
Assets			
Current assets			
Cash and cash equivalents	5	6,835,775	2,754,110
Financial investments	12	-	98,864
Trade receivables	9	8,560,713	6,852,919
<i>Due from related parties</i>	28	3,314,735	2,688,756
<i>Due from other parties</i>	9	5,245,978	4,164,163
Other receivables	10	4,254	1,493
Inventories	11	7,430,298	7,164,857
Derivative financial instruments	8	-	4,037
Prepaid expenses	18	168,667	208,517
Other current assets	18	1,092,680	1,194,651
Total current assets		24,092,387	18,279,448
Non-current assets			
Trade receivables	9	492,092	1,206,075
Other receivables	10	8,941	8,662
Investments accounted for using the equity method	6	85,357	397,192
Financial investments	12	28,687	18,835
Property, plant and equipment	13	2,996,901	2,371,806
Right of use assets	13	101,710	128,083
Intangible assets	14	3,873,713	3,997,440
<i>Goodwill</i>	3	45,257	-
<i>Other intangible assets</i>	14	3,828,456	3,997,440
Deferred tax asset	3	778,378	33,693
Prepaid expenses	14	26,511	119,462
Other non-current assets	25	-	71,630
Total non-current assets		8,392,290	8,352,878
Total assets		32,484,677	26,632,326

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 2023 AND 2022**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	(Audited) 31 December 2023	(Audited) 31 December 2022
Liabilities			
Current liabilities			
Short-term borrowings	7	12,997,797	8,465,044
<i>Bank loans</i>	7	12,939,189	8,413,900
<i>Short-term lease liabilities</i>	7	58,608	51,144
Short-term portion of long-term borrowings	7	826,601	1,828,009
<i>Bank Loans</i>	7	748,465	1,828,009
<i>Issue of debt instruments</i>	7	78,136	-
Trade Payables	9	4,098,863	3,653,383
<i>Due to related parties</i>	28	556,649	362,896
<i>Due to other parties</i>	9	3,542,214	3,290,487
Derivative financial instruments	8	25,853	-
Employee benefit obligations	18	410,203	325,310
Other payables	10	35,296	45,911
Current income tax liabilities	25	21,069	-
Liabilities from customer contracts	18	772,202	943,999
Government incentives and grants	15	4,163	4,747
Short-term provisions	17	1,652,472	1,212,394
<i>Provisions for employee benefits</i>	17	109,137	81,213
<i>Other provisions</i>	16	1,543,335	1,131,181
Other current liabilities	18	63,523	55,175
Total current liabilities		20,908,042	16,533,972
Non-current liabilities			
Long-term borrowings	7	2,308,095	2,143,058
<i>Bank loans</i>	7	716,426	2,063,062
<i>Long-term lease liabilities</i>	7	91,669	79,996
<i>Issue of debt instruments</i>	7	1,500,000	-
Government incentives and grants	15	19,963	31,098
Long-term provisions	17	335,003	517,514
<i>Provisions for employee benefits</i>	17	335,003	517,514
Liabilities from customer contracts	18	610,431	879,497
Total non-current liabilities		3,273,492	3,571,167
Total liabilities		24,181,534	20,105,139
Equity			
Paid-in share capital	19	120,000	24,000
Inflation adjustment on share capital	19	1,195,090	1,229,245
Restricted reserves	19	955,136	955,136
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	19	(334,420)	(246,329)
<i>Defined benefit plans remeasurement losses</i>		(334,420)	(246,329)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(790,194)	(686,279)
<i>Currency translation differences</i>		(790,194)	(686,279)
Retained earnings	19	5,189,569	3,233,334
Net profit for the period	19	1,967,962	2,018,080
Total equity		8,303,143	6,527,187
Total liabilities and equity		32,484,677	26,632,326

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 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

		(Bağımsız denetimden geçmiş) 1 Ocak - 31 Aralık 2023	(Bağımsız denetimden geçmiş) 1 Ocak - 31 Aralık 2022
	Notlar		
Revenue	20	27,238,881	17,818,972
Cost of sales (-)	20	(20,932,034)	(13,772,811)
GROSS PROFIT (LOSS)		6,306,847	4,046,161
Marketing expenses (-)	21	(3,653,742)	(2,485,267)
General administrative expenses (-)	21	(1,171,033)	(948,626)
Research and development expenses (-)	21	(739,906)	(545,125)
Other operating income	23	4,526,033	2,719,485
Other operating expenses (-)	23	(2,776,154)	(1,504,940)
OPERATING PROFIT (LOSS)		2,492,045	1,281,688
Income from investing activities		3,323	5,553
Share of profit/ (loss) of investments accounted for using the equity method, net	6	(3,079)	339,562
OPERATING INCOME (LOSS) BEFORE FINANCIAL PROFIT (LOSS)		2,492,289	1,626,803
Financial income	24	1,410,259	498,067
Financial expense (-)	25	(5,039,602)	(1,943,508)
Monetary gain/ (loss)		2,595,073	1,990,224
PROFIT (LOSS) BEFORE TAX		1,458,019	2,171,586
Tax income/(expense) from continued operations			
Current tax expense (-)	26	(224,474)	(20,055)
Deferred tax income / (expense)	26	734,417	(133,451)
PROFIT/LOSS FOR THE PERIOD		1,967,962	2,018,080
Items that will not be reclassified to statement of profit or loss			
Actuarial gain / (loss) on employment termination benefit obligation	17	(117,455)	(307,911)
Actuarial loss on post-employment termination benefit obligation, tax effect	26	29,364	61,582
Items that may be reclassified to statement of profit or loss			
Currency translation differences of investments accounted for using the equity method		74,926	126,261
Currency translation differences		(178,841)	(241,765)
Other comprehensive income		(192,006)	(361,833)
TOTAL COMPREHENSIVE INCOME		1,775,956	1,656,247
Earnings per share (Kır)	27	16.399	16.817

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 2023 AND 2022**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, 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 bene- fit plans	Currency translation differences	Retained earnings	Net income for the period	Total equity
1 January 2022 – 31 December 2022								
Beginning of the period	24,000	1,229,245	852,662	-	(570,775)	4,437,806	-	5,972,938
Transfers	-	-	102,474	-	-	(102,474)	-	-
Dividends paid	-	-	-	-	-	(1,101,998)	-	(1,101,998)
Total comprehensive income	-	-	-	(246,329)	(115,504)	-	2,018,080	1,656,247
End of the period	24,000	1,229,245	955,136	(246,329)	(686,279)	3,233,334	2,018,080	6,527,187
1 January 2023 – 31 December 2023								
Beginning of the period	24,000	1,229,245	955,136	(246,329)	(686,279)	3,233,334	2,018,080	6,527,187
Transfers	-	-	-	-	-	2,018,080	(2,018,080)	-
Capital increase	96,000	(34,155)	-	-	-	(61,845)	-	-
Total comprehensive income	-	-	-	(88,091)	(103,915)	-	1,967,962	1,775,956
End of the period	120,000	1,195,090	955,136	(334,420)	(790,194)	5,189,569	1,967,962	8,303,143

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 CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	(Audited) 1 January - 31 December 2023	(Audited) 1 January - 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES		789,825	(1,661,435)
Net profit/(loss) for the period		1,967,962	2,018,080
Adjustments to reconcile net profit (loss) for the period to cash flows from operating activities		764,367	1,331,297
Adjustments for depreciation and amortization	13, 14	911,419	689,459
Adjustments in relation to impairment:		204,875	113,343
- Provision for doubtful receivables	9	32,515	66,145
- Provision for inventories	11	172,360	47,198
Adjustments in relation to provision:		1,299,007	1,046,621
- Provision for employee benefits	17	108,638	189,046
- Provision for warranty expenses	16	899,149	568,349
- Adjustments for other provisions		291,220	289,226
Adjustments in relation to interest income and expenses:		2,676,128	1,146,476
- Adjustment in relation to interest income	24	(990,620)	(151,731)
- Adjustment in relation to interest expense	25	3,666,748	1,298,207
Adjustments in relation to unrealised foreign exchange gains and losses		1,152,477	653,398
Adjustments in relation to fair value gains and losses		20,899	1,921
- Fair value losses/(gains) on financial assets		(7,404)	(2,116)
- Fair value losses/(gains) on financial derivative instruments		28,303	4,037
Adjustments for undistributed profits of investments accounted for using equity method		3,079	(339,562)
Adjustments for undistributed profits of joint ventures	6	3,079	(339,562)
Adjustments for tax income/(expenses)		(509,943)	153,506
Adjustments in relation to gains or losses on sales of property, plant and equipment		(3,324)	(5,553)
- Losses / (gains) on sale of property, plant and equipment		(3,324)	(5,553)
Monetary gain/ (loss)		(4,990,250)	(2,128,312)
Changes in net working capital		(1,085,243)	(4,575,111)
Adjustments for increase/decrease in trade receivables		(1,026,326)	(2,105,137)
Adjustments for increase/decrease in inventories		(437,801)	(2,693,134)
Adjustments for increase/decrease in trade payables		445,480	1,862,310
Adjustments for other increase (decrease) in working capital		(66,596)	(1,639,150)
- Increase/(decrease) in other assets related to activities		303,362	(1,194,016)
- Increase/(decrease) in other liabilities related to activities		(369,958)	(445,134)
Cash flows from operations		1,647,086	(1,225,734)
Payments in relation to employee benefits	17	(151,511)	(14,440)
Payments in relation to other provisions	16	(468,264)	(393,190)
Deductions/(payments) in relation to income tax		(203,405)	(20,055)
Other cash collections/(payments)		(34,081)	(8,016)
CASH FLOWS FROM INVESTING ACTIVITIES		(139,965)	(1,666,121)
Cash outflows for the acquisition of shares of other businesses or funds or debt instruments	3	(2,585)	-
Cash outflows for the acquisition of shares of other businesses or funds or debt instruments		(2,034)	(16,477)
Proceeds from sale of property, plant and equipment and intangible assets		4,637	9,506
- Proceeds from sale of property, plant and equipment		4,637	9,506
Cash outflows due to purchase of property, plant and equipment and intangible assets		(1,300,554)	(2,136,544)
- Purchase of property, plant and equipment	13	(854,963)	(600,878)
- Purchase of intangible assets	14	(445,591)	(1,535,666)
Dividends received	6	228,013	334,995
Interest received		932,558	142,399
CASH FLOWS FROM FINANCING ACTIVITIES		5,934,390	5,366,176
Cash inflow from due to borrowings		33,550,171	17,302,574
- Proceeds from bank borrowings	7	33,550,171	17,302,574
Cash outflow due to repayment of borrowings		(24,994,794)	(8,982,404)
- Repayments of borrowings	7	(24,994,794)	(8,982,404)
Cash outflows related to loan payments arising from lease agreements	7	(53,924)	(13,021)
Dividends paid		-	(1,101,998)
Interest paid		(2,665,927)	(1,740,111)
Other cash collections/(payments)		98,864	(98,864)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		6,584,250	2,038,620
Currency translation difference on cash and cash equivalents		(463,362)	(331,841)
Effect of monetary loss on cash and cash equivalents		(2,093,529)	(707,441)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,027,359	999,338
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	2,744,784	1,745,446
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	6,772,143	2,744,784

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 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, 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/İstanbul

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 Italia S.R.L.	Italy	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 2023		31 December 2022	
	Period end	Average	Period end	Average
Total personnel number	3,580	3,069	2,942	2,437

The consolidated financial statements for the year ended 31 December 2023 were authorized for issue and signed by the Board of Directors of Otokar on 26 February 2024. The accompanying consolidated financial statements may be amended by the General Assembly.

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 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

Otokar is registered to the Capital Market Board ('CMB') and its shares are listed on the Borsa İstanbul A.Ş. ('BIST') since 1995. As of 31 December 2023, 27.85% of the shares are quoted on the BIST.

As of 31 December 2023, 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 4 October 2022.

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

2.1 Basis of presentation of consolidated financial statements (Continued)

The Company and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, with the required adjustments and reclassifications including those related to changes in purchasing power reflected for the purpose of fair presentation in accordance with the TFRS.

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, with the required adjustments and reclassifications including those related to changes in purchasing power reflected for the purpose of fair presentation in accordance with the TFRS.

Financial reporting in hyperinflationary economy

Entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023 with the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on 23 November 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

The accompanying financial statements are prepared on a historical cost basis, except for financial investments measured at fair value and investment properties measured at revalued amounts.

Financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish lira and, as a result, are expressed in terms of purchasing power of Turkish lira as of 31 December 2023 as per TAS 29.

On the application of TAS 29, the entity used the conversion coefficient derived from the Customer Price Indexes (CPI) published by Turkey Statistical Institute according to directions given by POA. The CPI for current and previous year periods and corresponding conversion factors since the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e., since 1 January 2005, were as follow:

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

2.1 Basis of presentation of consolidated financial statements (Continued)

Year-end	Index	Index, %	Conversion Factor
2004	113.86	13.86	16.33041
2005	122.65	7.72	15.16005
2006	134.49	9.65	13.82541
2007	145.77	8.39	12.75557
2008	160.44	10.06	11.58925
2009	170.91	6.53	10.87929
2010	181.85	6.40	10.22480
2011	200.85	10.45	9.25756
2012	213.23	6.16	8.72007
2013	229.01	7.40	8.11921
2014	247.72	8.17	7.50597
2015	269.54	8.81	6.89835
2016	292.54	8.53	6.35599
2017	327.41	11.92	5.67906
2018	393.88	20.30	4.72068
2019	440.50	11.84	4.22107
2020	504.81	14.60	3.68333
2021	686.95	36.08	2.70672
2022	1128.45	64.27	1.64773
2023	1859.38	64.77	1.00000

Assets and liabilities were separated into those that were monetary and non-monetary, with non-monetary items were further divided into those measured on either a current or historical basis to perform the required restatement of financial statements under TAS 29. Monetary items (other than index -linked monetary items) and non-monetary items carried at amounts current at the end of the reporting period were not restated because they are already expressed in terms of measuring unit as of 31 December 2023. Non-monetary items which are not expressed in terms of measuring unit as of 31 December 2023 were restated by applying the conversion factors. The restated amount of a non-monetary item was reduced, in accordance with appropriate TFRSs, in cases where it exceeds its recoverable amount or net realizable value. Components of shareholders' equity in the statement of financial position and all items in the statement of profit or loss and other comprehensive income have also been restated by applying the conversion factors.

Non-monetary items measured at historical cost that were acquired or assumed and components of shareholders' equity that were contributed or arose before the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e. before 1 January 2005, were restated by applying the change in the CPI from 1 January 2005 to 31 December 2023.

The application of TAS 29 results in an adjustment for the loss of purchasing power of the Turkish lira presented in Net Monetary Position Gains (Losses) item in the profit or loss section of the statement of profit or loss and comprehensive income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position is derived as the difference resulting from the restatement of non-monetary items, owners' equity and items in the statement of profit or loss and other comprehensive income and the adjustment of index linked assets and liabilities.

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

2.1 Basis of presentation of consolidated financial statements (Continued)

In addition, in the first reporting period in which TAS 29 is applied, the requirements of the Standard are applied as if the economy had always been hyperinflationary. Therefore, the statement of financial position at the beginning of the earliest comparative period, i.e. as of 1 January 2022, was restated as the base of all subsequent reporting. Restated retained earnings/losses in the statement of financial position as of 1 January 2022 was derived as balancing figure in the restated statement of financial position.

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 recognized 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 2023 are consistent with those used in the preparation of financial statements for the year ended 31 December 2022.

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 Amendments in Turkish Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2023 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, 2023 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

i) **The new standards, amendments and interpretations which are effective as of January 1, 2023 are as follows (continued):**

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

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 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 recognized 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.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023. The amendments did not have a significant impact on the financial position or performance of the Group.

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.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

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. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA.

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 2021 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.

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

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

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

iii) Standards issued but not yet effective and not early adopted (continued)

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 recognize 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 recognized 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 amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

Overall, the Group expects no significant impact on its balance sheet and equity.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to IAS 21 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 21 - Lack of exchangeability

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

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

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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

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 2023, 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 2023 and 2022:

Subsidiaries	2023		2022	
	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
Otokar Italia S.R.L	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.

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 2023 and 2022:

Joint ventures	2023		2022	
	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.

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

2.4 Summary of significant accounting policies (Continued)

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:

- (a) Identification of customer contracts,
- (b) Identification of performance obligations,
- (c) Determination of transaction price in the contract,
- (d) Allocation of price to performance obligations,
- (e) Recognition of revenue when the performance obligations are fulfilled.

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

- (a) 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,
- (b) Group can identify each party's rights regarding the goods or services to be transferred,
- (c) Group can identify the payment terms for the goods or services to be transferred;
- (d) The contract has commercial substance,
- (e) 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 armored 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).

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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(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	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:

- a) Increasing the carrying amount to reflect interest on lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) 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.

2.6 Convenience translation into English of consolidated financial statements

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

NOTE 3 - BUSINESS COMBINATIONS

A Group subsidiary, Otokar Europe SAS, has purchased all shares of MAURI Bus System S.R.L. (in Italy), a dealership of the company until September 12, 2023. The closing transactions of the Share Transfer Agreement signed on September 12, 2023, have been completed as of September 2023. The transaction price paid for the full acquisition of the shares is 2,355 thousand Euros. The initial payment of 1,344 thousand Euros was completed on the transfer date. The remaining payment of 1,011 thousand Euros will be paid in installments over 4 years.

As a result of this transaction, the company's title was changed to "Otokar Italia S.R.L." as of October 12, 2023, and the registration procedures related to changes in the company's title and board structure have been realized in the relevant country's registries.

Balance sheet valuation studies related to the acquisition transaction are ongoing. As of December 31, 2023, it is provisionally accounted for in the consolidated financial statements under the provisions of TFRS 3 "Business Combinations Standards". Under TFRS 3, differences that will occur in amounts accounted for provisionally due to the results of valuation studies in the subsequent period will be evaluated in the consolidated financial statements of the future period.

The purchase price, the fair values of the acquired assets and liabilities provisionally used under TFRS 3 are summarized in the table below:

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

On the basis of purchasing power	12 September 2023
Cash and Cash Equivalents	71,983
Trade and Other Receivables	123,415
Inventories	64,287
Other Current Assets	21,456
Property, Plant, and Equipment	3,274
Intangible Non-Current Assets	208
Trade and Other Payables	(221,995)
Short and Long-Term Provisions	(28,530)
Other Liabilities	(4,787)
Value of total identifiable net assets (100%) (provisional)	29,311
Goodwill(provisional)	45,257
Total purchase price	74,568

The details of the cash outflow arising from the acquisition are as follows:

Total purchase price – cash	74,568
Cash and cash equivalents - acquired	(71,983)
Cash outflow from the acquisition (net)	2,585

NOTE 4 - 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 5 - CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Banks		
- Time deposits	5,917,553	2,340,208
- Demand deposits	854,487	404,401
Other	103	175
Cash and cash equivalents in the cash flow statement	6,772,143	2,744,784
Interest accrual	63,632	9,326
	6,835,775	2,754,110

As of 31 December 2023, TRY 5,917,553 thousand of the total amount of time deposits amounting to TRY 372,026 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 5,545,527 thousand is 44.93% and has a maturity of 30 days.

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NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

(As of 31 December 2022, TRY 2,340,208 thousand of the total amount of time deposits amounting to TRY 232,617 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 2,116,918 thousand is 24.63% and has a maturity of 24 days.)

As of 31 December 2023, the Group has restricted bank deposit amounting to TRY 3,063 thousand (31 December 2022: TRY 115,858 thousand).

NOTE 6 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of 31 December 2023, and 31 December 2022, the details of carrying value and consolidation rate subject to equity accounting of joint venture is as follows:

Joint ventures	2023		2022	
	(%)	Amount	(%)	Amount
Al Jasoor	49	85,357	49	397,192
		85,357		397,192

The movement of joint venture is as follows as of 31 December 2023 and 2022:

	2023	2022
1 January	397,192	493,857
Shares of profit/(loss)	(3,079)	339,562
Dividend paid	(228,013)	(334,995)
Currency translation differences	(80,743)	(101,232)
31 December	85,357	397,192

The summary of the financial statements of Al Jasoor as of 31 December 2023 and 2022 is as follows:

	31 December 2023	31 December 2022
Total assets	555,448	1,478,372
Total liabilities	(381,250)	(667,776)
Net assets	174,198	810,596
Ownership of the Group	%49	%49
Net asset share of the Group	85,357	397,192

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NOTE 7 - BORROWINGS**Short term borrowings**

31 December 2023	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
EUR loans	13 December 2024	6.75	2,984,007
USD loans	19 February 2024 – 1 November 2024	5.58	225,927
TRY loans	5 January 2024 – 17 December 2024	39.47	9,729,255
			12,939,189
Short-term lease liabilities			
EUR lease liabilities	-	2.00	40,364
TRY lease liabilities	-	30.00	18,244
			58,608
Total short-term borrowings			12,997,797

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

31 December 2023	Maturities	Annual effective interest rate (%)	TRY equivalent
Banka Kredileri			
TRY loans	11 January 2024 - 18 November 2024	20.45	748,465
			748,465
Issued debt securities (**)			
Short-term portion of issued bonds		40.50	78,136
			78,136
Short-term portions of total long-term borrowings			826,601

(*) Fixed interest rate.

(**) The Group has issued a bond with a maturity of 740 days, an annual fixed interest rate of 33%, semi-annual coupon payments, and a redemption date of 12 March 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 3 March 2023. The Group has issued a bond with a maturity of 752 days, an annual fixed interest rate of 41.5%, semi-annual coupon payments, and a redemption date of 30 June 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 9 June 2023. The Group has issued a bond with a maturity of 752 days, an annual fixed interest rate of 47.0%, semi-annual coupon payments, and a redemption date of 30 June 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 17 October 2023.

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NOTE 7 – BORROWINGS (Continued)

Long term borrowings

31 December 2023	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY loans	4 November 2024 - 5 August 2025	14.00	716,426
			716,426
Long-term lease liabilities			
EUR lease liabilities	-	2.00	63,133
TRY lease liabilities	-	30.00	28,536
			91,669
Issued debt securities (**)			
Long-term portion of issued bonds	12 March 2025 - 30 June 2025	40.50	1,500,000
			1,500,00
Total long-term borrowings			2,308,095

(*) Fixed interest rate.

(**) The Group has issued a bond with a maturity of 740 days, an annual fixed interest rate of 33%, semi-annual coupon payments, and a redemption date of 12 March 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 3 March 2023.

The Group has issued a bond with a maturity of 752 days, an annual fixed interest rate of 41.5%, semi-annual coupon payments, and a redemption date of 30 June 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 9 June 2023.

The Group has issued a bond with a maturity of 752 days, an annual fixed interest rate of 47%, semi-annual coupon payments, and a redemption date of 30 June 2025, for a total amount of TL 500,000,000 to be sold to qualified investors without a public offering in Turkey. The swap transaction was completed on 14 December 2023.

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NOTE 7 – BORROWINGS (Continued)**Short term borrowings**

31 December 2022	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
EUR loans	9 June 2023	5.95	164,661
	5 January 2023 -		
TRY loans	15 November 2023	23.72	8,249,239
			8,413,900

Short-term lease liabilities

	-	2.00	35,224
EUR lease liabilities	-	30.00	15,920
TRY lease liabilities			51,144

Total short-term borrowings **8,465,044**

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

31 December 2022	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
	9 January 2023 -		
EUR loans	15 September 2023	2.94	1,426,317
TRY loans	31 December 2023	18.25	401,692
			1,828,009

(*) Bearing fixed interest rate.

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NOTE 7 – BORROWINGS (Continued)

Long term borrowings (*)

31 December 2022	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY loans	11 January 2024 - 5 August	15.19	2,063,062
			2,063,062
Long-term lease liabilities			
EUR lease liabilities	-	2.00	55,093
TRY lease liabilities	-	30.00	24,903
			79,996
Total long-term borrowings			2,143,058

(*)Bearing fixed interest rate.

As of 31 December 2023, the Group has not provided any guarantees for the borrowings (31 December 2022: None).

The Group has no financial commitments arising from its borrowings.

The movement of the borrowings for the years ended 31 December 2023 and 2022 are as follows:

	2023		2022	
1 January	12,436,111		6,437,813	
Monetary gain/ (loss)	(6,781,588)		(3,247,754)	
Borrowing received during the period	33,550,171		17,302,574	
Cash outflows from debt payments from lease agreements	(53,924)		(13,021)	
Changes in lease liabilities within the scope of TFRS 16	105,891		45,317	
Principal payments (-)	(24,994,794)		(8,982,404)	
Change in interest accruals	1,000,820		441,904	
Change in exchange rates	869,806		451,682	
31 December	16,132,493		12,436,111	
	31 December 2023		31 December 2022	
	Carrying values	Fair values	Carrying values	Fair values
Fixed interest	14,404,080	15,905,823	11,729,597	12,528,641
Floating rate	-	-	575,374	575,374
	14,404,080	15,905,823	12,304,971	13,104,015

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NOTE 8 - 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 liabilities
31 December 2023			
Forward transactions	4,601,633	4 January 2024– 4 November 2024	(25,853)
Short-term derivative financial instruments	4,601,633		(25,853)
Total derivative financial instruments	4,601,633		(25,853)

	Contract amount	Current period contract maturity	Fair value assets
31 December 2022			
Forward transactions	2,275,924	5 January 2023 - 9 February 2023	4,037
Short-term derivative financial instruments	2,275,924		4,037
Total derivative financial instruments	2,275,924		4,037

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	31 December 2023	31 December 2022
Trade receivables, net	5,471,537	4,380,189
Notes receivables, net	3,640	4,531
	5,475,177	4,384,720
Less: provision for doubtful receivables	(229,199)	(220,557)
Short-term trade receivables	5,245,978	4,164,163
Trade receivables from related parties (Note 28)	3,314,735	2,688,756
Short-term trade receivables	8,560,713	6,852,919
Long-term notes receivable, net	492,092	1,206,075
Long-term trade receivables	492,092	1,206,075

As of 31 December 2023, the average maturity of trade receivables is between 60-90 days (excluding notes receivables) (31 December 2022: 60-90 days).

As of 31 December 2023, and 2022, the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

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NOTE 9 - 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 2023, the total trade receivable from dealers amounting to TRY 696,054 thousand (31 December 2022: TRY 473,254 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY 696,054 thousand (31 December 2022: TRY 473,254 thousand). The Group manages the credit risk of remaining balance in the manner described in the Credit Risk section of Note 29 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	544
	544
Amount secured with guarantees	544

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 2023 and 2022 are as follows:

	2023	2022
1 January	220,557	263,591
Monetary gain/ (loss)	(32,256)	(112,963)
Collections	-	(1,829)
Currency translation differences	8,383	5,613
Difference in exchange rate	32,515	66,145
31 December	229,199	220,557

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	31 December 2023	31 December 2022
Trade payables, net	3,542,214	3,290,487
Short-term other trade payables	3,542,214	3,290,487
Trade payables to related parties (Note 28)	556,649	362,896
Short-term trade payables	4,098,863	3,653,383

As of 31 December 2023, average payment term for trade payables is 45-60 days (31 December 2022: 45-60 days).

As of 31 December 2023, and 2022, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

	31 December 2023	31 December 2022
Due from personnel	1,424	59
Deposits and guarantees given	2,830	1,434
	4,254	1,493

Other long-term receivables

	31 December 2023	31 December 2022
Deposits and guarantees given	8,941	8,662
	8,941	8,662

Short term other receivables

	31 December 2023	31 December 2022
Other miscellaneous payables	35,296	45,911
	35,296	45,911

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NOTE 11 - INVENTORIES

	31 December 2023	31 December 2022
Raw material	3,933,251	3,508,843
Semi-finished goods	164,355	212,551
Finished goods	1,523,306	1,778,597
Merchandise goods	890,858	805,229
Goods in transit	1,131,674	953,955
Provision for impairment for inventories (*)	(213,146)	(94,318)
	7,430,298	7,164,857

(*) TRY 8,675 thousand of impairment is related to finished goods (31 December 2022: TRY 773 thousand), TRY 8,041 thousand related to finished goods (31 December 2022: TRY 1,106 thousand), TRY 196,430 thousand is related to raw materials (31 December 2022: TRY 92,439 thousand). The impairment has been accounted for under cost of sales.

The movements of impairment for inventories in 2023 and 2022 are as follows:

	2023	2022
1 January	(94,318)	(77,404)
Current year provisions	(172,360)	(47,198)
Monetary gain / (loss)	53,532	30,284
31 December	(213,146)	(94,318)

NOTE 12 - 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 28,687 thousand.

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2023.

	1 January 2023	Additions	Currency translation differences	Disposal	Acquisitions	Transfers	31 December 2022
Cost							
Land	467,662	12,241	-	-	-	-	479,903
Land improvements	154,165	1,628	-	-	-	-	155,793
Buildings	1,221,897	28,376	-	(842)	-	196,591	1,446,022
Machinery and equipment	1,837,672	178,325	6,107	(42,200)	2,885	32,520	2,015,309
Motor vehicles	150,307	13,951	-	-	-	-	164,258
Furniture and fixtures	850,108	289,557	5,033	(5,071)	4,973	60,514	1,205,114
Leasehold improvements	18,559	4,288	-	-	-	-	22,847
Construction in progress	77,240	326,597	-	-	-	(289,625)	114,212
	4,777,610	854,963	11,140	(48,113)	7,858	-	5,603,458
Accumulated depreciation							
Land improvements	(80,308)	(5,154)	-	-	-	-	(85,462)
Buildings	(714,404)	(30,936)	-	401	-	-	(744,939)
Machinery and equipment	(1,202,813)	(104,425)	(4,182)	41,844	(2,015)	-	(1,271,591)
Motor vehicles	(90,360)	(10,733)	-	-	-	-	(101,093)
Furniture and fixtures	(304,966)	(85,111)	(63)	4,555	(2,871)	-	(388,456)
Leasehold improvements	(12,953)	(2,063)	-	-	-	-	(15,016)
	(2,405,804)	(238,422)	(4,245)	46,800	(4,886)	-	(2,606,557)
Net book value	2,371,806						2,996,901

There is no mortgage on property, plant and equipment as of 31 December 2023 (31 December 2022: None)

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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	467,662	-	-	-	-	467,662
Land improvements	137,318	16,847	-	-	-	154,165
Buildings	988,934	70,237	-	-	162,726	1,221,897
Machinery and equipment	1,682,233	150,217	3,827	(36,661)	38,056	1,837,672
Motor vehicles	126,237	17,315	-	(3,911)	10,666	150,307
Furniture and fixtures	624,587	203,348	2,287	(2,156)	22,042	850,108
Leasehold improvements	13,752	4,807	-	-	-	18,559
Construction in progress	172,623	138,107	-	-	(233,490)	77,240
	4,213,346	600,878	6,114	(42,728)	-	4,777,610
Accumulated depreciation						
Land improvements	(75,567)	(4,741)	-	-	-	(80,308)
Buildings	(687,555)	(26,849)	-	-	-	(714,404)
Machinery and equipment	(1,152,750)	(83,397)	(2,294)	35,628	-	(1,202,813)
Motor vehicles	(82,793)	(9,388)	-	1,821	-	(90,360)
Furniture and fixtures	(249,604)	(54,876)	(1,813)	1,327	-	(304,966)
Leasehold improvements	(11,910)	(1,043)	-	-	-	(12,953)
	(2,260,179)	(180,294)	(4,107)	38,776	-	(2,405,804)
Net book value	1,953,167					2,371,806

The distribution of depreciation and amortization expenses of tangible and intangible assets for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
Research and development expenses	585,208	423,702
Cost of goods sold	148,692	111,276
Right of use assets	58,215	60,171
General administrative expenses	31,883	19,655
Development projects in process	53,949	47,195
Depreciation on inventories	25,219	19,056
Selling and marketing expenses	7,528	8,404
Currency translation differences	4,923	4,108
	915,617	693,567

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Right of use assets

In 2023, while TRY 69,160 thousand new inflows to right-of-use assets; TRY 58,215 thousand depreciation expense was incurred.

The balances of right of use assets as of 31 December 2023 and 2022 and the accumulated depreciation amounts in the relevant periods are as follows:

31 December 2023	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	109,606	165,089	4,775	279,470
Accumulated depreciation	(69,032)	(106,526)	(2,202)	(177,760)
	40,574	58,563	2,573	101,710
31 December 2022	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	46,459	179,230	60,266	285,955
Accumulated depreciation	(32,526)	(103,968)	(21,378)	(157,872)
	13,933	75,262	38,888	128,083

NOTE 14 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the years ended 31 December 2023.

	1 January 2023	Addition	Currency translation differences	Disposal	Acquisitions	Transfers	31 December 2023
Cost							
Other intangible assets	276,254	17,774	-	-	214	1,049	295,291
Development costs	5,680,931	-	-	-	-	718,495	6,399,426
Developments projects in progress	1,908,309	427,817	-	-	-	(719,544)	1,616,582
	7,865,494	445,591	-	-	214	-	8,311,299
Accumulated amortization							
Other intangible assets	(191,828)	(29,574)	-	-	(7)	-	(221,409)
Development costs	(3,676,226)	(585,208)	-	-	-	-	(4,261,434)
	(3,868,054)	(614,782)	-	-	(7)	-	(4,482,843)
Net book value	3,997,440						3,828,456

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NOTE 14 - INTANGIBLE ASSETS (Continued)

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	226,145	46,053	-	-	4,056	276,254
Development costs	4,476,059	-	-	-	1,204,872	5,680,931
Developments projects in progress	1,627,624	1,489,613	-	-	(1,208,928)	1,908,309
	6,329,828	1,535,666	-	-	-	7,865,494
Accumulated amortization						
Other intangible assets	(166,536)	(25,292)	-	-	-	(191,828)
Development costs	(3,252,524)	(423,702)	-	-	-	(3,676,226)
	(3,419,060)	(448,994)	-	-	-	(3,868,054)
Net book value	2,910,768					3,997,440

NOTE 15 - GOVERNMENT GRANTS AND INCENTIVES

	31 December 2023	31 December 2022
Short-term	4,163	4,747
Long-term	19,963	31,098
	24,126	35,845

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 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	31 December 2023	31 December 2022
Provision for warranty expenses	691,016	570,081
Provision for collective labor agreement	355,991	-
Employee benefits		
short-term provisions (Note 16)	109,137	81,213
Purchases costs provisions	33,617	305,293
Litigation provisions	19,669	6,667
Other cost allowance	443,042	249,140
	1,652,472	1,212,394

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 2023 and 2022 are as follows:

	2023	2022
1 January	570,081	689,722
Monetary gain/ (loss)	(309,950)	(294,800)
Additional provisions	899,149	568,349
Disposals/payments (-)	(468,264)	(393,190)
31 December	691,016	570,081

Commitments and contingencies

As of 31 December 2023, and 2022, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	31 December 2023	31 December 2022
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	5,720,693	5,706,548
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	265,500	165,893
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	-	-
	5,986,193	5,872,441

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The details of guarantees, pledges and mortgages in terms of original currencies are as follows:

	31 December 2023		31 December 2022	
	Original currency	TRY equivalent	Original currency	TRY equivalent
TRY	1,891,661	1,891,661	2,255,687	2,255,687
USD	59,927	1,764,147	80,184	2,470,458
EUR	58,292	1,898,787	23,469	770,882
RON	52,885	344,347	56,871	375,414
AED	5,200	41,446	-	-
CZK	34,690	45,805	-	-
		5,986,193		5,872,441

a) Guarantees given as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Bank letters of guarantee	5,986,193	5,872,441
	5,986,193	5,872,441

b) Guarantees received as of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Bank letters of guarantee	1,847,983	2,269,795
Guarantee notes	6,423	9,542
Mortgages received	20	32
	1,854,426	2,279,369

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NOTE 17 - EMPLOYEE BENEFITS

	31 December 2023	31 December 2022
Provision for employment termination benefits	335,003	517,514
Provision for unused vacation	109,137	81,213
	444,140	598,727

Employment termination benefits

The amount payable consists of one month's salary limited to a maximum of TRY 23,489.83 in full for each year of service as of 31 December 2023 (31 December 2022: TRY 15,371.40 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 35,058.58 in full (1 January 2022: TRY 19,982.83 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 2023	31 December 2022
Net discount rate (%)	2.90	0.55
Turnover rate to estimate the probability of retirement (%)	98.00	97.72

The movements of provision for employment termination benefits are as follows:

	2023	2022
1 January	517,514	242,053
Monetary gain/ (loss)	(190,479)	(159,961)
Interest expense and charge for the period	33,898	141,951
Remeasurement differences	117,455	307,911
Acquisition	8,126	-
Payments	(151,511)	(14,440)
As of 31 December	335,003	517,514

As of 31 December 2023, 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 employment termination benefit	8,409	(8,772)	(9,013)	8,665

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NOTE 17 - EMPLOYEE BENEFITS (Continued)**Provision for unused vacation**

The movements of provision for unused vacation are as follows:

	2023	2022
1 January	81,213	56,043
Monetary gain/ (loss)	(46,816)	(21,925)
Charge for the period, net (Note 21)	74,740	47,095
31 December	109,137	81,213

NOTE 18 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES**a) Prepaid expenses**

Short- term prepaid expenses	31 December 2023	31 December 2022
Prepaid expenses	168,667	208,517
	168,667	208,517

Long-term prepaid expenses	31 December 2023	31 December 2022
Advances given	21,727	65,753
Prepaid expenses	4,784	53,709
	26,511	119,462

b) Other non-current assets

	31 December 2023	31 December 2022
Value added tax receivables	1,051,123	1,149,558
Other	41,557	45,093
	1,092,680	1,194,651

Other non-current assets – long term	31 December 2023	31 December 2022
Value added tax receivables	-	71,630
	-	71,630

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NOTE 18 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES (Continued)

c) Liabilities from customer contracts

Liabilities from customer contracts - short term	31 December 2023	31 December 2022
Advances received	448,220	636,565
Deferred maintenance revenues	323,982	298,642
Other deferred revenues	-	8,792
	772,202	943,999

Liabilities from customer contracts - long term	31 December 2023	31 December 2022
Deferred maintenance revenues	610,431	879,497
	610,431	879,497

d) Employee benefits obligation

	31 December 2023	31 December 2022
Payables to employees	171,102	113,956
Social security payables	139,417	119,549
Taxes and funds payable	99,684	91,805
	410,203	325,310

e) Other current liabilities

	31 December 2023	31 December 2022
Taxes and funds payable	52,232	41,922
Deferred special consumption tax	6,258	9,058
Other	5,033	4,195
	63,523	55,175

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NOTE 19 - EQUITY**Share capital**

As of 31 December 2023 and 2022, the principal shareholders and their respective shareholding percentages are as follows:

	31 December 2023		31 December 2022	
	TL	(%)	TL	(%)
Koç Holding A.Ş.	53,614	44.68	10,723	44.68
Ünver Holding A.Ş.	29,775	24.81	5,955	24.81
Other	36,611	30.51	7,322	30.51
	120,000	100.00	24,000	100.00
Inflation adjustment on equity items	1,195,090		1,229,245	
	1,315,090		1,253,245	

(*) Based on the decision taken by the Board of Directors on February 14, 2023; Although the company's registered capital ceiling was TL 100,000,000, pursuant to the CMB's Registered Capital System's provision of "Can exceed the registered capital ceiling once for each ceiling as a result of transactions requiring a general assembly decision such as merger, division and similar transactions and by adding any kind of internal resource and profit to the capital.", its paid-in capital of TL 24,000,000 was increased by TL 96,000,000 with a 400% increase to be covered entirely by internal resources, to TL 120,000,000. According to the financial statements prepared in accordance with the TRL, TL 4,625,782.96 of the capital increase of TL 96,000,000 made from internal resources was covered from Legal Reserves Inflation Adjustment Differences, TL 11,599,006.86 from Extraordinary Reserves Inflation Adjustment Differences, TL 43,688,529.92 from Extraordinary Reserves, and TL 36,086,680.26 from Special Funds. However, according to the financial statements prepared in accordance with TFRS, TL 61,845,000 of it was covered from Capital Inflation Adjustment Differences, and TL 34,155,000 from Extraordinary Reserves Previous Year Profits.

Accumulated profits in the statutory books can be distributed, with the exception of the provision regarding statutory reserves mentioned below. Legal reserves according to the Turkish Commercial Code are divided into two as first and second group legal reserves. Legal reserves of the first group are allocated as 5% of the statutory net income until reaching 20% of the Group's paid-up capital according to the Turkish Commercial Code. Second group legal reserves, on the other hand, are 10% of the distributed profit exceeding 5% of the paid-up capital. According to the Turkish Commercial Code, legal reserves can only be used to offset losses as long as they do not exceed 50% of the paid-up capital, they cannot be used in any other way. Public companies make their dividend distributions according to the Profit Share Communiqué No II-19.1 of the CMB, which came into effect as of February 1, 2014.

Companies distribute their profits according to the profit distribution policies to be determined by their general assemblies and in compliance with the relevant legislation by the decision of the general assembly. Within the scope of the mentioned communiqué, no minimum distribution rate has been determined. Companies pay dividends in the manner determined in their articles of association or profit distribution policies. In addition, dividends can be paid in equal or different amounts of installments and may distribute cash dividend advances on the profit in the consolidated financial statements.

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NOTE 19 - EQUITY (Continued)

As of 31 December 2023 and 2022, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows :

31 December 2023

	Historical value	Inflation adjustments on equity items	Restated value
Share capital	120,000	1,195,090	1,315,090
Legal reserves	183,398	771,738	955,136
	303,398	1,966,828	2,270,226

31 December 2022

	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24,000	1,229,245	1,253,245
Legal reserves	183,398	771,738	955,136
	207,398	2,000,983	2,208,381

Historical value of legal and extraordinary reserves in the statutory financial statements are as follows:

	31 December 2023	31 December 2022
Legal reserves	955,136	955,136
Extraordinary reserves	5,189,569	3,233,334
	6,144,705	4,188,470

As of the years ending on December 31, 2023, there has been no dividend payment.

As of the years ending on December 31, 2022, the dividend amount distributed per share is 2.786 cents (Earnings per share is 2.083 cents as of the date of the Board of Directors' decision).

As of December 31, 2023, all of the Company's capital has been paid up and it consists of 120,000,000,000 shares each with a nominal value of 0.1 cent.

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NOTE 20 - REVENUE AND COST OF SALES**Net sales**

	1 January - 31 December 2023	1 January - 31 December 2022
Domestic sales	7,447,813	5,110,312
Export sales	19,915,430	12,823,460
Gross Sales	27,363,243	17,933,772
Less: sales discount and returns	(124,362)	(114,800)
Net sales	27,238,881	17,818,972

Sales of the Group for the years ended 31 December 2023 and 2022 in terms of the products are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Commercial vehicle	17,079,922	10,236,415
Military vehicle	6,251,431	5,237,623
Other sales (*)	3,907,528	2,344,934
	27,238,881	17,818,972

(*) Consists of spare parts, service and other sales income.

Cost of sales

	1 January - 31 December 2023	1 January - 31 December 2022
Cost of finished goods sold	(18,375,108)	(12,327,550)
Cost of merchandise goods sold	(2,556,926)	(1,445,261)
	(20,932,034)	(13,772,811)

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NOTE 20 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Sales and marketing expenses	(3,653,742)	(2,485,267)
General administrative expenses	(1,171,033)	(948,626)
Research and development expenses	(739,906)	(545,125)
	(5,564,681)	(3,979,018)

NOTE 22 - EXPENSES BY NATURE

	1 January - 31 December 2023	1 January - 31 December 2022
Cost of raw material and consumption goods	(15,668,384)	(11,795,839)
Personnel expenses	(3,303,235)	(2,092,395)
Cost of merchandises sold	(1,987,575)	(1,068,056)
Sales, incentives and premiums	(1,014,300)	(692,862)
Provision for warranty expenses	(861,394)	(525,255)
Depreciation and amortization expense	(805,022)	(603,450)
Administrative expenses	(674,185)	(602,825)
Operational expenses	(649,377)	(582,799)
Transportation, distribution and storage expenses	(572,758)	(341,187)
Change in finished and semi-finished goods	(358,873)	924,076
Advertising, promotion and promotion costs	(212,790)	(158,251)
Other expenses	(388,822)	(212,986)
	(26,496,715)	(17,751,829)

The breakdown of personnel expenses for the years 2023 and 2022 is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Based on the account it's booked:		
Cost of sales and inventories on hand	(2,086,366)	(1,145,991)
Capitalized development expenditures	(734,067)	(486,126)
General administrative expenses	(540,816)	(387,328)
Sales and marketing expenses	(645,089)	(521,608)
Research and development expenses	(30,964)	(37,468)
	(4,037,302)	(2,578,521)

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NOTE 22 - EXPENSES BY NATURE (Continued)

	1 January - 31 December 2023	1 January - 31 December 2022
By nature:		
Wages and salaries	(2,982,568)	(1,858,307)
Other social benefits	(547,888)	(273,838)
Social security premiums	(330,055)	(222,906)
Provision for employment termination benefits	(73,395)	(143,488)
Provision for vacation pay liability	(79,146)	(59,908)
Other	(24,250)	(20,074)
	(4,037,302)	(2,578,521)

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 2023	1 January - 31 December 2022
Independent audit fee for the reporting period	2,987	2,544
Fee for other assurance services	60	-
Fees for services other than independent auditing	1,160	964
	4,207	3,508

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 23 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Other operating income		
Foreign exchange gains on operating activities	3,500,807	1,522,120
Revenue from charge of due date receivables	668,233	853,872
Gain on forward transactions	198,806	156,771
Incentive income	2,686	3,720
Other income	155,501	183,002
	4,526,033	2,719,485
Other operating expenses		
Foreign exchange loss on operating activities	(2,498,286)	(1,326,519)
Loss on forward transactions	(239,595)	(158,632)
Doubtful provision	(32,515)	(14,021)
Expected credit losses on trade receivables	(4,965)	(3,232)
Other expenses	(793)	(2,536)
	(2,776,154)	(1,504,940)

NOTE 24 - FINANCIAL INCOME

	1 January - 31 December 2023	1 January - 31 December 2022
Interest income from time deposits	990,620	151,731
Foreign exchange gains on deposits	302,738	246,577
Foreign exchange gains on bank borrowings	116,901	99,759
	1,410,259	498,067

NOTE 25 - FINANCIAL EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Interest expense on bank borrowings	(3,666,748)	(1,298,207)
Foreign exchange losses on bank borrowings	(1,228,900)	(547,872)
Foreign exchange losses on deposits	(118,976)	(84,753)
Other	(24,978)	(12,676)
	(5,039,602)	(1,943,508)

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NOT 26 - TAX ASSETS AND LIABILITIES

The company's operations are subject to taxation under the tax regulations and laws currently in force in Turkey. The Group's subsidiaries located abroad are subject to taxation according to the tax regulations and laws of the respective countries.

Although the Corporate Tax rate applicable for the year 2023 has been declared as 20% by the Law No. 7394 that was published in the Official Gazette dated April 15, 2022, and numbered 31810, the Corporate Tax rate applicable for 2023 has been increased to 25% by the Article 21 of the Law No. 7456 published in the Official Gazette dated July 15, 2023, and numbered 32249 that aims to Compensate the Economic Losses Resulting from the Earthquakes on February 6, 2023 (As of December 31, 2022: 23%).

Corporate tax is declared and paid in a single installment by the end of the third month following the respective year-end. As per the tax legislation, temporary tax is calculated and paid based on the profits of each three-monthly period at the Corporate Tax rate applicable for the respective year, and the amounts thus paid are set off against tax calculated on annual profits.

In accordance with the Corporate Tax Law, fiscal losses indicated in the declaration can be deducted from the corporate tax base of the period, provided it does not exceed five years. Declarations and related accounting records can be examined by the tax office within five years, and tax accounts can be revised.

According to the Presidential Decree No. 4936 dated December 21, 2021, the rate of income tax deduction for dividend payments made by resident joint-stock companies in Turkey to resident real persons, who are not subjected to income and corporate tax or exempt from these taxes, and who are not resident in Turkey, both individual and legal, has been reduced from 15% to 10%. Dividend payments made by resident joint-stock companies in Turkey to other resident joint-stock companies in Turkey are not subject to tax deduction. If the profit is not distributed or added to the capital, no tax deduction is made.

In amending Article 10 of the Corporate Tax Law No. 5520 and changing accordance to Article 3 of the Law No. 5746 on Supporting Research and Development Activities, the R&D deduction rate calculated on research and development expenses increased from 40% to 100%.

This law came into effect on April 1, 2008. Accordingly, corporate taxpayers can take into account 100% of the expenditures they have made since 2008 within the framework of research and development activities aiming at new technology and knowledge search when determining corporate income.

The company, which has an R&D center certificate, has an R&D deduction of TL 867,524 (As of December 31, 2022: TL 837,908) incurred in 2023, and it can benefit from an R&D deduction of 100% without withholding tax from its tax base due to research and development expenses.

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NOT 26 - TAX ASSETS AND LIABILITIES (Continued)

As of 31 December 2023 and 2022, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 December 2023	31 December 2022
Income tax payable	21,069	15,438
Prepaid taxes (-)	-	(15,438)
	21,069	-

The breakdown of total tax expense for the years ended 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Current tax charge	(224,474)	(20,055)
Deferred tax income/expense reflected in profit or loss		
Charged to profit for the period	734,417	(133,451)
	509,943	(153,506)

The reconciliation of profit before tax to total tax expense is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Profit before tax	1,458,019	2,171,586
Income tax charge at effective tax rate	(364,505)	(488,607)
Disallowable expenses	(188,348)	(59,259)
Discounts and exceptions	342,960	309,740
Real estate revaluation effect (*)	-	275,704
Tax effect on gain on investments accounted for using the equity method	(770)	79,855
Monetary gain/ (loss) and other	720,606	(270,939)
Total	509,943	(153,506)

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NOT 26 - TAX ASSETS AND LIABILITIES (Continued)

According to the Law No. 7316 titled "Law on the Amendment of the Law on the Procedure for the Collection of Public Receivables and Some Laws" that was published in the Official Gazette numbered 31462 on April 22, 2021; Instead of a corporate tax rate of 20%, it will be applied at 25% for 2021 and 23% for 2022. For calculations of deferred tax after 2022, the tax rate is taken into account at 20%. As of December 31, 2023, and 2022, the distribution of the net deferred tax liability calculated using temporary differences subject to deferred tax and effective tax rates is summarized below:

	Cumulative temporary differences		Deferred tax assets/(liability)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Property, plant and equipment and Intangible assets	(63,721)	(2,487,121)	15,113	(593,183)
Deferred financial expenses	(25,536)	(18,076)	(6,384)	(3,615)
Deferred maintenance income	870,407	1,129,531	203,255	220,186
Provision for warranty expenses	691,016	570,081	172,803	114,016
Other provisions	567,957	490,048	141,989	98,010
Provision for employment termination benefits	328,495	517,514	82,124	103,502
Deferred financial income	290,747	469,342	72,687	93,868
Inventories	212,027	(638,625)	53,007	(127,725)
Investment incentives (*)	-	122,929	-	122,929
Other	192,507	23,676	43,784	5,705
Deferred tax assets, net			778,378	33,693

(*) 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 1,045,390 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 2023 and 2022 are as follows:

	2023	2022
1 January	33,693	189,091
Deferred tax income/loss		
Monetary gain/ (loss)	(19,096)	(83,529)
Charged to profit for the period	734,417	(133,451)
Charged to other comprehensive income	29,364	61,582
As of 31 December	778,378	33,693

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NOTE 27 - EARNINGS PER SHARE

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 2023	31 December 2022
Net income attributable to shareholders	1,967,962	2,018,080
Weighted average number of issued shares	12,000,000,000	12,000,000,000
Earnings per share (Piaster)	16.399	16.817

NOTE 28 - 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 2023 and 2022:

Due from related parties	31 December 2023	31 December 2022
Ram Dış Ticaret A.Ş. (1) (*)	3,018,081	2,345,861
Al Jasoor Heavy Vehicles Industry LLC (3) (**)	277,523	342,775
Other (1)	19,131	120
	3,314,735	2,688,756

(*) 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..

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

Due to related parties	31 December 2023	31 December 2022
Ram Dış Ticaret A.Ş. (1)	324,730	187,675
Koç Holding A.Ş. (2)	64,972	51,243
Zer Merkezi Hizmetler A.Ş. (1)	59,806	66,784
Koç Digital Çözümler A.Ş. (2)	19,837	183
Setur Servis Turistik A.Ş. (1)	16,789	10,087
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	16,614	7,112
Divan Turizm İşletmeleri A.Ş. (1)	9,649	8,725
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	8,490	6,668
Ark İnşaat (1)	5,705	-
Opet Fuchs Madeni Yağ A.Ş. (1)	5,061	5,294
Koçtaş Yapı Marketleri A.Ş. (2)	3,276	367
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	3,098	2,806
Ram Sigorta Aracılık Hizmet A.Ş. (1)	2,781	2,727
Ford Otosan A.Ş.(2)	2,636	4,398
Other (1)	13,205	8,827
	556,649	362,896

- (1) Related parties of the parent company
(2) Shareholder of the Company
(3) Joint venture

Advances received from related parties	31 December 2023	31 December 2022
Al Jasoore Heavy Vehicles Industry LLC (3) (**)	24,405	225,965
Ram Dış Ticaret A.Ş. (1)	56,747	165,312
	81,152	391,277

(**) These are the advances received due to sales to Al Jasoore 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 2023	1 January - 31 December 2022
Ram Dış Ticaret A.Ş. (1) (*)	6,092,744	5,479,266
Al Jasoore Heavy Vehicles Industry LLC (3)	1,050,025	593,212
Other (1)	2,903	2,626
	7,145,672	6,075,104

(*) The export registered sales to Ram Dış Ticaret A.Ş., comprise export sales made to third party customers.

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

Fixed asset purchases	1 January - 31 December 2023	1 January - 31 December 2022
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	73,001	46,451
Zer Merkezi Hizmetler A.Ş. (1)	8,794	19,600
Koç Digital Çözümler A.Ş. (2)	3,147	-
Other (1)	5,682	4,086
	90,624	70,137

Inventory purchases	1 January - 31 December 2023	1 January - 31 December 2022
Zer Merkezi Hizmetler A.Ş. (1)	435,558	401,103
Ram Dış Ticaret A.Ş. (1)	125,281	138,027
Opet Fuchs Madeni Yağ A.Ş. (1)	37,070	28,865
Opet Petrolcülük A.Ş. (1)	35,576	32,618
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	27,174	23,670
Ford Otosan A.Ş. (2)	18,694	23,778
Koçtaş Yapı Marketleri A.Ş.(2)	5,035	395
Bal Kaynak Su İth. İhr. San ve Tic A.Ş. (1)	2,203	5,599
Diğer (1)	6,257	1,379
	692,848	655,434

- (1) Related parties of the parent company
 (2) Shareholder
 (3) Joint venture

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

Service purchases	1 January - 31 December 2023	1 January - 31 December 2022
Ram Dış Ticaret A.Ş. (1)	321,636	148,973
Setur Servis Turistik A.Ş. (1)	120,150	89,450
Koç Holding A.Ş. (2) (*)	100,635	86,377
Eltek Elektrik Enerji İth. İhr. Top. Tic. A.Ş. (1)	98,892	123,776
Ram Sigorta Aracılık Hiz. A.Ş. (1) (**)	78,619	36,156
Koç Sistem Bilgi ve İlt. Hiz. A.Ş. (1)	72,679	54,688
Ark İnşaat A.Ş. (1)	47,521	-
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	42,466	39,524
Divan Turizm İşletmeleri A.Ş. (1)	20,319	14,273
Koç Digital Çözümler A.Ş. (2)	19,967	400
Token Finansal Teknolojileri A	10,797	-
Ingage Dijital (1)	8,127	9,664
Other (1)	28,326	16,787
	970,134	620,068

(*) 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 2023 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Banks deposits	31 December 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	589,211	232,617
- Deposit deposits (*)	3,160	110,284
	592,371	342,901

Loans	31 December 2023	31 December 2022
Yapı ve Kredi Bankası A.Ş. (1)	444,920	1,385,150
	444,920	1,385,150

(1) Related parties of the parent company

(2) Shareholder of the Company

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

For the years ended 31 December 2023 and 2022, financial income and expense with related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
Trade receivables and payables		
foreign exchange gains		
Ram Dış Ticaret A.Ş. (1)	657,268	487,436
Other (1)	2,119	3,917
	659,387	491,353

	1 January - 31 December 2023	1 January - 31 December 2022
Trade receivables and payables		
foreign exchange expenses		
Ram Dış Ticaret A.Ş. (1)	122,540	104,715
Other (1)	7,885	6,438
	130,425	111,153

For the years ended 31 December 2023 and 2022, financial income and expense with related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
Interest income		
Yapı ve Kredi Bankası A.Ş. (1)	61,980	29,664
	61,980	29,664

(1)	1 January - 31 December 2023	1 January - 31 December 2022
Related parties of the parent company		

Interest expense		
Yapı ve Kredi Bankası A.Ş. (1)	195,758	28,557
	195,758	28,557

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange gains		
Yapı ve Kredi Bankası A.Ş. (1)	62,055	72,820
	62,055	72,820

(1) The related parties of the Group's parent company

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange expenses		
Yapı ve Kredi Bankası A.Ş. (1)	17,156	28,814
	17,156	28,814

(1) Related parties of the parent company

Benefits provided to senior executives

The total benefits provided by the Group to its senior executives in the year ended December 31, 2023, amounted to TL 159,115 thousand, all of which consisted of short-term benefits (As of December 31, 2022: The total benefits provided by the Group to its senior executives amount to TL 129,881 thousand.) Senior executives consist of board members, general manager, and deputy general managers.

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group is exposed to various financial risks due to its operations, including the effects of changes in debt and capital market prices, exchange rates, and interest rates. These risks are market risk (including currency risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability and volatility of financial markets and aims to minimize the potential negative effects on the Group's financial performance.

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 to 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 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Receivables		
	Trade receivables	Other receivables	Bank deposit
31 December 2023			
Maximum credit risk exposure as of reporting date			
(A+B+C+D+E) (1)	9,052,805	13,195	6,772,040
- Maximum risk secured by guarantee (2)	1,119,794	-	-
A. Net book value of financial assets neither overdue nor impaired	8,822,722	13,195	6,772,040
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	-	-	-
D. Net book value of impaired assets	442	-	-
- Overdue (gross book value)	229,641	-	-
- Impairment (-) (Note 8)	(229,199)	-	-
- Net value under guarantee	442	-	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Net value under guarantee	-	-	-
E. Off- balance sheet items having credit risk	-	-	-

	Receivables		
	Trade receivables	Other receivables	Bank deposit
31 December 2022			
Maximum credit risk exposure as of reporting date			
(A+B+C+D+E) (1)	8,058,994	10,155	2,744,609
- Maximum risk secured by guarantee (2)	1,424,439	-	-
A. Net book value of financial assets neither overdue nor impaired	8,051,468	10,155	2,744,609
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	544	-	-
D. Net book value of impaired assets	6,982	-	-
- Overdue (gross book value)	220,557	-	-
- Impairment (-) (Note 8)	(213,575)	-	-
- Net value under guarantee	6,982	-	-
- 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 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

As of 31 December 2023 and 2022, maturities of gross trade payables and financial liabilities are as follows:

31 December 2023

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	14,404,080	19,178,414	6,371,924	8,890,104	3,916,386	-
Trade payables	4,098,863	4,124,399	4,124,399	-	-	-

Expected maturities	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 years	Over 5 years
Non-derivative financial liabilities						
Other payables	35,296	35,296	35,296	-	-	-
Other short-term liabilities	63,523	63,523	63,523	-	-	-

Expected (or maturities per agreement)	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 years	Over 5 years
Derivative financial liabilities (net)						
Derivative cash inflows	(25,853)	(25,853)	(25,853)	-	-	-
Derivative cash outflows	2,287,890	2,287,890	2,287,890	-	-	-
Derivative cash outflows	(2,313,743)	(2,313,743)	(2,313,743)	-	-	-

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NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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	12,304,971	13,395,122	2,272,052	9,002,263	2,120,807	-
Trade payables	3,653,383	3,671,457	3,671,457	-	-	-

Expected maturities	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 years	Over 5 years
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Non-derivative financial liabilities

Other payables	45,911	45,911	45,911	-	-	-
Other short-term liabilities	55,175	55,175	55,175	-	-	-

Expected (or maturities per agreement)	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 years	Over 5 years
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Derivative financial liabilities (net)

	4,037	4,037	4,037	-	-	-
Derivative cash inflows	1,877,072	1,877,072	1,877,072	-	-	-
Derivative cash outflows	(1,873,035)	(1,873,035)	(1,873,035)	-	-	-

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.

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 2023 AND 2022**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - 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 2023	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	7,602,346	122,801	122,408	-
2a. Monetary financial assets (including cash, bank accounts)	578,097	7,082	11,347	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	8,180,443	129,883	133,755	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	98	-	3	-
8. Non-current assets (5+6+7)	98		3	-
9. Total assets (4+8)	8,180,541	129,883	133,758	-
10. Trade payables	(2,177,295)	(42,568)	(28,314)	(50)
11. Financial liabilities	(3,209,934)	(7,675)	(91,607)	-
12a. Monetary other liabilities	(371,740)	(5,940)	(6,044)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(5,758,969)	(56,183)	(125,965)	(50)
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)	(5,758,969)	(56,183)	(125,965)	(50)
Net balance sheet position (9+18)	2,421,572	73,700	7,790	(50)
Net asset/(liability) position of off-balance sheet derivative				
19. instruments(19a-19b)	(2,202,820)	(67,000)	(7,075)	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(2,202,820)	(67,000)	(7,075)	-
20. Net foreign currency asset/(liability) position (9+18+19)	218,752	6,700	718	(50)
Net foreign currency asset/(liability) position of monetary items				
21. (=1+2a+5+6a-10-11-12a-14-15-16a)	2,421,474	73,700	7,790	(50)
22. Total fair value of financial instruments used for foreign currency hedging	25,853	6,591	19,262	-
23. Export	20,006,702	230,602	382,958	-
24. Import	8,637,512	73,037	201,816	749

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 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	5,746,106	95,051	85,779	-
2a. Monetary financial assets (including cash, bank accounts)	403,015	6,959	5,742	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	6,149,121	102,010	91,521	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	99	-	3	-
8. Non-current assets (5+6+7)	99		3	-
9. Total assets (4+8)	6,149,220	102,010	91,524	-
10. Trade payables	(2,165,576)	(46,511)	(22,279)	(21)
11. Financial liabilities	(1,590,978)	-	(48,436)	-
12a. Monetary other liabilities	(370,752)	(6,260)	(5,415)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(4,127,306)	(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)	(4,127,306)	(52,771)	(76,130)	(21)
Net balance sheet position (9+18)	2,021,914	49,239	15,394	(21)
Net asset/(liability) position of off-balance sheet derivative				
19. instruments(19a-19b)	(1,873,035)	(48,000)	(12,000)	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(1,873,035)	(48,000)	(12,000)	-
20. Net foreign currency asset/(liability) position (9+18+19)	148,879	1,239	3,394	(21)
Net foreign currency asset/(liability) position of monetary items				
21. (=1+2a+5+6a-10-11-12a-14-15-16a)	2,021,815	49,239	15,391	(21)
22. Total fair value of financial instruments used for foreign currency hedging	(4,037)	(3,105)	655	-
23. Export	7,860,869	194,086	188,864	10
24. Import	4,647,825	73,657	157,562	473

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 2023 AND 2022**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

**NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

31 Aralık 2023 ve 2022 tarihleri itibarıyla Grup'un vergi öncesi karının diğer değişkenler sabit tutulduğunda, ABD Doları, Avro ve İngiliz Sterlini'ndeki %10 değişiklik karşısındaki duyarlılık analizi aşağıdaki gibidir:

	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign foreign currency
31 December 2023		
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	19,724	(19,724)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	19,724	(19,724)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	2,339	(2,339)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	2,339	(2,339)
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(187)	187
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(187)	187
Total (3+6+9)	21,876	(21,876)
	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	3,817	(3,817)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	3,817	(3,817)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	11,148	(11,148)
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	11,148	(11,148)
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(78)	78
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(78)	78
Total (3+6+9)	14,887	(14,887)

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 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - 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 2023 and 2022, 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 2023	31 December 2022
Total financial liability (Note 7)	16,132,493	12,436,111
Less: Cash and cash equivalents (Note 5)	(6,835,775)	(2,754,110)
Net financial liability	9,296,718	9,682,001
Total equity	8,303,143	6,527,187
Financial debt/shareholders' equity factor	%112	%148

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 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 30 - 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 2023 and 2022:

31 December 2023

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	25,853	-	25,853
	-	25,853	-	25,853

31 December 2022

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	4,037	-	4,037
	-	4,037	-	4,037

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 31 - SUBSEQUENT EVENTS

None.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 27.03.2024 TO REVIEW 2023 ACTIVITIES

1. INVITATION TO THE ORDINARY GENERAL ASSEMBLY ON 27.03.2024

The Ordinary General Assembly will convene to review the activities of the company in 2023 and to discuss the agenda detailed below at 2:00 p.m. on Wednesday, 27.03.2024 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 2023 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 three 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.

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.

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.

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.

All shareholders, stakeholders, and members of the media are invited to attend the General Assembly 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 27.03.2024 TO REVIEW 2023 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 (TL)	Share (%)	Voting Rights	Voting Rights (%)
Koç Holding A.Ş.	53,613,749	44.68	5,361,374,905	44.68
Ünver Holding A.Ş.	29,774,719	24.81	2,977,471,915	24.81
Free Float	36,611,532	30.51	3,661,153,180	30.51
Total	120,000,000	100.00	12,000,000,000.00	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:

In terms of the strategic goals of Otokar Otomotiv ve Savunma Sanayi A.Ş., there were no changes in the management or operations in 2023 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 a Topic 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 2023 activities will be discussed.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 27.03.2024 TO REVIEW 2023 ACTIVITIES

3. REMARKS ON THE AGENDA TOPICS OF THE ORDINARY GENERAL ASSEMBLY ON 27.03.2024

1. Opening and election of the chairman to preside over the meeting.

The election of the Chairman to 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 discussion and approval of the 2023 Annual Report prepared by the Board of Directors.

Information on the 2023 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 2023 Annual Report will be presented for discussion by and approval of the shareholders.

3. Presentation of the summary of the Independent Audit Report for the 2023 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, discussion and approval of the company's Financial Statements for the 2023 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 2023.

Release of the members of the Board of Directors individually with respect to the activities, transactions and accounts in 2023 according to the provisions of the TCC and the Regulation will be submitted to the General Assembly for approval.

6. Approval, approval with modifications or refusal of the Board of Directors' proposal pertaining to when and how the profit of 2023 will be distributed in accordance with the company's dividend policy.

According to the financial statements for the accounting period of 01.01.2023-31.12.2023, 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 1,967,961,826. 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**.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 27.03.2024 TO REVIEW 2023 ACTIVITIES

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.

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, Ms. Fatma Füsün Akkal Bozok ve Mr. Kamil Ömer Bozer have been nominated by the Board of Directors as Independent Members in the Board of Directors. The company has applied to the CMB for approval and has been advised that there was no negative opinion about the Independent Board Members.

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 Senior Executives and Members of the Board of Directors, 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 2023 in note 28 to the financial statements for the 2023 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 2024 fiscal year in accordance with the Remuneration Policy, presented to the approval of the shareholders in the 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 29.02.2024, 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 2024 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.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 27.03.2024 TO REVIEW 2023 ACTIVITIES

11. Providing information to the shareholders regarding the donations made by the Company in 2023 in accordance with the Company's Donation and Sponsorship Policy and determination of an upper limit for donations to be made in 2024.

Otokar Otomotiv ve Savunma Sanayi A.Ş.'s 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 2023 per the company's Donation and Sponsorship Policy amounted to TL 31,643,368 (corresponding to TL 37,615,853 based on the purchasing power on December 31, 2023). Of this nominal amount, TL 17,809,300 was donated to Vehbi Koç Foundation, TL 8,840,955 to Koç University, TL 2,919,850 to Yemekhane A.Ş. for food aid and mobile kitchen installation in the earthquake-affected region, TL 1,375,269 to İBB Veterinary Branch Directorate, and the remainder to various other institutions and organizations. These other donations are each lower than TL 300,000 and are not materially significant for the investors. The upper limit for donations in 2024 will be determined by the General Assembly.

12. Pursuant to Capital Markets Board regulations, informing the shareholders about the income or benefits obtained in 2023 through guarantees, pledges, liens, and sureties extended 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 16 to the Financial Statements dated 31.12.2023.

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 2023 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, the relevant 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.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 27.03.2024 TO REVIEW 2023 ACTIVITIES

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 2023, 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	The Board of Directors' Dividend Proposal for the Profit of 2023 and Dividend Proposal Table (See page 35)
ATTACHMENT/2	Résumés of the Candidates for the Board of Directors and the Declarations of Independence of the Independent Member Candidates (See pages 37-39)
ATTACHMENT/3	Remuneration Policy for Senior Management and the Members of the Board of Directors (See page 40)

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

I. CORPORATE GOVERNANCE COMPLIANCE REPORT (URF)

	Yes	Partial	No	Exempt	N/A	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 300,000 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 PRINCIPLES COMPLIANCE REPORT

	Yes	Partial	No	Exempt	N/A	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					
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 PRINCIPLES COMPLIANCE REPORT

	Yes	Partial	No	Exempt	N/A	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					

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	Yes	Partial	No	Exempt	N/A	Explanation
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					
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					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	Yes	Partial	No	Exempt	N/A	Explanation
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					
4.4.5 - The board has a charter/ written internal rules defining the meeting procedures of the board.			X			Although there have been consistent processes in our Company for many years regarding the manner in which board of directors meetings will be held, there is no written internal regulation specific to this issue. Although there is no urgent need to make an internal regulation on this issue, taking into account the effective work of the board of directors, it is aimed to make an evaluation on the issue in the coming periods.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	Yes	Partial	No	Exempt	N/A	Explanation
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.

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.
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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	Yes	Partial	No	Exempt	N/A	Explanation
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 BENEFITS EXTENDED TO BOARD MEMBERS AND SENIOR EXECUTIVES

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 (KYBF)

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 2023, 15 online and 4 in-person investor meetings and 57 teleconferences took place.

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/1113231>

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 Communiqué 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 Communiqué on Corporate Governance (II-17.1)

Material disclosure regarding common and continuous transactions can be found at: <https://www.kap.org.tr/tr/Bildirim/1111550>

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

<https://www.kap.org.tr/tr/Bildirim/1123805>

The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any

Article 15-a

General Assembly Meeting was open to the public, including stakeholders and the media without speaking rights.

1.4. Voting Rights

Whether the shares of the company have differential voting rights

No

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 shares of the company have differential voting rights

No

In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.

-

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM (KYBF)

<p>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</p>	<p>The company's "Consolidated Net Income for the Period" amounted to TL 1,029,118,536 in the financial statements for the fiscal period January 1 – December 31, 2022 prepared according to the Turkish Financial Reporting standards (TFRS) and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik, and TL 769,605,582 in the statutory records according to the Tax Procedure Law (TPL).</p> <p>- 5% first rank legal reserve required by Article 519 of the Turkish Commercial Code for 2022 did not need to be allocated since the amount of first rank legal reserve has already reached 20% of share capital in tax books as of December 31, 2022.</p> <p>-The tax base was calculated as TL 1,248,855,66 by adding TL 9,737,108 as the amount of donations to the net income of TL 1,239,118,536 in the financial statements prepared according to the TFRS.</p> <p>-The total distributable earnings amounted to TL 1,529,555,958, including the net income for the period in the statutory records according to the Tax Procedure Law (TPL).</p> <p>The Board of Directors' proposal, which included the following, was read out:</p> <p>- Pursuant to the Capital Markets legislation, Article 19 of the company's Articles of Association, and the provisions of the Dividend Policy approved by the General Assembly on 28.03.2014, not to distribute dividends to reinforce the company's liquidity and balance sheet structure, taking into account our company's long-term strategies, investment and financing policies, profitability and cash position, and considering limited long-term financing opportunities and current funding cost levels,</p> <p>- To allocate TL 769,605,582 from current year profit for 2022 in the statutory records according to the Tax Procedure Law as extraordinary reserves and to allocate TL 1,239,118,536 in the financial statements prepared according to TFRS as retained profits.</p> <p>The Board of Directors' proposal was approved by the majority of the votes, with ayes corresponding to 18,156,114.66 against nays corresponding to TL 1.00.</p>
<p>PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends</p>	<p>https://www.kap.org.tr/tr/Bildirim/1123805</p>
<p>General Assembly Meetings</p>	
<p>General Meeting Date</p>	<p>13.03.2023</p>
<p>The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting</p>	<p>-</p>
<p>Shareholder participation rate to the General Shareholders' Meeting</p>	<p>75.65%</p>
<p>Percentage of shares directly present at the GSM</p>	<p>0.22%</p>
<p>Percentage of shares represented by proxy</p>	<p>75.43%</p>

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM (KYBF)

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/Bildirim/1123805
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	
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 Implementation Sections
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 Implementation 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 Implementation 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 (KYBF)

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	https://www.otokar.com.tr/investor-relations/corporate-governance/principles-of-compensation-application
The number of definitive convictions the company was subject to in relation to breach of employee rights	15
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/75e24879-2d82-46e4-8070-46f2a20f18d2/yk21-22-uyum-politikalar-ek-etik-%C4%B1keler-17092021 https://www.otokar.com.tr/getmedia/a415c390-c32d-4fa3-9880-d9bc6d27e7bb/otokar-%C4%B1nsan-haklari-politikasi_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.	Anti-discrimination Otokar upholds a zero tolerance policy against discrimination is the fundamental principle in all recruitment, promotion, appointment and training processes. Otokar expects all its employees to act with the same sensitivity toward each other. Otokar ensures that all employees are provided equal rights and opportunities. No form of discrimination or disrespect based on race, gender, skin color, nationality, religion, age, disability, sexual orientation and political opinion will be allowed. https://www.otokar.com.tr/getmedia/a415c390-c32d-4fa3-9880-d9bc6d27e7bb/otokar-%C4%B1nsan-haklari-politikasi_07052021
The number of definitive convictions the company is subject to in relation to health and safety measures	0
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Code of Ethics and Compliance Policies

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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/Corporate Social Responsibility https://www.otokar.com.tr/surdurulebilirlik/kurumsal-sosyal-sorumluluk
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.
4. BOARD OF DIRECTORS - I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	29.12.2023
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	Corporate Governance/Internal Control System and Internal Audit
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/ Board Diversity Policy
The number and ratio of female directors within the Board of Directors	1 (11%)

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				
Selin Ayla Ünver	Non- Executive	Not Independent	22.10.2018				
Levent Çakıroğlu	Non- Executive	Not Independent	26.03.2015				
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/1129489	Considered	No	Yes
Ali İhsan Kamanlı	Non- Executive	Independent	15.03.2018	https://www.kap.org.tr/tr/Bildirim/1129489	Considered	No	Yes
Kenan Güven	Non- Executive	Independent	15.03.2018	https://www.kap.org.tr/tr/Bildirim/1129489	Considered	No	

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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	89%
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

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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 Implementation – 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 Implementation – 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 Implementation – 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 Benefits Extended to Board Members and Senior Executives	
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%	7	7
Corporate Governance Committee	-	67%	33%	6	6
Risk Management Committee	-	100%	50%	6	6

ABBREVIATIONS

A.Ş.: Joint Stock Company
BIST: Borsa Istanbul (Istanbul Stock Exchange)
BSI: British Standards Institution
BTO: Build to Order
CAD: Computer-aided Design
CMB: Capital Markets Board
EDIH: European Digital Innovation Hub
ESG: Environmental, Social and Governance
EU: European Union
GHG: Greenhouse Gases
GPU: Graphics Processing Unit
GRI: Global Reporting Initiative
HP: Horse Power
HSM: Hardware Security Module
IED: Improvised Explosive Device
ILO: International Labour Organization
IoT: Internet of Things
ISO: International Standardization Organization
ITL: Income Tax Law
İETT: Istanbul Electric Tram and Tunnel Enterprises
İSO: Istanbul Chamber of Industry
İŞKUR: Turkish Employment Agency
JIT: Just in Time
KPIs: Key Performance Indicators
NATO: North Atlantic Treaty Organization
NGO: Non-governmental Organization
ODAK: Otokar Search and Rescue Team
OHS: Occupational Health and Safety
OHSAS: Occupational Health and Safety Management Systems
OSD: Automotive Manufacturers Association
PDP: Public Disclosure Platform
R&D: Research & Development
SATSO: Sakarya Chamber of Commerce and Industry
SBTi: Science Based Targets initiative
SDG: Sustainable Development Goals
SG: Secure Gateway
SME: Small and Medium-Sized Enterprises
SPP: Solar Power Plant
TASTI: Application-Tailored Synthetic Image Generation
TFCD: Task Force on Climate Related Financial Disclosures
TÜBİTAK: The Scientific and Technological Research Council of Türkiye
TÜSİAD: Turkish Industry and Business Association
USA: United States of America
VMI: Vendor Managed Inventory
WEPS: Women's Empowerment Principles

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