



**Otokar**

**OTOKAR** 2020 ANNUAL REPORT

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AS WE  
EMBARK ON NEW JOURNEYS,  
INTRODUCE FIRSTS,  
MAKE OUR MARK IN EVERY STEP WE TAKE,  
KEEP INNOVATING,  
REACH EACH AND EVERY TARGET, BELIEVING THAT “WE CAN,”  
TRANSCEND BORDERS WITH OUR BRAND,  
TRAVEL THE ROADS OF THE WORLD MILE AFTER MILE,  
PROUDLY ACHIEVE MORE AND MORE FOR OURSELVES AND OUR COUNTRY,  
OUR GOAL REMAINS THE SAME, NO MATTER WHAT:  
**WE ARE ALWAYS HEADED TOWARD THE FUTURE!**

**Otokar**

# CHAIRMAN'S MESSAGE



'WE RECORDED TL 2.9 BILLION IN REVENUES, CAPTURING 20 PERCENT GROWTH BY IMPLEMENTING MEASURES DURING THE PANDEMIC.'

## **Esteemed Shareholders, Partners and Employees,**

We left behind a very difficult year that challenged the entire world. We deeply felt impact of pandemic on our fields of operation. From the early days of the pandemic, we took all necessary measures to protect the health of our employees as a priority, ensure business continuity, mitigate the impact and prevent infection. With safe production practices and several measures in place, our operations continued in the healthiest manner. During these trying times, our biggest strength and most valuable asset was our employees as always. I am thankful too all our colleagues for their selfless efforts in ensuring that our company delivered successful results in 2020 despite the pandemic.

I am pleased to report that we recorded TL 2.9 billion in revenues with 20 percent growth and posted TL 618 million in net profits with 76 percent increase in 2020, thanks to the efforts of our employees and the preventative measures for pandemic. On the other hand, exports amounted to \$307 million, accounting for 75 percent of our annual revenues. Throughout the year, we focused on delivering the existing orders and also signed new deals.

Last year, Otokar maintained its title as Turkey's most preferred bus brand in its segments. As the pandemic continued, we received two large orders: we won the tender of the Georgia Municipal Development Fund

for 175 buses as well as the tender of ESHOT, an Izmir Metropolitan Municipality company, for 364 buses. Meanwhile, we also received a fifth order from Malta, where our vehicle fleet has now reached 300 buses. We even began delivery of the new contracts in 2020.

In 2020, we received an Investment Incentive Certificate from the Ministry of Industry and Technology for our four-year modernization investment of TL 400 million. Meanwhile, our research and development activities also continued seamlessly throughout the year, with R&D spending amounting to TL 202 million in 2020. In order to respond to the requirements of the market during the pandemic, we turned our focus to an immediate need and introduced another first. We proudly launched the “Safe Bus” that features four different systems to minimize the risk of contracting coronavirus. Our first bus, developed with protective features against COVID-19, began serving in Izmir, followed by Malta.

For us, 2020 was also marked with a major development as we signed an international production and supply agreement, made possible with our outstanding technology, engineering and production capabilities. According to the agreement with Iveco Bus, the Italian bus manufacturer, we will locally manufacture products under the Iveco Bus brand at

Otokar facilities in Sakarya, Turkey. This contractual partnership covers existing models in the Iveco Bus portfolio for international distribution, as well as the production of a model specifically catered for markets in Eastern Europe, Africa, the Middle East and Asia. As Otokar continues to export its own buses to international markets, this agreement will drive the company’s global expansion. We welcome this agreement as the very important first strategic step of a long-term collaboration.

In the defense industry, production and delivery of the existing contracts continued and despite the cancellation of planned fairs and the imposed travel restrictions, we maintained our communication and relations with the target markets. We continued to consider the requirements of our clients to develop tailored solutions. This approach brought new achievements in defense industry exports last year and we received two new orders for our Arma 8x8 and Cobra II tactical wheeled armored vehicles from foreign clients. We will soon export our Arma 8x8 vehicle to continental Africa for the first time.

#### **Esteemed Partners,**

Even though the outlook for 2021 remains uncertain given the ongoing pandemic, we will continue to move forward without compromising our goal of becoming a global player

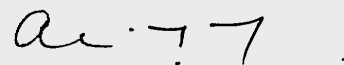
in the automotive and defense industries.

For commercial vehicles, our 2021 target is to maintain our strong share in the domestic market while we will also focus on exports, aiming to increase tourism as well as public transportation bus sales globally and especially in Europe, our primary market.

In the defense industry, we will keep on offering our products, engineering capabilities, production strength and experience to benefit our country. As for international markets, we aim to reach a wider geography in exports and seize expansion and growth opportunities through technology transfers and joint production with local partners. As we charge ahead in 2021, we remain firmly committed to the United Nations Sustainable Development Goals, always keeping our focus on operational excellence as an ecofriendly company with strong business ethics.

I would like to thank you all, our esteemed shareholders and clients for your continued trust in our company, and our partners and employees for your valuable contributions to Otokar’s success.

Sincerely,



**Ali Y. Koç**  
Chairman



# ABOUT

OTOKAR, A KOÇ GROUP COMPANY, IS TURKEY'S LEADING MANUFACTURER OF COMMERCIAL VEHICLES AND DEFENSE INDUSTRY PRODUCTS.



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

Today, as Turkey's leading manufacturer of commercial vehicles and defense industry products, Otokar produces buses and light trucks in the commercial vehicles segment, and a variety of tactical wheeled and tracked armored vehicles and turret systems

for the defense industry at its Arifiye (Sakarya) plant. As a leading company in the defense industry, Otokar maintains its strong position in the sector. Otokar, a Koç Group company, offers solutions tailored to customer needs with its technologies, designs and applications.

In the commercial vehicles segment, Otokar maintains its title as the bestselling bus brand in Turkey with a broad product offering that includes buses ranging from 7 meters to 18.75 meters for passenger transportation. The company currently continues to work on alternative fuel buses and has already introduced Turkey's first hybrid bus and first electric bus to the market. Otokar also produces Otokar Atlas, a light truck with 8.5-ton gross vehicle weight under license.

Otokar comes to the forefront in land vehicles for the defense industry

IN **5** CONTINENTS  
**60+** COUNTRIES



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 35 countries. Otokar also stands apart with world-class knowhow in the defense industry as well as engineering, R&D and technology transfer capabilities.

Otokar's broad product lines are highly sought after both in Turkey and export markets. Otokar products are currently sold and used in five continents in over 60 countries including Turkey.

With numerous firsts to its name since its inception, Otokar carries out R&D activities in world standards. In the last decade, the company has allocated 8 percent of its revenues for R&D expenditures.

## 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.

## 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.

## VALUES

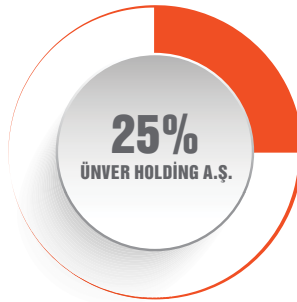
OTOKAR, TOGETHER WITH ITS EMPLOYEES, STRIVES TO ENSURE CUSTOMER SATISFACTION AND SOUND GROWTH BY DELIVERING PRODUCTS AND SERVICES OF UNIVERSAL QUALITY AND STANDARDS IN LINE WITH THE OBJECTIVES AND PRINCIPLES SET BY THE KOÇ GROUP. OTOKAR IS COMMITTED TO BEING A SYMBOL OF TRUST, CONTINUITY AND ESTEEM FOR ITS 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 ASSET. OTOKAR AIMS TO CONTRIBUTE TO THE TURKISH ECONOMY AS ITS DRIVING FORCE AND ALWAYS UPHOLDS ITS SUPERIOR BUSINESS ETHICS AND WORKING PRINCIPLES AS IT WORKS TO CREATE RESOURCES FOR CONTINUOUS DEVELOPMENT.

# OTOKAR IN NUMBERS

FOUNDED IN **1963**



LOCAL CAPITAL



**USD 307 MILLION**  
2020 EXPORT REVENUES

**TL 2.9 BILLION**  
2020 TURN OVER

**TL 1.3 BILLION**  
10-YEAR R&D EXPENDITURE

## PRODUCTION CAPACITY

**5,000**

BUSES  
MINIBUSES

**1,600**

TRUCKS  
LIGHT TRUCKS

**3,700**

TACTICAL VEHICLES

**900**

TACTICAL ARMORED  
VEHICLES

**2,258**  
EMPLOYEES

**552,000 M<sup>2</sup>**  
PRODUCTION AREA

**~300** SALES AND  
AFTERSALES NETWORK



# COMPETITIVE ADVANTAGES

## PRODUCTS WITH OTOKAR OWNED INTELLECTUAL PROPERTY RIGHTS

INDEPENDENCE TO DEVELOP PRODUCTS TO MEET MARKET REQUIREMENTS

## PUBLICLY TRADED

TRANSPARENT STRUCTURE, RELIABILITY

## OPERATING IN NICHE MARKETS

SUSTAINABLE GROWTH

## R&D CAPABILITIES AND FLEXIBLE PRODUCTION ABILITY

RAPID PRODUCT DEVELOPMENT AND SPEED TO MARKET

## CAPABILITY TO OFFER CUSTOMIZED FEATURES

CUSTOMER SATISFACTION GUARANTEE

## NO FOREIGN SHAREHOLDERS

FREEDOM TO DETERMINE COMPANY STRATEGIES



## GLOBAL COMPANY

PRODUCTS WITH OTOKAR-OWNED INTELLECTUAL PROPERTY RIGHTS, USED IN OVER 60 COUNTRIES ACROSS 5 CONTINENTS

## PIONEER

TURKEY'S LEADING DEFENSE INDUSTRY AND COMMERCIAL VEHICLE MANUFACTURER, LAND SUPPLIER

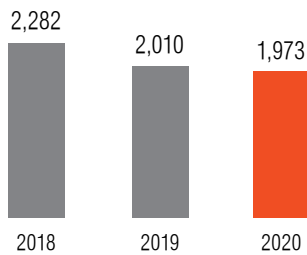
## MARKET LEADER

MOST PREFERRED BUS BRAND IN ALL OF ITS RESPECTIVE BUS SEGMENTS IN TURKEY

# SUMMARY FINANCIAL INFORMATION

## SALES QUANTITIES

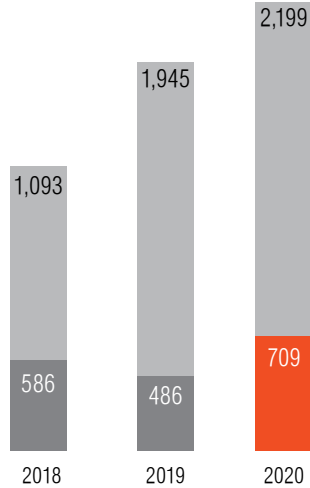
unit



## SALES REVENUES

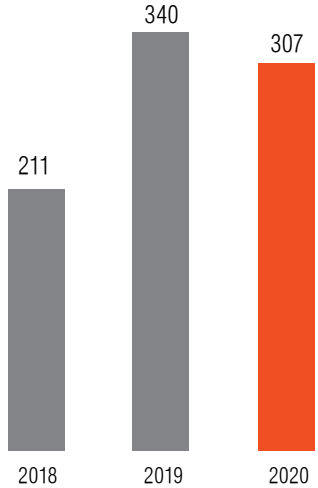
TL million

■ Domestic ■ Abroad



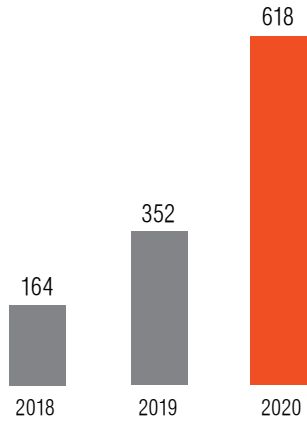
## EXPORT REVENUES

USD million



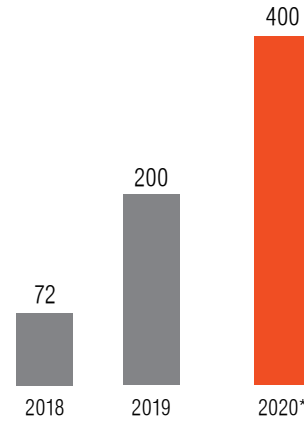
## NET PROFIT

TL million



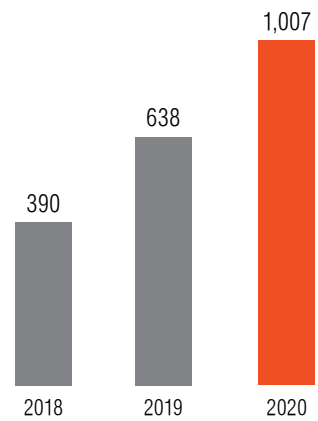
## DIVIDENDS PAID

TL million



## SHAREHOLDERS' EQUITY

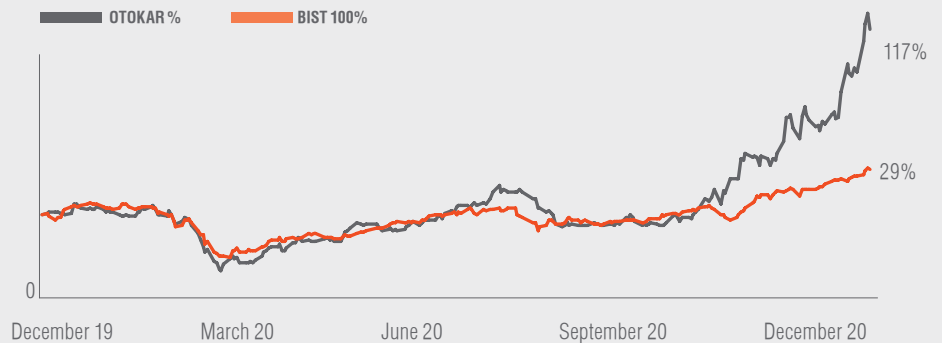
TL million



\*Dividend proposal will be presented to the General Assembly for approval in March 2021.

## 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 2020, BIST 100 rose 29%, while Otokar shares were traded at lowest TL 95.99 and highest TL 332.50, seeing %117 increase throughout the year.



## MAIN RATIOS (%)

	2020	2019
Gross Profit Margin	41.1	37.8
Operating Margin	21.9	19.1
EBITDA Margin	23.1	17.8
Pre-Tax Profit Margin	21.5	14.2
Net Profit Margin	21.3	14.5

## FINANCIAL RATIOS

Liquidity Ratios	2020	2019
Current Ratio (Current Assets/Short Term Liabilities)	1.49	1.87
Liquidity Ratio (Current Assets-Inventories/Short Term Liabilities)	0.87	1.13
Financial Leverage Ratios	2020	2019
Total Debt to Total Assets Ratio (Short Term Debt + Long Term Debt/Total Assets)	0.77	0.76
Equity/Total Debt Equity/(Short Term Debt + Long Term Debt)	0.30	0.31
Profitability Ratios	2020	2019
Sales Profitability Ratio (Pre-Tax Profit/Net Sales)	0.21	0.14
Return on Assets (Pre-Tax Profit/Total Assets)	0.14	0.13
Return on Equity (Net Profit/Shareholders' Equity)	0.61	0.55

## R&D INDICATORS

8%

Share of 10-year R&amp;D expenditures in turnover

378

Patent and industrial design applications

99%

Share of Otokar-designed vehicle sales in turnover

## PRODUCTIVITY INDICATORS

1,166

Number of Kaizen activities improving productivity

15%

Capacity utilization rate

13%

10-year average growth

TL 141 MILLION

Economic contribution

CORPORATE GOVERNANCE RATING SCORE 9.47

# AREAS OF OPERATION

## COMMERCIAL VEHICLE



### DESCRIPTION

- Developing and producing the widest bus portfolio in Turkey, including public, intercity and tourism transportation buses from 7 to 18.75 meters with varying passenger capacities.
- Exporting buses to 50+ countries and primarily to Europe.
- Working on alternative fuel vehicles.
- Manufacturing 8.5-ton light trucks under license.

## DEFENSE INDUSTRY



- Turkey's pioneer defense industry company.
- More than 32,000 vehicles are actively used by armed forces and security forces in Turkey and over 35 allied and friendly countries on five continents.
- Products are manufactured to order, depending on the intended purpose, capacity and protection levels.
- Export of all armored vehicles subject to requirements of related governments' export licence regulations.

## PRODUCTS

### BUSES

Poyraz

Sultan / Navigo (Sultan S, Sultan Comfort, Sultan Maxi, Sultan Mega, Sultan LF, Accessible Sultan Maxi, Navigo C, Navigo U, Navigo T, Agilo C)

Doruk / Vectio (Doruk LE, Doruk CNG, Doruk Electra, Doruk Hibra, Doruk T, Vectio C, Vectio U) Ulyso T

Kent (Kent LF, Kent CNG, Kent U, Kent C, Kent Electra / E-Kent C)

Kent Articulated (Kent Articulated, Kent Articulated CNG)

Territo

### LIGHT TRUCK

Otokar Atlas

## MARKET POSITION AND HIGHLIGHTS OF 2020

- Maintained leadership in the Turkish bus market in the total of its segments.
- Partnership agreement signed with global bus manufacturer Iveco Bus.
- Contract awarded by Izmir ESHOT for the biggest single item bus tender.
- Deal signed with the Municipal Development Fund of Georgia for €18.7 million.
- Developed "Safe Bus" as a first in the world.
- Delivery of the fifth order from Malta completed due to COVID-19 pandemic.

### TACTICAL WHEELED VEHICLES

4x4 Tactical Wheeled Armored Vehicles (Ural, Akrep II, Akrep IIe, Cobra, Cobra II, Kaya II, Armored Internal Security Vehicle)

6x6 Tactical Wheeled Armored Vehicle (Arma 6x6)

8x8 Tactical Wheeled Armored Vehicle (Arma 8x8)

### TRACKED ARMORED VEHICLES

Tracked Armored Vehicles (Tulpar, Tulpar S)

### TURRET SYSTEMS

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

- A new order worth approximately \$110 million for a number of armored vehicles received from an export market.
- A new export deal worth approximately \$25 million signed for Cobra II.
- Kazakhstan Ministry of Defense successfully completed the tests of Arma 8x8 tactical wheeled armored vehicle.
- Firing tests of Tulpar and Arma 6x6 successfully completed.
- Arma 8x8 armored combat vehicle showcased at HEMUS 2020.



# HISTORY

OTOKAR CONTINUES ITS JOURNEY TO THE FUTURE WITH THE SAME DETERMINATION SINCE THE VERY BEGINNING, INTRODUCING FIRSTS, MARKING NEW ACHIEVEMENTS AND ALWAYS KEEPING ITS FOCUS FIRMLY FIXED ON ITS MISSION.



## 1960s

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

## 1990s

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

## 1970s

- Production of minibuses for public transportation
- Joined Koç Group

## 2000s

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

## 1980s

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



## 2010s

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





# HIGHLIGHTS OF 2020

- Otokar signed an agreement with Iveco Bus, a global manufacturer of buses and coaches and a brand of CNH Industrial N.V., to locally manufacture products under the Iveco Bus brand at its facilities in Sakarya, Turkey.
- In early 2020, Otokar was awarded the contract for Turkey's biggest single item bus tender of the year that ESHOT, a company of the Izmir Metropolitan Municipality, opened. Delivery of 364 vehicles, began in 2020 and will be completed in 2021.
- An agreement, worth approximately €18.7 million, was signed with the Municipal Development Fund of Georgia to deliver 175 buses along with spare parts and training services for these vehicles, marking one of the highest export deals of the year. Deliveries started in late 2020.
- An order worth \$110 million was received from an export market for Arma 8x8 and Cobra II tactical wheeled armored vehicles. This marks the first time that Arma 8x8 will be used in the continental Africa.
- An export order worth \$25 million was received for Cobra II vehicles, including spare parts and training services.
- As a first in the world, Otokar developed a Safe Bus for COVID-19 pandemic, featuring four safety systems, for public transportation. In addition to a self-disinfection feature, the Safe Bus also makes it possible to travel safely with the help of a photocatalytic system while measuring the temperature of the passengers, checking if they are





wearing masks and protecting the driver better against infections with a next generation driver's cabin. The first Safe Bus began to operate in the fleet of Izmir Metropolitan Municipality.

- Otokar completed delivery of the fifth order for 50 right-hand drive Kent public transportation buses to Malta. The automated disinfection system, integrated into the buses, is activated automatically after each route is completed and the bus returns to the garage to ensure that all interior surfaces are sprayed with disinfectants to eliminate viral and bacterial transmissions.
- Kazakhstan Ministry of Defense successfully completed the tests of the Arma 8x8 tactical wheeled armored vehicle.
- The firing tests of Tulpar and Arma 6x6 vehicles in Şereflikoçhisar were successfully completed.
- Otokar implemented all necessary measures against the coronavirus across the business processes, and the company's efforts were recognized with the COVID-19 Safe Production Certificate by Turkish Standards Institute (TSI).
- Application filed for Investment Incentive Certificate with the Turkish Ministry of Industry and Technology Directorate General of Incentive Implementation and Foreign Capital was approved. Otokar was granted Investment Incentive Certificate No. 512845 for a four-year modernization investment of TL 400 million.
- A ground breaking ceremony was held for a Cataphoresis Line that makes it possible to automate the

entire body paint process of two 13-meter long wheelbase vehicles from full immersion and zero-touch painting to long-term anticorrosive coating.

- Arma 8x8 armored combat vehicle was showcased at the Defense, Antiterrorism and Security Exhibition HEMUS 2020 in Bulgaria.
- Otokar ranked 35<sup>th</sup>, up 12 places year on year, in the Turkey's Most Powerful Brands – Turkey 100 report published by the international ranking organization BrandFinance. Otokar also achieved the highest gain in brand value, which rose to \$159 million with 140 percent increase.
- Named Turkey's Best Employer in the Kincentric Best Employers 2019 survey. Otokar is one of the three automotive manufacturers and the only defense industry company to make the list that consists of 32 companies from different industries.
- Otokar climbed up 32 places to rank 142<sup>nd</sup> in the Fortune 500 Turkey list. Otokar is also Turkey's 48<sup>th</sup> biggest exporter.
- Otokar ranked once again among the first 100 in Turkey's Top 500 Industrial Enterprises 2019 list of Istanbul Chamber of Industry (ISO).







# GENERAL ASSEMBLY



# GENERAL ASSEMBLY

## MEETING AGENDA

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### AGENDA OF THE ORDINARY ANNUAL GENERAL MEETING OF OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. ON 17.03.2021

1. Opening and election of the Chairman to Preside over the Meeting
2. Presentation for discussion and approval of the 2020 Annual Report prepared by the Board of Directors
3. Presentation of the summary of the Independent Audit Report for the 2020 fiscal year
4. Presentation, discussion and approval of the Financial Statements of the company for the 2020 fiscal year
5. Release of each member of the Board of Directors individually for the affairs of the company in 2020
6. Approval, approval with modifications or refusal of the Board of Directors' proposal pertaining to the date and issuance of profit distribution prepared in accordance with the company's profit distribution policy
7. Approval, approval with modifications or refusal of the Board of Directors' proposal to amend Article 7. "Capital" in the Articles of Association, provided that necessary permissions are obtained from the Capital Markets Board and the Ministry of Trade
8. Resolution of the number of the 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
9. Presentation of the Remuneration Policy for the members of the Board of Directors and the Senior Executives and payments made thereof pursuant to the Corporate Governance Principles to the shareholders for approval
10. Resolution of the annual gross salaries to be paid to the members of the Board of Directors
11. 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
12. Approval of the Donations and Sponsorship Policy, presentation of the donations made by the company in 2020, and resolution of an upper limit for donations to be made in 2021
13. Pursuant to Capital Markets Board regulations, informing the shareholders about the income or benefits obtained in 2020 through guarantees, pledges, liens and sureties given by the company and its subsidiaries to third parties
14. 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 pursuant to Articles 395 and 396 of the Turkish Commercial Code and CMB regulations; and presentation of the transactions carried out thereof in 2020 pursuant to the Corporate Governance Communiqué of the Capital Markets Board to the shareholders
15. Wishes and opinions

# GENERAL ASSEMBLY

## INDEPENDENT AUDITOR'S REPORT

### ON THE BOARD OF DIRECTORS' ANNUAL REPORT



To the General Assembly of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

#### 1. Opinion

We have audited the annual report of Otokar Otomotiv ve Savunma Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2020 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

#### 2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

#### 3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 4 February 2021 on the full set consolidated financial statements for the 1 January - 31 December 2020 period.

#### 4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- to include the matters below in the annual report:
  - events of particular importance that occurred in the Company after the operating year,
  - the Group's research and development activities,
  - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

#### 5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited[consolidated] financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Cihan Harman, SMMM  
Partner

Istanbul, 22 February 2021

# GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2020 - 31.12.2020

The consolidated financial statements of our company reflecting the 2020 activities and their results, prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/IFRS") introduced by the Public Oversight, Accounting and Auditing Standards Authority ("POA") of Turkey and their annexes and interpretations pursuant to the provisions of the Capital Markets Board ("CMB") Communiqué II-14.1 on the Principles of Financial Reporting in Capital markets ("Communiqué"), are presented to our shareholders and the public.

The members of the Board of Directors, who were elected at the Ordinary Annual General Assembly Meeting on March 16, 2020 and served during the reporting period are:

Board of Directors	
Name & Lastname	Title
Yıldırım Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Selin Ayla ÜNVER	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 Chairman and members of the Board of Directors have been elected at on March 16, 2020 to serve until the next Ordinary General Assembly Meeting where 2020 activities will be reviewed.

Provisions regarding the members of the Board of Directors are outlined in Articles 11, 12 and 13 of the company's Articles of Association and the 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	Committee Head	Committee Members
Audit Committee	Ali İhsan İLKBAHAR	Ali İhsan KAMANLI
Risk Management Committee	Kenan GÜVEN	İsmail Cenk ÇİMEN
Corporate Governance Committee	Ali İhsan İLKBAHAR	Levent ÇAKIROĞLU, Hüseyin ODABAŞ

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

# GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2020 - 31.12.2020

## SHAREHOLDING AND CAPITAL STRUCTURE

As of December 31, 2020, the company's registered capital ceiling is TL 100 million, and the issued capital is TL 24 million. Following is a list showing shareholders with more than 10% of the company capital, their shares, and their stakes in the capital.

Shareholder's Title	Share Amount (TL)	Share (%)
Koç Holding A.Ş.	10,722,750	44.68
Ünver Holding A.Ş.	5,954,944	24.81
Other Shareholders	7,322,306	30.51
<b>Total</b>	<b>24,000,000</b>	<b>100.00</b>

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

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

Subsidiary	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
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and marketing	Automotive
Joint Ventures	Country	Main Field of Operation	Industry
Al Jasoor Heavy Vehicle Industry LLC	United Arab Emirates	Sales and marketing	Automotive

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

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

## Amendments to the Articles of Association

No amendments were made to the Articles of Association at the Ordinary General Assembly meeting on March 16, 2020.

## Dividends Distributed in the Last Three Years and Ratios

Otokar distributed cash dividends through its issued capital based on the following ratios:

Period	%
2017	291.67
2018	300.00
2019	833.33

The company paid out the dividends for the 2019 accounting period in full in cash on March 23, 2020.

The shareholders can access the company's corporate and financial data in the "Investor Relations" section on the website: [www.otokar.com](http://www.otokar.com)



# GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2020 - 31.12.2020

## AUTOMOTIVE INDUSTRY AND OTOKAR

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

## MARKET, SALES AND PRODUCTION

The industry-specific developments of 2019 can be summarized below in line with the OSD (Automotive Manufacturers Association) data:

- Total vehicle production in 2020 declined 11% year-on-year, down to 1,297,854 units while passenger car production also dropped 13% down to 855,043 units.
- In 2020, the transportation vehicle market was up 62% to 796,200 units, while the passenger car market also increased by 58% to 610,109 units year-on-year.

In 2020, vehicle production by segments performed as follows year-on-year:

- Light Commercial Vehicles Segment
  - Minibuses 17% decrease
  - Midibuses 19% decrease
  - Pickup trucks 7% decrease
- Heavy Commercial Vehicles Segment
  - Buses 14% decrease
  - Heavy trucks 20% increase
  - Light trucks 47% increase

- In 2020, domestic light commercial vehicle sales increased by 112% and imported light commercial vehicle sales by 37% year-on-year.

In the same period, imports accounted for 31% of the light commercial vehicle (minibus and pickup) market.

## PRODUCTION AND SALES

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

	2020		2019		Change (Units)		Change (%)	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Small Bus	922	906	758	699	164	207	22	30
Bus	637	583	730	793	(93)	(210)	(13)	(26)
Armored Vehicles	213	178	231	207	(18)	(29)	(8)	(14)
Truck	193	306	120	311	73	(5)	61	(2)
<b>Total</b>	<b>1,965</b>	<b>1,973</b>	<b>1,839</b>	<b>2,010</b>	<b>126</b>	<b>(37)</b>	<b>7</b>	<b>(2)</b>

# GENERAL ASSEMBLY

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2020 - 31.12.2020

According to the consolidated financial statements prepared in line with applicable legislation, the company's 2020 revenues increased 20% year-on-year.

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

	2020 (TL Thousand)	2019 (TL Thousand)	Change (%)
Domestic Sales	709,402	485,602	46
Exports	2,199,309	1,945,041	13
<b>Total</b>	<b>2,908,711</b>	<b>2,430,643</b>	<b>20</b>

The company's exports amounted to \$307,157 thousand in 2020 (\$339,673 thousand in 2019), accounting for 76% of total revenues (2019: 80%).

In 2020, capacity utilization was 15% (2019: 14%).

Due to the coronavirus (COVID-19) pandemic that impacted the whole world in 2020 as well as the developments/recession in the company's industry and the general economy, production was shut down for 22 days from 25.03.2020 to 20.04.2020.

Otokar owes its growth to products with own 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 investment in R&D activities, which started several years ago following a major decision to accelerate research and development with the aim of attaining the rapid growth targeted in vehicles with owned intellectual property rights, continued in 2020. The company's total investments, including R&D expenditures, amounted to approximately \$41.7 million in 2020.

The application filed for an Investment Incentive Certificate with the Turkish Ministry of Industry and Technology Directorate General of Incentive Implementation and Foreign Capital was approved on July 21, 2020. The initially approved amount of TL 398 million was duly amended to TL 447 million as of the balance sheet date and Otokar was granted Investment Incentive Certificate No. 512845 for a four-year modernization investment.

### ADMINISTRATIVE AFFAIRS

The company's Senior Management team and titles are listed below:

Name & Lastname	Position
Ahmet Serdar GÖRGÜÇ	General Manager
Hüseyin ODABAŞ	Assistant General Manager - Finance
Uğur Sedef VEHBİ	Assistant General Manager - Military Vehicles Marketing and Sales
Hasan Basri AKGÜL	Assistant General Manager - Domestic Sales and Marketing

# GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2020 - 31.12.2020

Number of Group employees as of year-end:

Year-end	31.12.2020	31.12.2019
Office employees	729	676
Field employees	1,529	1,281
<b>Total</b>	<b>2,258</b>	<b>1,957</b>

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

The company is subject to the Collective Labor Agreement that was signed between the Turkish Metal Workers Union and MESS (Turkish Employers' Association of Metal Industries) on 29 January 2020 and came into force as of 1 September 2019.

Our company has agreed 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](http://www.otokar.com).

Otokar's Corporate Governance Rating rose from 94.02 (9.40) in 2019 to 94.67 (9.47) in 2020.

With its activities in social, economic and ethical aspects aiming at continually improving the value added to the society and contributing more to building a better future, Otokar has been listed in the BIST (Borsa Istanbul) Sustainability Index for six consecutive years.

2019 Otokar Sustainability Report is available on the corporate website: [www.otokar.com](http://www.otokar.com)

## FINANCIAL RESULTS

The company presents to the public its 2020 consolidated financial statements, which have been prepared in accordance with the Turkish Financial Reporting Standards that were implemented by the Public Oversight Accounting and Auditing Standards Authority (POA) pursuant to Capital Markets Board's (CMB) Communiqué on the Principles of Financial Reporting in Capital Markets II-14.1. Annexes and notes related to these standards were also considered in preparing the financial tables.

The financial tables, notes and ratios showing the results of the activities in 2020 are also presented.

The consolidated revenues of the company as of 2020 year-end amounted to TL 2,908,711 thousand with gross profit of TL 1,194,144 thousand.

Pursuant to CMB regulations and according to consolidated financial statements prepared in accordance with Turkish Financial Reporting Standards, the company has posted a profit of TL 625,186 thousand before tax, and a net profit of TL 618,268 thousand in 2020.

At the Annual General Assembly meeting on March 16, 2020, the upper limit for donations to be made by the company in

# GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2020 - 31.12.2020

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2020 was set at 0.2% of the previous year's revenues, and the company provided donations and aid amounting to TL 4,638 thousand for charitable purposes.

A balanced and consistent policy is followed in distributing dividends among shareholders and the company's interests in accordance with Corporate Governance Principles. In determining dividend distribution, the company takes into account its long-term strategy, capital requirements, investments and financing policies, and profitability and cash position.

In accordance with the Dividend Distribution Proposal annexed herein, we present to your approval that:

- shareholders in unlimited taxpayer status and shareholders in limited taxpayer status, who earn profit share through a business unit or a permanent representative in Turkey be paid TL 16.66667 gross=net cash dividend per one share with nominal value of TL 1.00 at the rate of 1,666.667%,
- Other shareholders be paid TL 14.16667 net cash dividend per one share with nominal value of TL 1.00 at the rate of 1,416.667%, and
- Payment of the dividends amounting to TL 400,000 thousand start on Wednesday, March 24, 2021.


We hereby submit an overview of the operations in 2020 and the results for your consideration.

Dear Shareholders,

The Board of Directors has completed its one-year term today. In this meeting, the Board members to serve in the next term will be elected. We would like to extend our thanks for your confidence, attention and support during our term.

Sincerely,

İstanbul, 22 February 2021



Yıldırım Ali KOÇ  
Chairman

# GENERAL ASSEMBLY

## INDEPENDENT AUDIT REPORT



### 1. Our opinion

We have audited the accompanying consolidated financial statements of Otokar Otomotiv ve Savunma Sanayi A.Ş. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) which comprise the consolidated balance sheet as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

Full text of the opinion pertaining to the Independent Audit Report is presented on page 86.



# GENERAL ASSEMBLY

## SUMMARY OF FINANCIAL TABLES

### Consolidated Balance Sheet

Thousand TL	2020	2019
Total Current Assets	3,178,513	1,942,644
Non-Current Assets	1,155,662	735,073
<b>Total Assets</b>	<b>4,334,175</b>	<b>2,677,717</b>
Total Non-Current Liabilities	2,126,684	1,037,747
Total Liabilities	1,200,148	1,002,324
Total Equity	1,007,343	637,646
<b>Total Liabilities and Equity</b>	<b>4,334,175</b>	<b>2,677,717</b>

### Consolidated Income Statement

Thousand TL	2020	2019
Sales	2,908,711	2,430,643
Cost of Goods Sold	(1,714,567)	(1,511,592)
Gross Profit	1,194,144	919,051
Operating Profit	635,990	463,946
Profit Before Tax	625,186	346,354
Tax Income/Expense	(6,918)	5,238
Profit for the Period	618,268	351,592
Earnings Per Share (kr)	<b>2,576</b>	<b>1,465</b>

# GENERAL ASSEMBLY

## BOARD OF DIRECTORS



**Yıldırım Ali Koç**  
Chairman

Ali Y. Koç (born 1967, Istanbul) holds a bachelor's degree in management from Rice University (USA) and an MBA from Harvard Business School. Mr. Koç started his career at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank. Ali Y. Koç joined Koç Holding in 1997 and held senior-level positions until 2010 in various fields including new business development and information technologies. He was the President of Corporate Communications and IT Group from 2006 to 2010. He has been serving as Board Member at Koç Holding since 2008 and was elected as Vice Chairman in February 22, 2016. He has also served as the Chairman of Koç Financial Services and Yapı Kredi Bank since April 2016. Ali Y. Koç also contributes to the country's social and economic development at Fenerbahçe Sports Club as Chairman, and as Board Member at URAK- National Competition Research Association, Endeavor Association and DEİK, Foreign Economic Relations Board. He is also a member of the Global Advisory Council of Bank of America, Harvard University and Council on Foreign Relations. In addition to being a Senior Advisor at Chatham House, he also represents Turkey at CBI-Confederation of British Industry.

Mr. Koç is a non-executive director but does not qualify to serve as an independent board member according to CMB Corporate Governance Principles. Mr. Koç, whose appointments in the last decade are stated above, has been the Chairman of Otokar since 2015 and also serves as Chairman in a number of Koç Group companies.



**Levent Çakıroğlu**  
Vice Chairman

Levent Çakıroğlu (born 1967, Ankara) 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 Financial Analyst at the Ministry of Finance. After teaching at Bilkent University as a Part-time Lecturer (1997-1998), he was appointed Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. After joining Koç Holding as Finance Group Coordinator in 1998, he served as 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 currently serves as the CEO and has been a Board Member of Koç Holding A.Ş. since April 2016.

Mr. Çakıroğlu is a non-executive director but does not qualify to serve as an independent board member according to CMB Corporate Governance Principles. Mr. Çakıroğlu, whose appointments in the last decade are stated above, has been a Board member at Otokar since 2015. He also serves on the Boards of a number of Koç Group companies.



**Selin Ayla Ünver**  
Board Member

Selin Ünver (born 1983, Geneva) completed her education in Switzerland, and gained experience in finance and accounting. She is currently the Chairwoman of Ünver Holding A.Ş.

Ms. Ünver is a non-executive director but does not qualify to serve as an independent board member according to CMB Corporate Governance Principles. Ms. Ünver, whose appointments in the last decade are stated above, has been a Board member at Otokar since 2018.



**İsmail Cenk Çimen**  
Board Member

İsmail Cenk Çimen (born 1967, İstanbul) studied Industrial Engineering at İstanbul Technical University, and later attended Executive Development Programs at the University of California, Los Angeles and Stanford University (USA). Joining the Koç Group as a Management Trainee at Nasoto (1991), he went on to serve as Sales Coordinator, Regional Director and Import Director at Otosan Pazarlama (1993-1996). Following his position as Fleet Sales Manager at Ford Otosan (1996-1998), he was appointed General Manager at Otokoç Ankara (1998). Mr. Çimen became the General Manager of Otokoç, which were brought together under one umbrella, in 2001. 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 is the President of the Automotive Group at Koç Holding since June 2009.

Mr. Çimen is a non-executive director but does not qualify to serve as an independent board member according to CMB Corporate Governance Principles. Mr. Çimen, whose appointments in the last decade have been stated above, currently serves on the Boards of a number of Koç Group companies.

# GENERAL ASSEMBLY

## BOARD OF DIRECTORS



**Ahmet Serdar Görgüç**  
Board Member  
General Manager

Ahmet Serdar Görgüç, (born 1959, İzmir) graduated from 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 since 2006.

Mr. Görgüç is an executive director and does not qualify to serve as an independent board member according to CMB Corporate Governance Principles. Mr. Görgüç, whose appointments in the last decade are stated above, is a Board member at Otokar.



**Ali İhsan İlkbahar**  
Independent Board Member

Ali İhsan İlkbahar (born 1939) 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 Eskişehir İnönü (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 25 March 2014. Mr. İlkbahar has also served on the Corporate Governance Committee at Ford Otosan since April 21, 2014.

Mr. İlkbahar, who does not have executive duties, qualifies as an independent board member according to CMB Corporate Governance Principles. The roles he has assumed in the last ten years have been stated above. Mr. İlkbahar is an Independent Board member at Otokar since 2020.



**Ali İhsan Kamanlı**  
Independent Board Member

Ali İhsan Kamanlı (born 1952, Yozgat) 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 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, who does not have executive duties, qualifies as an independent board member according to CMB Corporate Governance Principles. The roles he has assumed in the last ten years have been stated above, and he has left all of these positions at the end of the respective terms. Mr. Kamanlı is an Independent Board member at Otokar since 2018.



**Kenan Güven**  
Independent Board Member

Kenan Güven (born 1947, Arhavi) is a graduate of Civil Engineering at Istanbul Technical University. He has worked as TEK Construction 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 of Ve-Ge Yapıştırıcı Bant ve Hassas Kağıt San. A.Ş. (2009-2014). Since November 2016, Mr. Güven is serving as the Chairman of Turkish Heart Foundation.

Mr. Güven, who does not have executive duties, qualifies as an independent board member according to CMB Corporate Governance Principles. Mr. Güven is an Independent Board member at Otokar since 2018.

# GENERAL ASSEMBLY

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. PROFIT DISTRIBUTION POLICY

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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

## 01.01.2020-31.12.2020 FISCAL YEAR DIVIDEND PAYMENT PROPOSAL

It is an attachment of the decision of Board of Directors which is dated 12.02.2021 and numbered 2021/07

According to the consolidated financial tables, which were prepared in accordance with the Turkish Financial Reporting Standards (TFRS) for the 01.01.2020-31.12.2020 fiscal year pursuant to the Capital Market Board's (CMB) II-14.1 Communique on Principles of Financial Reporting in Capital Markets (CMB Financial Reporting Communiqué) in the format mandated by CMB and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik. A.Ş., the parent company has posted TL 618,267,060 in net profits. The dividend distribution proposal of the Board of Directors prepared by considering the long term company strategy, capital requirements of the company, investment and financing policies, profitability and cash position is presented below. Distribution of dividends will commence on 24.03.2021 upon General Assembly's approval.

### Otokar Otomotiv ve Savunma Sanayi A.Ş. Dividend Distribution Table 2020 (TL)

1.	Paid-in/Issued Capital		24,000,000
2.	Total Legal Reserves (According on Legal Records)		93,638,147
	Information concerning any privileges provided in the articles of association regarding profit		-
		According to CMB	According to Statutory Records
3	Current Period Profit	625,185,023	597,576,485
4	Taxes Payable ( - )	6,917,963	-
5	Net Current Period Profit ( = )	618,267,060	597,576,485
6	Losses in the Previos Years ( - )		
7	Primary Legal Reserve ( - )		
8	NET DISTRIBUTABLE CURRENT PERIOD PROFIT ( = )	618,267,060	597,576,485
9	Donations made during the year ( + )	4,637,753	
10	Donations -Added Net Distributable Current Period Profit	622,904,813	
11	First Dividend to Shareholders		1,200,000
	- Cash	311,452,407	
	- 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	88,547,593	398,800,000
16	Legal Reserves	39,880,000	39,880,000
17	Status Reserves		
18	Special Reserves		
19	EXTRAORDINARY RESERVES	178,387,060	157,696,485
20	Other Distributable Resorces		
	- Previous year's profit		
21	Legal Reserves Allocated for Other Source as Proposed to be Distributed		-

### Dividend Ratios Table

	Group	Cash Dividend Amount (TL)		Total Dividend Amount (TL) / Net Distributable Cunneht Period Profit (%)	Dividend to be Paid for Share With Per Value of TL 1	
		Cash (TL)	Bonus (TL)	Ratio (%)	Amount (TL)	Ratio (%)
Gross	-	400,000,000.00	0	64.70	16.66667	1,666.667
	TOTAL	400,000,000.00	0	64.70	16.66667	1,666.667
Net	-	340,000,000.00	0	54.99	14.16667	1,416.667
	TOTAL	340,000,000.00	0	54.99	14.16667	1,416.667

# GENERAL ASSEMBLY

## RÉSUMÉS OF THE CANDIDATES FOR THE BOARD OF DIRECTORS

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**Yıldırım Ali Koç (Board of Directors Candidate)**

See Page 28 Board of Directors' Résumés

**Levent Çakıroğlu (Board of Directors Candidate)**

See Page 28 Board of Directors' Résumés

**Selin Ayla Ünver (Board of Directors Candidate)**

See Page 28 Board of Directors' Résumés

**İsmail Cenk Çimen (Board of Directors Candidate)**

See Page 28 Board of Directors' Résumés

**Ahmet Serdar Görgüç (Board of Directors Candidate)**

See Page 29 Board of Directors' Résumés

**Ali İhsan İlkbahar (Board of Directors Candidate)**

See Page 29 Board of Directors' Résumés

**Ali İhsan Kamanlı (Board of Directors Candidate)**

See Page 29 Board of Directors' Résumés

**Kenan Güven (Board of Directors Candidate)**

See Page 29 Board of Directors' Résumés

"Declarations of Independence" by the nominated Independent Members of the Board of Directors are provided on page 33.



# GENERAL ASSEMBLY

## DECLARATION OF INDEPENDENCE OF THE BOARD OF DIRECTORS CANDIDATES

I was nominated to serve as “Independent member” in Otokar Otomotiv ve ve Savunma San. A.Ş. (the company) in line with the legislation. Articles of Association and Capital Markets Board’s Corporate Governance Communiqué. Within this context I declare that:

- a) There has been no hiring relationship that includes important duties and responsibilities between the company, companies that the company controls or has significant control over, legal entities that these companies control and myself, my spouse, in laws and blood relatives up to second kin in the last 5 years; I also declare that I have not held more than 5% of the capital or voting rights or preferential shares, either together or alone, and that I have not any significant commercial relation,
- b) I have not worked as a partner (holding 5% of the shares in the company or more) or as a manager who has important duties and responsibilities, and I have not been a board member in companies which the company obtains services of products from, or sells service or products to, particularly auditing (including tax auditing, legal auditing, internal auditing) rating and consulting services, during the transaction period within the framework of agreements in the last five years.
- c) I have sufficient professional training, knowledge and experience to fulfill the duties on the grounds of my title as an independent board member.
- d) I will not work in state institutions or organizations on a full time basis, apart from in the capacity of an academic pursuant with legislation.
- e) I am a resident in Turkey according to the Income Tax Code dated 31/12/1960 and numbered 193.
- f) I gave sound ethical standards, a professional reputation and experience that allow me to contribute positively to the company’s operations, to maintain my neutrality in conflicts of interest between shareholders of the company to decide freely by taking into account the rights of stakeholders.
- g) I am able to devote time to the company’s work to the extent that I may follow the operations of the company’s activities and follow the requirements of my mandate.
- h) I have not served as a board member in the company’s board for more than 6 years in the last 10 years.
- i) I do not have responsibility in the capacity of an independent board member in more than three companies that are controlled by the company or its shareholders, or which control the company, or in more than five listed companies total,
- j) On behalf of the legal entity as a board member, I am not registered or announced.



**ALİ İHSAN İLKBAHAR**



**ALİ İHSAN KAMANLI**



**KENAN GÜVEN**

# GENERAL ASSEMBLY

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

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This policy document identifies remuneration system and practices for the Board of Directors and Senior Executives who have managerial responsibilities under Capital Markets Board regulations.

A fixed remuneration is determined to be valid for all members of the Board of Directors at the Ordinary General Assembly Meeting of the company each year.

Board Members with executive duties are paid within the scope of the policy determined for the Senior Executives as explained below.

Additional compensation apart from the fixed salaries determined by the General Assembly may be provided for the members who are tasked with specific functions to contribute to the company's operations by seeking the opinion of the Corporate Governance Committee.

Payment plans based on business performance are not applicable for compensation of the Independent Members of the Board of Directors.

Payments to Board Members are made on pro rata basis by taking into account their tenure from the date of appointment to the date they leave office. Expenses incurred by Board Members on account of their contributions to the company (transportation, telephone, insurance, etc.) may be paid by the company.

Senior executive salaries consist of two elements: fixed salary and performance based payments.

Fixed salaries of Senior Executives are determined in accordance with international standards and legal obligations by taking into account the macro-economic data in the market, the compensation policies in the market, the size and long-term targets of the company and the positions of the individuals.

Bonuses for the Senior Executives are calculated according to bonus basis, business performance and individual performance.

- **Bonus Basis:** Bonus bases are updated at the beginning of each year and vary according to the positions of the executives. In updating bonus bases, bonus policies for senior management in the market are taken into account.
- **Business Performance:** Performance of the company is obtained by measuring the year-end financial and operational targets (market share, exports, overseas operations, productivity, etc.) assigned to the company at the beginning of each year. In setting business targets, sustainable success and year-on-year improvements are considered as key factors.
- **Individual Performance:** In determining individual performance, individuals and collective targets set by the Senior Executives together with their teams and managers and key performance indicators are considered. In the measurement of the individual performance, the long-term sustainable improvement principle other than financial indicators are also taken into account.

In the event that Senior Executives resign from the company, a bonus package can be paid by taking into consideration information such the tenure at the company, term of senior office, contributions, last target bonus before resignation date and salaries and bonuses of the previous year.

Total amounts, determined according to these principles and paid to Board Members during the year, are submitted to shareholders for approval at the next General Assembly as legally required.







# OTOKAR IN 2020





# COMMERCIAL VEHICLES

OTOKAR IS  
THE LEADER OF  
THE TURKISH BUS  
MARKET FOR THE  
12<sup>TH</sup> TIME.



Turkish bus market started off 2020 on a positive note and recorded growth in the first quarter. After a recession in the second quarter due to the pandemic, the market began to show signs of normalization in June and recovered, fueled by the positive developments in financing conditions in the third quarter. Particularly, the shuttle bus segment saw significant rise in demand. This trend was followed by a decline in demand across all segments in November. Overall, the bus market, including coaches, grew nearly 14 percent while the total of Otokar's segments recorded approximately 2 percent growth in 2020. With a broad product range, deep trust in the brand, low operating costs and high second hand value of its vehicles, Otokar once again became the industry's top choice, completing 2020 as the

leader of the total bus market for the 12<sup>th</sup> time.

## All-Electric Kent Electra

Before the onset of the pandemic, Otokar introduced the all-electric Kent Electra as a new public transportation bus to the Turkish market. The 12-meter bus, showcased first at the Smart Cities and Municipalities Congress in Ankara and then at Busworld Turkey, is good for the environment with zero emissions, offering higher efficiency and reduced noise levels. The next generation public transportation bus is intended to contribute to sustainable urban development.

## Deliveries

Otokar continued to deliver orders to buyers across Turkey, despite the pandemic. A major deal signed in



2020 was for the biggest single item bus tender that ESHOT, an Izmir Metropolitan Municipality company, opened. Delivery of the order, which includes 170 solo diesel buses and 134 articulated diesel buses plus five-year servicing of the vehicles, already began in 2020.

### Orders

Serving millions of passengers in more than 50 countries, Otokar continued to contribute to the Turkish automotive exports in 2020. Another major deal signed during the pandemic was with the Municipal Development Fund of Georgia for approximately €18.7 million to export 175 buses along with spare parts and training for these vehicles. Delivery of the total 117 Sultan LF and 58 Kent LF models, which will be used in six cities, started in late 2020.

Furthermore, a fifth order was received from Malta, where Otokar buses are widely used and 50 right-hand drive Kent public transportation buses were delivered. With this order, the fleet of Otokar buses operating in Malta now consists of nearly 300 vehicles. On the other hand, 44 Otokar buses started serving the city of Trentino, Italy as the brand continues to gain popularity in European countries.

### New Developments

Otokar, a Koç Group company and Turkey's leading bus manufacturer, signed an agreement with Iveco Bus, a global bus manufacturer operating under the umbrella of CNH Industrial N.V., for the production of Iveco Bus vehicles at Otokar's Sakarya plant. As part of the deal, Otokar will produce the existing international models of Iveco Bus as well as a bus

model developed specifically for the Eastern Europe, Africa, Middle East and Asia markets. The plan is to start production of the first models powered by FPT Industrial engines in 2021.

As Iveco Bus continues with its regular activities at its existing manufacturing sites, this agreement will enable the brand to build on its production capabilities. On the other hand, Otokar will continue to sell Otokar branded buses in export markets and expand its global presence while improving its productivity by utilizing its plant for the production of Iveco Bus buses as well.

### Otokar Atlas Trucks

Otokar Atlas, developed to carry heavy loads in the most challenging road conditions and equipped with a high-torque, powerful engine, was launched with an updated cab design and new features in early 2020. Otokar Atlas, used primarily for heavy-duty purposes with its high performance, is set to become the first choice of private sector fleets with enhanced features.

### MEASURES TAKEN AGAINST THE PANDEMIC

- With COVID-19 going beyond a pandemic and becoming a major global crisis, Otokar developed a Safe Bus. First integrated into the Kent Articulated bus, four systems aim to minimize the infection risk of COVID-19 as well as concerns about public transportation. The first Safe Bus, which features all of the four safety systems, began to operate in the fleet of Izmir Metropolitan Municipality.
- Buses, equipped with additional safety features against the coronavirus risk, joined the public transportation fleet in Malta. In the fifth order that Otokar received from Malta, an automatic disinfection system was integrated into 50 buses. This system is activated automatically after each route is completed and the bus returns to the garage to ensure that all interior surfaces are sprayed with disinfectant to eliminate viral and bacterial transmissions.



# DEFENSE INDUSTRY

THE DEFENSE INDUSTRY PRODUCTS THAT OTOKAR MANUFACTURES ARE USED ACTIVELY IN TURKEY AS WELL AS SEVERAL COUNTRIES ON FIVE CONTINENTS BY ARMED FORCES AND SECURITY FORCES.



In 2020, exports of the Turkish defense and aviation industry amounted to nearly \$2.3 billion, slowing year on year for a number of reasons, including the pandemic. In terms of export items, land vehicles were among the industry's most exported products.

Currently, over 32 thousand defense industry vehicles made by Otokar are actively used by armed forces and security forces in Turkey as well as more than 35 friendly and ally countries on five continents. As the only national land systems manufacturer of Turkey, Otokar maintained communications with its target defense industry markets despite the pandemic. Otokar also fulfilled its obligations to deliver the armored vehicle orders received the previous year on time as planned.

## Export Orders

Otokar received new export orders for defense industry products as it continued to anticipate the requirements of its clients and offer solutions tailored to their needs. A new export deal, worth approximately \$25 million, was signed with an export market for Cobra II. Otokar also received a new export order of approximately \$110 million to deliver a variety of armored vehicles. In addition to Arma 8x8 and Cobra II 4x4 tactical wheeled armored vehicles, spare parts and training services will also be delivered as part of the order. This will mark the first time that Arma 8x8 will operate in continental Africa. The plan is to start deliveries in 2021 and complete them until the end of 2022.

IN **35+** COUNTRIES

# 32,000+ PRODUCTS

Production and deliveries of Rabdan 8x8 armored vehicles continued successfully in 2020 despite the pandemic. Meanwhile, potential production of Rabdan vehicles by Al Jasoor, the joint venture of Otokar in the United Arab Emirates, for this project is currently being evaluated.

### Successful Test Results

The firing tests of Otokar's modular armored tracked vehicle Tulpar and Arma 6x6 armored vehicle, designed for infantry and commando troops in line with current and future needs, were successfully completed in 2020. On the other hand, Arma 8x8 successfully completed the tests run by Kazakhstan Ministry of Defense in the toughest climate and terrain conditions.

### Logistics Support

As a qualified NATO and United Nations supplier, Otokar develops special solutions tailored to the needs of clients using its own technology, design and applications, and offers logistics and field support to users across a vast geography. In 2020, Otokar continued to provide logistical support for its vehicles used by the Turkish Armed Forces and internal security forces.

Otokar's international promotion activities also continued as the company introduced its vehicles that meet current and future needs. During the pandemic, Otokar showcased Arma 8x8 armored combat vehicle with the Mizrak-30 turret system at the HEMUS 2020 Exhibition in Plovdiv, Bulgaria, successfully representing the Turkish defense industry abroad.



### QUALIFIED NATO AND UN SUPPLIER

Selling the products that Otokar, a qualified NATO and United Nations (UN) supplier, develops, tailors and manufactures to meet the requirements of its users with its own technology, design and applications to other countries is subject to export licenses from the relevant governments.



# R&D ACTIVITIES

IN 2020, OTOKAR CONTINUED TO EXPAND ITS PORTFOLIO WITH NEW PRODUCTS AS WELL AS NEW VERSIONS OF THE EXISTING PRODUCTS.



Otokar, aiming to develop new equipment and applications to meet the requirements of the future, has allocated 8 percent of its revenues for research and development (R&D) activities in the last ten years, bringing R&D spending to TL 1.3 billion in that time period. As the company's activities to design and develop new products continue seamlessly, Otokar filed 378 patent applications in 2020 and expanded its portfolio with new products as well as new versions of existing products.

## Safe Bus

Aiming to ensure a safer public transportation experience and mitigating the infection risk of COVID-19 during the pandemic, Otokar introduced Safe Bus, featuring four safety systems integrated into the Kent Articulated model as a first in the world.

## Automated disinfection system:

With a proprietary software added to the vehicle, a high pressure disinfectant spraying system can be activated with the single push of a button within seconds, automatically killing the viruses and bacteria on the interior surfaces of the bus in only three minutes.

## Photocatalytic system:

The photocatalytic system that breaks down air-borne organic molecules such as viruses and bacteria with hydroxyls into harmless water vapor and carbon dioxide is integrated into air conditioners. With a feature that kills viruses within 60 minutes while the vehicle is on the move, the system disinfects the air inside the bus continually.

**Next generation alert systems:** The next generation alert system integrated

**~TL1.3 BILLION**  
**10-YEAR R&D EXPENDITURE**

### OTOKAR R&D CENTER

Otokar's R&D Center is equipped with simulators, test equipment and computer systems to generate and evaluate information for faster testing of manufactured vehicles with advanced technologies. Otokar's R&D capabilities include CAD programs for product development, prototyping workshops and software, computer-assisted analysis and simulation software, and test-focused apparatus and software. Otokar's R&D Center houses a Climatic Test Chamber with Dynamometer, the one and only of its kind in Turkey and among a handful in Europe, and Turkey's highest capacity hydraulic road simulator. The Center is also home to Turkey's largest and the world's best state-of-the art Electromagnetic Compatibility Test Center (EMC/EMI), which serves as an independent accreditation center for all R&D activities of domestic and foreign automotive and defense industries.

into the bus measures the temperature of the passengers boarding the bus at the front door and gives off an audible warning with a flashing red light to warn the driver if high fever is detected. The system also alerts the driver with a flashing light if the passenger does not wear a face mask.

### New generation driver's cabin:

The new generation driver's cabin, designed by Otokar, prevents direct contact between the passengers and the driver as they are boarding the bus or during the ride. The cabin is fitted with a high glass pane that limits viral and bacterial transmission. The new generation driver's cabin is produced in conformity with the European Union's ECE R107, R46, R118, R43 and R80 directives and regulations that govern the safety, security and building standards.

The first Safe Bus joined the fleet of Izmir Metropolitan Municipality. The systems, offered as optional in Otokar's mass production vehicles, can also be integrated into the existing buses on demand with some minor modifications.



# CREATING VALUE FOR STAKEHOLDERS

ENSURING THE HEALTH AND SAFETY OF CLIENTS, PARTNERS AND EMPLOYEES, WAS A PRIORITY FOR OTOKAR DURING THE PANDEMIC AS IN NORMAL CIRCUMSTANCES.



As a company that has implemented numerous practices to make life easier for all its stakeholders, Otokar identified ensuring the health and safety of its business partners, clients and employees as a top priority during the pandemic. Otokar took all necessary measures and resumed operations to ensure seamless functioning of the supply chain. In addition to taking preventive measures in the ongoing operations with internal and external stakeholders, Otokar maintained regular communications with employees and business partners. Otokar managed the pandemic period successfully, thanks to its extensive dealer and aftersales service

network embracing the same social, environmental and ethical work norms and continuing their operations in line with general service terms and conditions.

## Manufacturing Process

From the early days of the COVID-19 pandemic, Otokar began to implement the necessary measures to protect the health of its employees, ensure business continuity, reduce the impact of the crisis and prevent infections. Guidelines of the Ministry of Health to prevent the transmission of the virus and all measures implemented across Koç Group were followed diligently. A Coronavirus Information Center was



formed with Otokar's own workplace physicians to answer potential pandemic-related questions from the employees.

With a timely decision, production was shut down from March 25 to April 20, and employees with jobs suited the remote working model began to work from their homes. Production resumed on April 20 at a relatively low pace and gradually increased. With the normal single shift work model now divided into two, production continues with minimum possible number of employees in each shift. Meanwhile, remote working employees continue to work from their homes. With these measures in place, Otokar increased its production efficiency rate by 1 percent year on year, reaching 93.9 percent.

Otokar implemented all measures to ensure social distancing in all production locations and common areas. All the environments that employees may frequent during the day from shuttle buses and locker rooms to cafeterias and break areas were designed with maximum hygiene and personal protection measures in place. Otokar's efforts against COVID-19 were recognized with TSI's Safe Production Certificate valid for one year, starting from July 1.

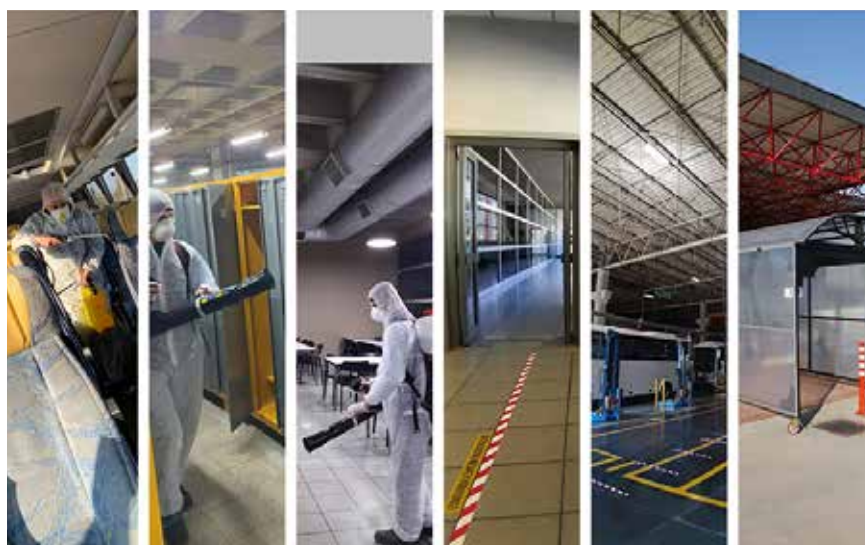
#### Customer Satisfaction

Otokar ensures customer satisfaction by considering needs and expectations in all processes. Year on year, customer and dealer satisfaction rates were both improved.

**Domestic market:** The economic conditions that constantly fluctuated during the year and the

# 93.9%

**PRODUCTION  
EFFICIENCY RATE**



## OTOKAR CONTINUED ITS KAIZEN PRACTICES THAT ENABLE THE EMPLOYEES TO DEVELOP THEMSELVES IN 2020.

consequences of these ebbs and flows in the market were anticipated through timely, systematic analyses and necessary measures were taken to avoid potential sales losses. Otokar provided the dealers with regular advice about the pandemic as well as its activities and critical issues. Even though 90 percent of the domestic commercial vehicle sales team shifted to remote work with the pandemic, contact with dealers and customers continued 24/7 through various communication channels. This led to a 25 percent increase in the communication rate with dealers and customers year on year.

**CRM:** Otokar's CRM activities continued seamlessly without compromising the 24/7 service approach while 90 percent of the CRM Center team worked remotely. Customers were encouraged to communicate via Otokar's mobile app (Otokar App) and increased use of the app also helped raise awareness by communicating the latest information about COVID-19. In addition to improved communication with customers via digital channels, a solution was formulated to connect customers and Otokar's authorized aftersales services to prevent congestion at the service shops, where a booking system was introduced.

In defense industry, exhibitions, seminars and conferences are key in Otokar's business development efforts. With events postponed or cancelled due to the pandemic, Otokar connected with clients on digital platforms to minimize the impact of such cancellations.

**Aftersales services:** During the pandemic, Otokar continued to provide 24/7 aftersales service to ensure that the public transportation buses and shuttles that healthcare professionals, supermarket workers and factory workers use as well as the light trucks used in garbage collection, cleaning and food transportation services can operate seamlessly. Video calls with Otokar aftersales service centers abroad were preferred to help with diagnostics and repair work via remote connection. Meetings with international dealers and suppliers were held online. Otokar also continued to provide logistical support for the military vehicles in the inventories of its clients.

**Exports:** The meetings that Otokar held at regular intervals with its distributors and clients in the key commercial vehicle markets were moved to digital platforms while supplier accreditation processes or tenders in export markets were followed online.

In defense industry, Otokar used alternative channels to communicate with its existing clients. The strong and established relationships made it possible to move forward with the ongoing projects and contracts.

### Supplier Relations

From the early days of the pandemic, Otokar kept its communication channels open with suppliers, and acted quickly to increase the stock levels of materials procured directly or indirectly via suppliers while including local alternatives to source certain materials. Otokar also prepared long- or short-term solutions by even coordinating and collaborating with

## INVESTMENTS

- Otokar was granted an Investment Incentive Certificate by the Turkish Ministry of Industry and Technology for a four-year modernization investment of TL 400 million.
- In 2020, a ground breaking ceremony was held for a Cataphoresis Line at Otokar's Arifiye plant. Once the investment is completed, it will be possible to automate the entire body paint process, allowing two 13-meter long wheelbase vehicles to be fully immersed for zero-touch painting and ensuring long-term anticorrosive protection in the vehicles that come out of this line.

suppliers to assist in their international logistics needs. Meanwhile, Otokar kept its focus on supply chain risks and the management of these risks, which gained more importance with the pandemic.

In 2020, Otokar worked with 981 suppliers, including 1,252 local companies, for direct and indirect procurements. During the reporting period, purchasing costs amounted to TL 2,087,883,292 with local supply rate at 48.19 percent levels.

## Kaizen Practices

Keeping its focus on continuous improvement of its business processes, services and products, Otokar continued to apply Kaizen practices in 2020 to offer employees opportunities to develop themselves. As part of these practices, field workers engaged in 1,166 Kaizen activities throughout the year. Based on evaluations, the viable practices were included in the system and implemented. The plan is to spread the Kaizen culture across the entire base so that even the smallest improvements can be made systematically and quality of the production processes is enhanced. In addition to Kaizen practices, Otokar rewarded 942 employees as part of the reward and recognition procedures in 2020.





# DIGITAL TRANSFORMATION

OTOKAR REGARDS DIGITAL TRANSFORMATION AS A BUSINESS STRATEGY THAT IMPACTS ALL PROCESSES AND IMPROVES EFFICIENCY AND PROFITABILITY, GIVING THE COMPANY A COMPETITIVE ADVANTAGE.



The pandemic showed that digital transformation is a key strategic requirement. As a company that acts with the mission of driving digital transformation in all the industries in which it operates, Otokar continued to launch projects that align with this objective in 2020. Otokar regards digital transformation as a business strategy that impacts all processes and improves efficiency and profitability, giving the company a competitive advantage. Accordingly, Otokar carried out various activities as part of the “Designing the Future for my Country” project launched by Koç Group with the aim of building a meaningful future for the society.

## Projects

Otokar implemented a number of projects within the scope of its digital transformation efforts throughout 2020.

**Machine learning:** An algorithm that detects the locations of forklifts in real time has been developed as part of Otokar’s Production Management Platform Project based on Indoor and Outdoor Positioning and Machine Learning Techniques, carried out within the scope of 1501-TÜBİTAK Industry R&D Projects Support Scheme. The algorithm has proven that work orders can be evaluated along with forklift positions and features and the shortest route can be indicated by assigning the most suitable forklift to the task. The project also involved the development of a machine learning-based software that predicts which supplier would not be able to deliver on time in the future by studying historical data of the suppliers. Furthermore, another software has been developed to predict potential quality errors that may occur in the vehicles in the future and to arrange the checklist in the right order.

**Cyber security:** The VALU3S (Verification and Validation of Automated Systems' Safety and Security) project, carried out as part of Horizon 2020's ECSEL (Electronics Components and Systems for European Leadership) initiative, with Otokar as application provider, was launched. Otokar worked with the other stakeholders in the Turkish consortium of the project to determine various test scenarios for cyber security and safety solutions.

**Control system:** During the pandemic, a control system that checks face masks and measures body temperature was developed to be placed in vehicles and entrances of indoor spaces.

#### PATENT APPLICATIONS

Otokar filed the following patent applications as part of its digital transformation efforts:

- Mobile System for Detecting and Predicting Baseline Errors in Large Vehicles with Machine Learning Algorithms
- Welding Quality Prediction and Feedback System based on Welding Parameters in Manual and Automated, Layered or Single Layer Gas Welding Processes
- Automatic Trajectory Mapping for Part-Based Operations in Robotics Systems





# SUSTAINABILITY



## OTOKAR AIMS TO ALIGN ITS MATERIAL SUSTAINABILITY EFFORTS WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS.

The objective of Otokar's sustainability strategy is to maintain its domestic capital structure and increase its profitability with an environment-friendly business model that faithfully follows work ethics, aims for operational excellence, meets all customer expectations and that is focused on developing high-tech, value-added products. The Board of Directors determines the strategic direction of the company's commercial, operational, social, economic and environmental activities in line with this sustainability strategy. On the other hand, Otokar Sustainability Working Group monitors the social, environmental and economic impact of the company's operations. This group reports to the General Manager, who is also a Board member. The General Manager oversees the sustainability efforts and determination of the activities to serve this purpose and also ensures that they are implemented in compliance with company policies and applicable legislation.

Otokar's material sustainability aspects are determined at workshops with the participation of Working Group members and senior management. Material aspects are reviewed by independent experts every year, and any changes in the conditions of these topics lead to renewal of the work performed. The activities in 2020 did not require any changes to the material sustainability aspects.

### Responsible Management Approach

In designing its sustainability activities, Otokar considers the needs and priorities of all its stakeholders and discloses its business strategies, the impact of its operations and performance results through sustainability reports prepared in accordance with the GRI standard with a responsible management approach. Five-year data pertaining to the sustainability performance indicators is disclosed in the reports. Information on sustainability activities is also included in the Annual

Report and the corporate website. All Otokar employees are provided with information on environmental, social and governance policies and practices.

Otokar embraces and actively promotes United Nations Global Compact and United Nations Women's Empowerment Principles (WEPs), signed by Koç Holding in 2006 on behalf of all Koç Group companies, across its operations. Otokar has also adopted United Nations Sustainable Development Goals (SDG), aiming to align its material sustainability efforts with these goals.

### Transparent and Continuous Communication

As a public company traded on Borsa Istanbul, Otokar follows applicable laws and regulations and capital markets legislation in shareholder

relations. The Investor Relations Department maintains transparent and continuous communication with investors and shareholders. Information about the company is disclosed to interested parties at the

### LISTED IN THE BIST SUSTAINABILITY INDEX

Otokar has been listed in the Borsa Istanbul (BIST) Sustainability Index for the sixth time based on its sustainability efforts, which have been assessed according to Borsa Istanbul's Index Selection Criteria. Otokar, aiming to create long-term value by combining economic, environmental and social factors with corporate governance principles, is included among 61 companies in the BIST Sustainability Index.

### OTOKAR MATERIAL TOPICS

OTOKAR MATERIAL TOPICS						
SUBJECT HEADINGS	SUPPLY PROCESSES	DESIGN AND MANUFACTURING PROCESSES	DISTRIBUTION PROCESSES	SALES AND MARKETING PROCESSES	AFTER SALES PROCESSES	SDG REFERENCES
SUSTAINABILITY PRIORITIES	CLIMATE CHANGE, ENERGY, GREENHOUSE GASSES	•	•	•	•	7, 12, 13, 17
	ENVIRONMENTAL IMPACTS OF MANUFACTURING	•				6, 12, 13, 15, 17
	VEHICLES WITH MINIMISED ENVIRONMENTAL IMPACT			•	•	7, 9, 11, 12, 13, 17
	PRODUCT AND SERVICE RESPONSIBILITY	•			•	12, 16, 17
	HUMAN RIGHTS	•	•	•	•	5, 8, 10, 17
	OCCUPATIONAL HEALTH AND SAFETY	•	•	•	•	3, 17
	SOCIAL DEVELOPMENT AND EMPLOYEE VOLUNTEERING	•	•	•	•	1, 2, 3, 4, 5, 10, 17
	EMPLOYEE RIGHTS	•	•	•	•	5, 8, 10, 17
	TALENT MANAGEMENT	•	•			1, 5, 8, 17
	INNOVATION	•	•			9, 11, 17
	SUPPORTING LOCAL ECONOMY				•	1, 2, 17
MANAGEMENT PRINCIPLES	CUSTOMER SATISFACTION		•	•	•	
	COMPETITIVE STRATEGIC PLANNING		•	•		
	STAKEHOLDER ENGAGEMENT		•			16, 17
	RISK MANAGEMENT	•	•	•	•	16, 17
	BUSINESS ETHICS AND ANTI-CORRUPTION	•	•	•	•	16, 17

annual ordinary General Assembly Meetings and through Annual Reports, Sustainability Reports, annual and quarterly interim Financial Performance Reports, 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. For this purpose, understanding stakeholder expectations and developing the right responses is essential. Accordingly, Otokar stays in continuous communication with all relevant stakeholder groups. Communication with stakeholders is always constructive, transparent and based on mutual trust and cooperation. The method and frequency of communication is shaped according to stakeholder requirements and expectations. 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 has already achieved full compliance with all mandatory principles and currently works on certain principles that have yet to be fully complied with. The Sustainability Compliance Framework introduced by the Capital Markets Board as part of the Corporate Governance Principles has expanded the scope of sustainability efforts. In determining its corporate governance strategy, Otokar considers sustainability, the environmental impact of its operations and applicable principles. Even though the company does not yet have its own sustainability-related policies, Otokar currently works on developing them in line with Koç Group's relevant policies.

### ENVIRONMENTAL SUSTAINABILITY Managing environmental aspects:

Otokar aims for achieving maximum environmental sensitivity and creating

minimum impact in all its operations. The environmental aspects are managed according to Otokar's Environment Policy and in compliance with applicable legislation. In addition to making use of best practices from around the world and stakeholder opinions, Otokar also follows the national and international standards for environmental management. Otokar's manufacturing sites hold ISO 14001 Environmental Management Systems Standard certification.

The Board of Directors is responsible for overseeing the company's environmental activities and determining the required strategies. The responsibility for implementing the strategies and decisions in accordance with company policies and applicable legislation falls on the General Manager. On the other hand, Environmental Management Department is responsible for the execution of these policies and strategies. Environmental targets are included in the factors that inform personal performance appraisals and remuneration. Performance in this

Environmental Key Performance Indicators (KPIs)	2016	2017	2018	2019	2020
Total Energy Consumption (GJ)	180,249	171,069	137,033	158,992	156,184
Direct Energy Consumption (GJ)	114,852	113,142	55,044	101,751	103,607
Direct Renewable Energy Consumption (GJ)	225	241	240	240	240
Indirect Energy (Electricity) Consumption (GJ)	65,397	57,927	54,804	57,241	52,577
Total Water Withdrawal (m <sup>3</sup> )	213,367	162,823	155,496	152,058	183,907
Underground Water (m <sup>3</sup> )	113,647	77,324	85,505	77,484	114,270
Municipal Water (m <sup>3</sup> )	97,820	83,849	68,431	73,154	68,537
Rain Water (m <sup>3</sup> )	1,900	1,640	1,560	1,420	1,100
Total Wastewater Discharge (m <sup>3</sup> )	153,984	164,400	148,400	119,000	140,000
Recovered Water (m <sup>3</sup> )	151,175	149,317	150,417	150,350	150,500
Ratio of Recovered Water in Water Consumption (%)	41	48	49	50	45
Total Waste (from production) (tons)	3,268	3,216	2,556	2,785	3,894
Recycled Waste (tons)	3,268	3,138	2,507	2,742	3,288
Scope 1 Greenhouse Gas Emissions (tons CO <sub>2</sub> e)	5,570	5,845	4,660	5,157	4,952
Scope 2 Greenhouse Gas Emissions (tons CO <sub>2</sub> e)	8,721	7,725	7,308	7,633	6,543

regard is measured with score cards and reported to the General Manager and the Board. Results of environmental performance are disclosed to the stakeholders through various reports and internal communications.

Otokar determines its yearly and five-year targets according to the Management Systems Procedure for Identifying Environmental Objectives, Targets and Management Programs. Processes regarding the realization of targets are also defined according to this procedure. Action plans are designed to meet these objectives in line with the vision and strategies of Otokar and Koç Holding.

**Environmental strategy:** Otokar has created a five-year environmental strategy to define and mitigate environmental risks. Reducing water withdrawal, decreasing greenhouse gas emissions and increasing the consumption of renewable energy are among the topics addressed in this strategy.

Combating climate change, natural resources, material efficiency and waste, greenhouse gas emissions, biodiversity, compliance with applicable legislation, environmental training and communication and cooperation with non-governmental organizations and other stakeholders are some of the issues included in environmental sustainability efforts. Environmental performance at Otokar is measured at regular intervals. For continuous improvement of environmental performance, periodic internal audits as well as annual audits by Koç Holding Audit Group are conducted. Furthermore, independent periodic audits also monitor and verify the compliance of Otokar's operations with environmental standards. Turkish Ministry of Environment and Urbanization as well as other institutions (municipalities, State



Hydraulic Works – DSI, etc.) also audit Otokar's operations. At Otokar, environmental impact is considered a part of corporate risk management and recorded in the Environmental Impact Log, which is analyzed to identify material risks.

#### **Alignment with stakeholders:**

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

#### **Environmental partnerships:**

Otokar partners with stakeholders and non-governmental organizations on environmental issues and attends the monthly meetings of the Koç Group Environmental Committee as a member, contributing to Group companies by sharing its best practices. Otokar also takes an active role in the Environmental Working Groups of OSD and TÜSİAD. Otokar's work as a member of TÜSİAD and ISO involves mutual communication and collaboration with companies in proximity on topics such as changes in legislation, EU compliance directives, local sanctions and investments.

#### **Efficient use of natural resources:**

Otokar regards the efficient use of natural resources as a key responsibility and follows it diligently. Aiming for minimum water consumption in its operations, Otokar ensures that the water consumed is drawn from recovered sources to the extent possible, and these efforts have resulted in recovery of 150.5 thousand m<sup>3</sup> of water in 2020. Otokar also strives to minimize waste through efficient use of materials and resources with the help of reuse and recovery practices. In 2020, 99 percent of the waste from production operations was recovered with the use of various methods.

#### **Combating climate change:**

For Otokar, climate change is a cornerstone of environmental sustainability. Efforts to combat climate change are carried out in line with Otokar's Environmental Policy, R&D Strategy and Koç Group's Climate Change Strategy\*. At Otokar, the Board of Directors determines the climate change strategies. Otokar also adopts an approach focused on mitigating risks and seizing opportunities in combating climate change. The company is engaged in various work to limit the impact of its products and production processes on climate.

As part of the efforts to combat climate change, Otokar monitors the energy consumption in its production processes and the greenhouse gas emissions released.

\*For Koç Group's Climate Change Strategy, please visit: <https://www.koc.com.tr/sustainability/act-for-the-planet-together/change-climate>

## SUSTAINABILITY INDICATORS

<b>Social Indicators</b>	6%	11.24 (F1)	98.82%	31,978.40	13,668	2,258
	FEMALE EMPLOYMENT RATIO	INJURY RATE	UNIONIZATION RATIO OF FIELD EMPLOYEES	PERSON*HOURS TOTAL TRAINING	PERSON*HOURS TOTAL OHS TRAINING	TOTAL WORKFORCE
<b>Environmental Indicators</b>	1,526 GJ	99%	150,500 M <sup>3</sup>	300 TONS CO <sub>2</sub>	4.27 TONS CO <sub>2</sub> /UNIT	
	TOTAL ENERGY SAVINGS	WASTE RECOVERY RATIO	TOTAL RECOVERED WATER	GREENHOUSE GAS EMISSION REDUCTION	GREENHOUSE GAS EMISSIONS PER UNIT	

With a number of efficiency projects implemented to reduce energy consumption and emissions, Otokar has saved 1,526 GJ of energy and reduced 300 tons of CO<sub>2</sub> emissions in 2020.

**Alternative fuel vehicles:** Otokar conducts R&D activities aimed at reducing the greenhouse emissions of its products. As part of these activities, Otokar currently works on developing alternative fueled 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.

### Green transportation solutions:

Otokar develops green solutions with the aim of reducing the impact of transportation on climate change. The electric bus Kent Electra developed for this purpose contributes to a cleaner environment and quieter traffic while offering lower operating costs and higher efficiency. On the other hand, Akrep Ile is Turkey's first electric armored vehicle, with a configuration that allows the use of alternative powertrains such as electric, diesel

and hybrid, driving the move toward autonomous vehicles.

### SOCIAL SUSTAINABILITY

**People focus:** Otokar promotes a people-focused workplace, offering its employees a respectful environment where human rights and employee rights are protected. Otokar does not discriminate on the basis of race, gender, political tendencies, philosophical views, religion and faith in human resources processes and does not allow any behavior that may be considered discriminatory. There is no distinction between remunerations for men and women.

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

**Unionization rights:** Otokar respects the unionization rights of its employees

and provides an environment where they can freely exercise their rights. Currently, 98.82 of the field employees at Otokar are unionized.

**Code of Ethics:** Otokar Code of Ethics\*\* is based on and in line with Koç Holding Code of Ethics and Implementation Principles. According to the Code of Ethics, which includes anti-bribery and anti-corruption policies, Otokar expects not only its employees, but also its suppliers and partners to comply with these guidelines. UN Global Compact, to which Koç Holding is a party on behalf of all Group companies, is binding for all Otokar operations as well as across the value chain. All Otokar employees are obligated to report Code of Ethics violations according to a specific procedure. Such violations and conflicts can be reported anonymously to the Ethics Board using certain communication channels.

### Training and development:

Otokar believes that investing in the development of its employees plays a key role in increasing their loyalty and motivation. Accordingly, the company supports the continuous development of its human resource with various training and development opportunities. Otokar encourages its

\*\*For Otokar Code of Ethics, please visit: <https://www.otokar.com.tr/investor-relations/corporate-governance/ethical-code>



employees to attend in-house trainings as well as education programs made possible by Koç Holding and Koç University, external trainings, and online training programs. In 2020, Otokar employees took 31,978.40 person\*hours of training.

**Suggestion system:** Otokar believes that understanding the opinions and obtaining the suggestions of employees and incorporating them into management processes is an important gain. Accordingly, Otokar uses a Suggestion System to obtain the employees' opinions. Employee suggestions are assessed by the Suggestion Evaluation High Committee, and the viable suggestions are duly implemented.

**Support for social life:** Otokar promotes a work environment and implements practices that aim to maintain work-life balance. The company carries out a number of social activities to support the social life of the employees and strengthen interpersonal communication. For this purpose, employee clubs also organize various activities together with the families of employees.

**Occupational health and safety:** Protecting the safety and health of its employees is as important to Otokar as ensuring their development and happiness. The company provides a safe work environment and work sites for all employees while conducting occupational health and safety activities in accordance with the OHSAS 18001 Standard and Otokar OHS Policy. The company's OHS Policy is disclosed to the employees and other stakeholders through various communication channels.

There are OHS Committees in place to ensure that 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. In addition to monthly reporting of individual departments, performance is also evaluated at the annual Management Review Meetings.

OHS trainings are provided to raise awareness about the importance of occupational health and safety. In 2020, the OHS training time amounted to 13,668 person\*hours. The company also introduces practices and organizes events to raise OHS awareness.

**Corporate responsibility:** As a company conscious of its corporate responsibilities, Otokar not only takes an active role in supporting the development of Turkey as well as the society and protecting the environment but also invests in the future. 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 regards raising environmental awareness as a social responsibility. Otokar is one of the first automotive companies to be granted ISO 14001 certification, and also recognized with multiple environmental awards by institutions such as the Ministry of Environment, Sakarya Governor's Office, Istanbul Chamber of Industry,

Adapazarı Chamber of Commerce and Industry and Kocaeli Chamber of Industry.

**Customer satisfaction:** Otokar aims to establish long-term relations based on mutual trust with its customers while ensuring their unconditional satisfaction. For this purpose, Otokar has in place a Customer Satisfaction Policy\*\*\*. 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 aftersales service responsibility plays a major role in ensuring customer satisfaction. For this purpose, Otokar continuously works to improve 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 aftersales service operations.

**Protection of personal data:** Protection of personal data is another key priority for Otokar. The principles that Otokar adopts for processing personal data and the activities carried out for this purpose as well as their compliance with all applicable legislation are explained in detail in the Personal Data Protection Policy, which Otokar communicates to ensure transparency with personal data subjects. Processes regarding the protection of the employees' personal data are managed according to the Personal Data Protection and Processing Policy for Employees\*\*\*\*, which is in line with this policy.

Otokar's Declaration of Compliance with Sustainability Principles is provided pages 76.

\*\*\*For Otokar's Customer Satisfaction Policy, please visit: <https://www.otokar.com.tr/surdurulebilirlik/musteri-memnuniyeti-politikasi>

\*\*\*\*For Otokar's Quality Policy, please visit: <https://www.otokar.com.tr/sustainability/quality-policy>

\*\*\*\*\*For Otokar's Personal Data Protection Policy, please visit: [https://www.otokar.com.tr/getmedia/0a9b182d-d72b-4303-82cb-c2916c90a918/Personal\\_Data\\_Protection\\_Policy](https://www.otokar.com.tr/getmedia/0a9b182d-d72b-4303-82cb-c2916c90a918/Personal_Data_Protection_Policy)

# HUMAN RESOURCES

DURING THE PANDEMIC, WHEN CONCEPTS SUCH AS AGILITY, ADAPTABILITY AND CHANGE MANAGEMENT BECAME CRUCIAL, OTOKAR REMAINED COMMITTED TO ITS EXISTING SYSTEMS AND ENSURED BUSINESS CONTINUITY EVEN WHILE IMPLEMENTING REMOTE WORK PRACTICES AND DELIVERING DISTANCE TRAINING PROGRAMS.



Otokar strives to create a people-focused workplace and aims to provide its employees opportunities for continued development while motivating and ensuring their loyalty. Otokar embraces the philosophy of “the right person for the right job” and offers a work environment where employees feel respected and trusted, development and intrapreneurship are encouraged and human rights and equality are ensured. Otokar also considers the importance of occupational health and safety in all its business processes.

During the pandemic, when concepts such as agility, adaptability and change management became crucial, Otokar began to implement remote working and working in turns on March 25. As a company that invests in digital transformation in all business processes, Otokar has remained committed to its existing systems and ensured business continuity even while implementing remote work practices and delivering distance training programs.

## Recruitment

Otokar’s selection and placement system aims at hiring creative, innovative and qualified workforce open to newness and aligned with the company’s objectives. During the pandemic, the recruitment processes were carried out online. As of year-end 2020, the number of Otokar employees was 2,258. In 2020, 85 new office employees started working at Otokar, with 51 employed as engineers, bringing the number of employees in the R&D Center to 518. During the year, Otokar also recruited 490 field employees.

Interns were also provided with all technical means and various online applications were introduced. As part of the OtoKariyer Long-term Youth Internship Program, 73 percent of the interns who completed their terms were recruited as employees.

## Training Programs

Otokar strives to continually develop the human resource. The classroom

training courses delivered to build on technical knowledge and experience and to contribute to personal development were cancelled on March 10 due to the pandemic situation but continued online after considering the in-house training requests and reviews. Based on the OtoRota online training and development catalogue, 15 different behavioral and eight different technical training programs were hosted online, with 74 percent of the employees taking these courses. In 2020, 137 different training programs were delivered in 28,901 hours, with each Otokar employee receiving 23.3 hours of training and 90 percent satisfaction rate. Vocational Qualification Certificates were obtained for 540 field employees in their respective areas. And the newly recruited Otokar employees took 22,062 hours of online on-the-job training via the Wellcome app.

### Occupational Health & Safety

Otokar promotes a high quality workplace and takes all necessary measures to create a healthy and safe work environment. With COVID-19 declared a pandemic, Otokar implemented all necessary measures. Risk analyses were prepared specifically for COVID-19 and regular inspections started in all areas and locations. Furthermore, the Wellcome app was launched to track the employees instantly and digitally to deliver the online OHS and COVID-19 trainings on this platform. Overall, in 2020 13,668 employees\*hours of OHS training was realized.

A working group headed by the Otokar OHS Unit manager completed the task of drafting the Driving and Road Safety Standard for the OHS and

Environment Procedure, prepared by the OHS Committee at Koç Holding. In 2020, 18 Occupational Health and Committee meetings were held, including 12 Occupational Safety Committee meetings and six Contractor Occupational Committee meetings. In April 2020, the second online interim inspection of the OHSAS 18001 Occupational Health and Safety Management System was completed successfully.

### Vocational High School – Industry Collaboration

A group of 35 people from SATSO Motor Vehicles Technology Vocational and Technical Anatolian High School was hosted at Otokar's Arifiye plant for a technical visit.

### Internal Communications

The Human Resources team began posting content on KoçHub with the hashtag #WeWillHealTogether on

**22,000+ hours**  
**ONLINE ON-THE-JOB TRAINING**

March 30, 2020. The posts focused on sharing motivational content and the measures at the plant. Otokar employees were encouraged to share messages and engage with their colleagues during the pandemic as well. Otokar Employee Clubs quickly adapted to the pandemic situation and posted a variety of content on KoçHub. Overall, the KoçHub Otokar group, which had only 11 posts from its opening to the days prior to the pandemic, grew to 1,099 members and 178 posts in 2020. The official Instagram account of Otokar's employer brand "Benim Adım Otokar" (My Name is Otokar) was opened in May. The awareness survey, conducted to understand the opinions and emotional wellbeing of the group employees during the pandemic, revealed that the internal communications reduced the anxiety levels of Otokar employees from 75 percent to 16 percent.

### OTOKAR NAMED TURKEY'S BEST EMPLOYER

Turkey's leading automotive and defense industry company Otokar was named Turkey's Best Employer in the Best Employers 2019 survey, conducted by Kincentric, a global human resources and management consultancy firm. Otokar was one of the three automotive manufacturers and the only defense industry company to make Turkey's Best Employers list that consisted of 32 companies from different industries.

# INVESTOR RELATIONS

OTOKAR AIMS TO INCREASE SHAREHOLDER VALUE CONTINUOUSLY THROUGH WORLD-CLASS PRACTICES.



Otokar strives to increase shareholder value continuously through sustainable growth, consistent distributions of dividends, 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 shareholders and potential investors with information, except for confidential information and trade secrets, and in a manner not to lead to information disparities, and for establishing a two-way communication between the company executives and shareholders and potential investors.

As part of its responsibilities to inform the interested parties about Otokar's activities, the department held five one-on-one meetings online and 140 conference calls due to the pandemic measures, meeting with current and potential investors and updating the shareholders on the latest developments. Meanwhile, the department has continued to provide information throughout the year by

responding to written and verbal questions. Furthermore, the corporate website, investor presentations and all other communication tools have been regularly updated and shared with shareholders in Turkish and English languages. The Investor Relations Department's report on its 2020 activities was submitted to the Board of Directors on February 19, 2021.

## General Assembly

The company's Ordinary General Assembly will convene to review 2020 activities on Wednesday, 17 March 2021 at 11.00 am at Divan Istanbul Hotel, Asker Ocağı Cad. No. 1 Elmadağ, Şişli, Istanbul. The Ordinary General Assembly Agenda, and the Board of Directors' Annual Report, which includes the Independent Auditor's Report, Corporate Governance Compliance Report and Profit Distribution Proposal, as well as the agenda items and the Information Documents that contain necessary disclosures for compliance with Capital Markets Board regulations will be made available for the shareholders to review at the company's head office and on the corporate website



# 9.47

## OTOKAR'S CORPORATE GOVERNANCE RATING SCORE

(www.otokar.com), Public Disclosure Platform (KAP), and the Central Depository Agency's (MKK) e-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, 2020 with a material disclosure, Otokar's Corporate Governance Rating measured by SAHA Kurumsal Yönetim ve Derecelendirme Hizmetleri A.Ş. (SAHA) rose to 94.67 (9.47 out of 10).

### 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 included in the Corporate Governance and Sustainability Indexes. As a result of Otokar's focus on sustainability and based on the evaluations by BIST, the company has been included in the BIST Sustainability Index for the sixth consecutive term. Otokar shares are included in the following indexes: BIST 100, BIST Corporate Governance, BIST Sustainability, BIST Dividends, BIST Stars, BIST All, BIST Industrial, BIST Metal Equipment Machinery, BIST 100S, and BIST 100-30. In 2020, BIST 100 rose 29%, while Otokar shares were traded at lowest TL 95.99 and highest TL 332.50, seeing 117% increase throughout the year. The company's market value on December 31, 2020 was TL 7.6 billion.

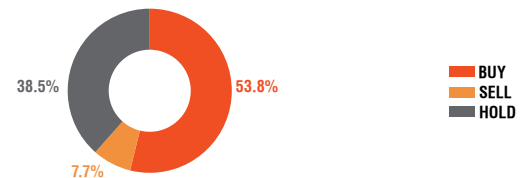
### Analysts' Recommendations

Among the 13 investment firms that report actively on Otokar, seven have recommended BUY, four HOLD and one SELL, based on their latest reports issued in 2020.

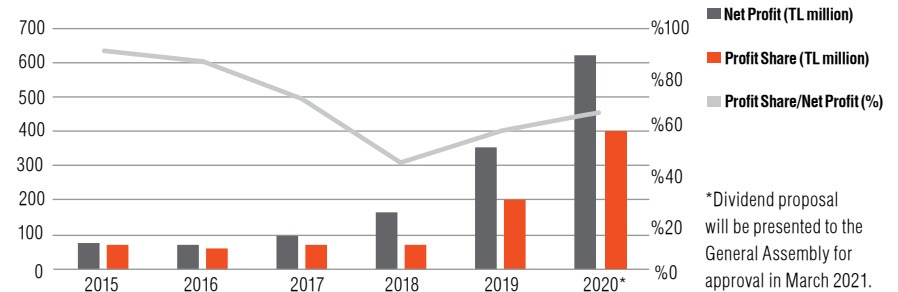
### Profit Share Distribution

In 2020, Otokar paid out TL 200 million in gross dividends for 2019 profits. The company's Profit Distribution Policy is available on the corporate website and page 30 of this report. 2020 Profit Share Distribution proposal can be found on page 31 of this report.

### ANALYSTS' RECOMMENDATIONS

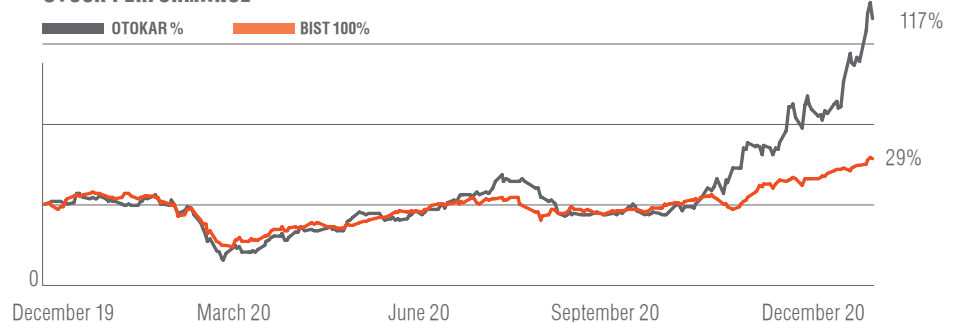


### PROFIT SHARE DISTRIBUTION



Corporate Governance Rating Score	Weight	Score
Shareholders	25%	95.43
Public Disclosure and Transparency	25%	95.84
Stakeholders	15%	97.13
Board of Directors	35%	92.23
<b>Total</b>	<b>100%</b>	<b>94.67</b>

### STOCK PERFORMANCE



# FUTURE



OTOKAR WILL CONTINUE TO MOVE FORWARD, REMAINING COMMITTED TO ITS VISION OF BECOMING A GLOBAL PLAYER IN THE AUTOMOTIVE AND DEFENSE INDUSTRIES.

Otokar succeeded in sustaining its operations through safe production practices and various arrangements in 2020, when the whole world suffered a serious pandemic. Otokar will continue to move forward, always remaining committed to its vision of becoming a global player in the automotive and defense industries.

#### Commercial Vehicles

In commercial vehicles, Otokar aims to maintain its position at home while planning to focus even more on the export markets in line with its globalization vision. For buses, the target is to increase the number of its tourism and public transportation vehicles in Europe, Otokar's primary export market.

#### Defense Industry

In the defense industry, as a company that stands out with its products, engineering and production capabilities and experience, Otokar is always ready to serve first and foremost Turkey. In terms of international markets, Otokar's targets include higher exports to a vast geography and seizing opportunities for technology transfer and production with international partners in their locations.

#### Community Support

Otokar's sustainability and digital transformation activities will continue to benefit its clients, stakeholders, employees and the community.

# CORPORATE GOVERNANCE



# CORPORATE GOVERNANCE

## LEGAL DISCLOSURES

**Reporting Period:**

01.01.2020 - 31.12.2020

**Company Title:**

Otokar Otomotiv ve Savunma Sanayi A.Ş.

**Trade Registry / Number:**

Istanbul / 83467

**Shareholding Structure and Capital Distribution:**

Registered Capital Ceiling: TL 100,000,000

Paid-in Capital: TL 24,000,000

Shareholder	Share amount (TL)	Percentage (%)
Koç Holding A.Ş.	10,722,749.81	44.68
Ünver Holding A.Ş.	5,954,943.83	24.81
Other	7,322,306.36	30.51
<b>Total</b>	<b>24,000,000.00</b>	<b>100.00</b>

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

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

**Privileged Shares and Voting Rights of Shares:**

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

**Stock Information:**

BIST Ticker Symbol : OTKAR

Reuters Ticker Symbol : OTKAR.IS

Bloomberg Ticker Symbol : OTKAR.TI

IPO Date : 24.04.1995

**Headquarters Address:**

Aydınevler Mahallesi  
Saygı Caddesi No. 58  
34854 Maltepe-Istanbul

**Factory Address:**

Atatürk Caddesi No. 6  
54580 Arifiye-Sakarya

**Phone:**

+90 216 489 29 50

**Website:**

www.otokar.com



# CORPORATE GOVERNANCE

## LEGAL DISCLOSURES

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**Organizational Changes within the Year:**

No material changes in the organizational structure have taken place within the reporting period.

**Legal Actions Taken Against the Company:**

There was no material legal action taken against the company.

**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 Firms from which the Company Procures Services including Investment Consultancy, Rating and such, and the Measures Taken to Prevent such Conflicts of Interest:**

The company does not procure any investment consultancy services. A Corporate Governance Rating service is procured, however there was no conflict of interest with the firm providing this service.

**Private and Public Audits in 2020:**

There were no private or public audits completed in 2020.

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

None.

**Implementation of the Ordinary General Assembly Resolutions:**

The resolutions reached at the Ordinary General Assembly on March 16, 2020 have been implemented.

**Extraordinary General Assembly Meetings Held During the Year:**

None.

**Information on the Permission Granted to Shareholders who have Control over the Management, to Board Members who Hold Shares in the Company, to Senior Managers, and Their Spouses and Relatives Related by Blood or Affinity up to the Second Degree, to Conduct Transactions or Compete with the Company and its Affiliates that could Lead to Conflicts of Interest:**

None.

# CORPORATE GOVERNANCE

## 2020 REPORT ON AFFILIATED COMPANIES

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The report, which explains the company's relations with majority Shareholders in accordance with article 199 of the Turkish Commercial Code, was approved by the Board of Directors on February 15, 2021. The conclusion of the report is quoted below:

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

The following was expressed in the report, which was prepared by Otokar Otomotiv ve Savunma Sanayi A.Ş.'s Board of Directors on February 15, 2021: "The Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.Ş. reached the conclusion that, in all transactions conducted in 2020 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 Corporate Governance related activities in 2020 were executed in compliance with the Capital Markets Law that includes regulations about CMB's corporate governance principles and the communiqués promulgated pursuant to this Law.

At the 2020 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 information note that must accompany the disclosure document to be submitted to the General Assembly includes such standard documents as those indicating privileged shares, voting rights and organizational changes, as well as the résumés of Board of Directors membership candidates, the Remuneration Policy for Board Members and Senior Management and other information that is required to be disclosed, all of which were 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 full compliance with the principles based on the developments in legislation and general practice.

As an indication that the company has significantly adapted to 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 94.67 (9.47 over 10) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., as announced in our material disclosure on 23.03.2020. The Corporate Governance Rating Report can be found on the corporate website at [www.otokar.com](http://www.otokar.com).

### DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Otokar adopts the "Corporate Governance Principles" first published by the Capital Markets Board ("CMB") in July 2003 and implements them to a great extent. Compliance with the mandatory principles of the Corporate Governance Communiqué II-17.1 was fully accomplished in 2020, while the company has also complied with the majority of the non-mandatory principles. While full compliance with the non-mandatory principles is eventually targeted, due to the challenges encountered in the implementation of some principles, on-going discussions in Turkey and internationally regarding compliance with certain principles, and the failure of the current market and corporate structure to comply with such principles in proper fashion, full compliance has not been achieved yet. 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, 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 500,000, made to a number of 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, minority rights for shareholders holding less than one twentieth of the capital have not been defined in the articles of association, and the rights have been defined within the frame of general provisions in the legislation. The investors have not expressed any interest in this matter while the company follows the best practices and does not foresee any changes in the near future.
- Regarding principle 4.3.9, the company agrees that achieving diversity in the Board of Directors in terms of knowledge, experience and perspectives contributes positively to its operations and enhances the effective functioning of the Board of Directors and believes that the current structure reflects this perspective. While there is no policy in place, female member ratio in the Board of Directors is currently 12.5 percent. Even though developing a policy for this purpose is currently not on the agenda, the topic may be revisited in the following years with the increase of suitable candidates.
- Regarding principle 4.4.1, the Board of Directors did not convene in a physical setting due to the COVID-19 pandemic; however, the members were regularly advised about the company's performance and developments while resolutions were all reached by passing them around. The Board has also convened twice with all members in attendance to address strategic matters and discussed the company's position and activities without passing any resolutions.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE IMPLEMENTATION

- Regarding principle 4.4.2, 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.
- 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 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, committee appointments are decided, taking into consideration Board members' expertise and experience, and in accordance with applicable regulations, and some Board members serve on more than one committee. However, the said members 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 wide-spread 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 163-175) and the relevant documents can also be accessed in the Company's corporate governance page on the Public Disclosure Platform. ([https://www.kap.org.tr/tr/cgif/4028e4a140ee35c7\\_0140ee4316b3001d](https://www.kap.org.tr/tr/cgif/4028e4a140ee35c7_0140ee4316b3001d))

### INVESTOR RELATIONS DEPARTMENT

At Otokar Otomotiv ve Savunma Sanayi A.Ş., relations with the shareholders are handled by the Investor Relations Department, which works in cooperation with relevant departments. The department is responsible for providing information to the shareholders and potential investors, assuring that no confidential information or trade secrets are disclosed, and without causing any information disparity while ensuring two-way communication between the company's management and the shareholders.

The Board of Directors resolved on June 27, 2014 to assign the duties stipulated in article 11 of the Corporate Governance Communiqué II-17.1 to İrfan Özcan, Financial Affairs Director, Doğan Seçkinler, Finance, Risk Management and Investor Relations Director, and Hatice Gülşah Mutlu, Investor Relations and Corporate Governance Manager, under the leadership of Hüseyin Odabaş, Assistant General Manager – Finance. Mr. Odabaş has also been appointed a member of the Corporate Governance Committee.

Investor Relations Department managers are listed below:

**Hüseyin Odabaş** (Assistant General Manager - Finance)

**İrfan Özcan** (Financial Affairs Director)

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

**Hatice Gülşah Mutlu** (Investor Relations and Corporate Governance Manager)

Investor Relations Department Managers Doğan Seçkinler and Hatice Gülşah Mutlu hold Capital Market Activities Advanced Level License (Level 3) and Corporate Governance Rating Specialists License.

In 2020, the Investor Relations Department held five one-to-one meetings with local and international investors and 140 teleconferences with analysts from stockbrokerage companies and potential investors to provide up-to-date information about 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 of 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.



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE IMPLEMENTATION

Obligations required by legislation, 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 from, are the responsibility of the Investor Relations Department. The General Assembly Meeting held in 2020, call to meeting and records related to the meeting were performed in compliance with applicable regulations, articles of association and other relevant company bylaws.

All kinds of public disclosure obligations as required by the regulations, such as financial reporting and disclosing of special situations to the public, are fulfilled by the Investor Relations Department. In 2020, 47 material disclosures were announced, and those that particularly concern the investors were published on the Public Disclosure Platform (KAP) and 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 2020 was evaluated by the Corporate Governance Committee and the Board of Directors on February 19, 2021.

The company takes utmost care to ensure compliance with legislation in satisfying investors' demands. In 2020, 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, who are 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 members, the General Assembly has the right to replace Board members at any time if deemed necessary pursuant to 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 nominate an individual that meets the legal criteria in accordance with the applicable provisions of Turkish Commercial Code and the CMB regulations and submit the nomination to the General Assembly for approval in the next meeting.

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

Duties of the Nomination Committee and the Remuneration Committee in the company are carried out by the Corporate Governance Committee. Three candidates were nominated for independent membership in 2020, and the declarations of independence and résumés of these individuals were evaluated by the Corporate Governance Committee and the Board of Directors on January 15, 2020, determining them to be independent member candidates. All independent board members submitted their declarations of independence to the Corporate Governance Committee, and in the 2020 reporting period, no situation that would contravene their independence occurred.

The company agrees that achieving diversity in the Board of Directors in terms of knowledge, experience and perspectives contributes positively to its operations and enhances the effective functioning of the Board of Directors. While there is no policy in place, female member ratio in the Board of Directors is currently 12.5 percent.

The table below provides an overview of the current Board members, elected at the General Assembly on March 16, 2020 to serve until the next General Assembly meeting to review the 2020 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 28-29 of the Annual Report.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE IMPLEMENTATION

Name	Title	Independence Status	First Elected to Board of Directors on	Term	Board and Committee Duties	Other Assignments
Yıldırım Ali KOÇ	Chairman	Not independent	26.03.2015	1 Year		Koç Holding A.Ş. - Vice Chairman; Chairman, Board Member and Committee Member at a Number of Koç Holding Companies
Levent ÇAKIROĞLU	Vice Chairman	Not independent	26.03.2015	1 Year	Corporate Governance Committee - Member	Koç Holding A.Ş. - CEO; Chairman, Board Member and Committee Member at a Number of Koç Holding Companies
Selin Ayla ÜNVER	Member	Not independent	22.10.2018	1 Year		Ünver Holding A.Ş. - Chairwoman
İsmail Cenk ÇİMEN	Member	Not independent	18.03.2019	1 Year	Risk Management Committee - Member	Chairman, Board Member and Committee Member at a Number of Koç Holding Companies
Ahmet Serdar GÖRGÜÇ	Member-General Manager	Not independent	20.04.2006	1 Year		
Ali İhsan İLKBAHAR	Member	Independent	16.03.2020	1 Year	Audit Committee - Chairman, 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	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. Otherwise, a meeting agenda may also be drawn up when a Board member notifies the upper management of a specific matter that requires the Board's resolution.

The Board convenes for meetings when company business so requires. Although there is no dedicated secretariat established to facilitate communication, the Investor Relations and Corporate Governance Department under the Finance, Risk Management and Investor Relations Directorate prepares the meeting agenda, records the resolutions, and monitors the outcome of resolutions.

In accordance with the Turkish Commercial Code and the relevant articles of the company's Articles of Association, the Board of Directors convenes physically when the company business calls for it, and when necessary, resolutions can be reached by passing them around pursuant to article 390, paragraph 4 of the Turkish Commercial Code. The Board of Directors passed 20 resolutions in 2020. Due to the COVID-19 pandemic, the Board of Directors did not convene in a physical setting; however, the members were regularly advised about the company's performance and developments while resolutions were all reached by passing them around. The Board has also convened twice with all members in attendance to address strategic matters and discussed the company's position and activities without passing any resolutions.

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

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

While overseeing the company's activities, the Board of Directors assesses the potential for any conflicts of interests, and if such potential exists the board evaluates its repercussions for the company and reaches necessary resolutions to act in the best interest of the company. In addition to ensuring that provisions are complied with in related party transactions, Board of Directors also assesses potential risks for misconduct and diligently addresses the transactions of related parties.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE IMPLEMENTATION

### The Committees formed by the Board of Directors

The company's Board of Directors has formed several committees in order to effectively fulfil its duties and responsibilities, and these committees carry out their activities in accordance with specified procedures. The committees reach certain decisions after independently conducting a number of studies before presenting these in the form of proposals for the Board's consideration, with the Board then reaching the final decision.

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 deemed necessary for working 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 believes that it has obtained the expected benefit from the committee's work.

Operating principles of the committees are available on the corporate website.  
(<https://www.otokar.com.tr/investor-relations/corporate-governance/committees>)

### Audit Committee

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

The Board of Directors resolved on April 2, 2020 that the Audit Committee would be composed of 2 independent members, with Ali İhsan İlkbahar appointed as Chairman, and Ali İhsan Kamanlı as Member of the Committee.

In 2020, the Audit Committee submitted to the Board of Directors a written report of its views on the choice of independent auditor, 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 seven times in 2020.

### 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 2, 2020 that the Corporate Governance Committee be composed of three members and that Ali İhsan İlkbahar, who is an independent member, be appointed as the Chairman, and Levent Çakıroğlu ve Hüseyin Odabaş as members of the Committee, and to 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 2020 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. 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 2020.

### Risk Management Committee

The Board of Directors resolved on July 11, 2012 to establish the Risk Management Committee, which would work on early detection of risks that could pose a threat to the company's presence, development and continuity, and on applying necessary measures to mitigate these risks in order to ensure compliance with article 378 of Law 6102 of the Turkish Commercial Code, which entered force in July 2012. The Board of Directors resolved on April 2, 2020 that the Committee would be composed of two members, with Kenan Güven, who is an independent member, as the Chairman, and İsmail Genk Çimen as a member of the Committee. The committee convenes at least six times a year.

# CORPORATE GOVERNANCE

## MEMBERS OF THE BOARD OF DIRECTORS AND MEMBERS OF THE COMMITTEES

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 2020 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 2020. The report presented by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. on February 4, 2021 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.

Board of Directors	Title	Term Start	Term End
Yıldırım Ali Koç	Chairman	16.03.2020	17.03.2021
Levent Çakıroğlu	Vice Chairman	16.03.2020	17/03.2021
Selin Ayla Ünver	Member	16.03.2020	17.03.2021
İsmail Cenk Çimen	Member	16.03.2020	17.03.2021
Ahmet Serdar Görgüç	Member - General Manager	16.03.2020	17.03.2021
Ali İhsan İlkbahar	Independent Member	16.03.2020	17.03.2021
Ali İhsan Kamanlı	Independent Member	16.03.2020	17.03.2021
Kenan Güven	Independent Member	16.03.2020	17.03.2021
Audit Committee	Title	Term Start	Term End
Ali İhsan İlkbahar	Chairman	16.03.2020	17.03.2021
Ali İhsan Kamanlı	Member	16.03.2020	17.03.2021
Corporate Governance Committee	Title	Term Start	Term End
Ali İhsan İlkbahar	Chairman	16.03.2020	17.03.2021
Levent Çakıroğlu	Member	16.03.2020	17.03.2021
Hüseyin Odabaş	Member	16.03.2020	17.03.2021
Risk Management Committee	Title	Term Start	Term End
Kenan Güven	Chairman	16.03.2020	17.03.2021
İsmail Cenk Çimen	Member	16.03.2020	17.03.2021

- Clauses pertaining to the Board of Directors have been resolved in accordance with articles 11, 12 and 13 of the Articles of Association and pursuant to the provisions of the Turkish Commercial Code.
- The principles of remuneration of Board of Directors and Senior Executives have been put in writing, and the Remuneration Policy prepared for this purpose has been included in annual reports and the company's corporate website ([www.otokar.com](http://www.otokar.com)).
- The compensations provided to Senior Executives in 2020 have been included in note 27 of the financial statements for the 2020 fiscal year.
- Detailed information on committees and their operating principles have been provided on page 69-70 of the annual report and the company's corporate website ([www.otokar.com](http://www.otokar.com)).
- As stated in Board Resolution no. 2021/10, the Board of Directors has been briefed on the activities of the Board Committees in 2020.
- In 2020, the Audit Committee convened 7 times, the Corporate Governance Committee 6, 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 page 28-29.



# CORPORATE GOVERNANCE

## SENIOR MANAGEMENT



**Ahmet Serdar Görgüç**  
General Manager

Ahmet Serdar Görgüç graduated from the Department of Mechanical Engineering at Boğaziçi University in 1981 and earned a master's degree in Business Administration from Istanbul University in 1983. Mr. Görgüç started his professional career in 1982, joining Koç Group as a Project Engineer in the Automotive Group. In 1985, he became the Department Manager. The same year, he was appointed Advanced Projects Design Manager at Otokar Otomotiv ve Savunma Sanayi A.Ş., where he served in the position until 1988. Mr. Görgüç later served as Product Engineering Manager (1989-1995), and as Assistant General Manager-Engineering (1995-2005). He is 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 serves as Assistant General Manager-Finance since 2003.



**Uğur Sedef Vehbi**  
Assistant General Manager  
Military Vehicles Sales and  
Marketing

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 serves as Assistant General Manager-Military Vehicles Sales and Marketing at Otokar since 2018.



**Hasan Basri Akgül**  
Assistant General Manager  
Domestic Sales & Marketing

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

# CORPORATE GOVERNANCE

## RISK MANAGEMENT AND ACTIVITIES OF THE RISK COMMITTEE

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### 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.

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

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

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

Otokar monitors its risks as financial risks, strategic risks, operational risks and legal risks.

### Financial Risks

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

**Foreign Currency Risk:** Managed using derivative transactions within the limits determined by the Group by following up-to-date foreign currency positions to avoid exchange rate risks.

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

**Credit Risk:** Kept under control with cash management and liquidity risk monitoring. As part of the company's policy, no mortgage, pledge or such additional collateral is provided in loan utilization.

**Interest Risk:** Short-term and long-term borrowing is carried out in line with the company's policies. A policy of utilizing loans with flexible maturities has been implemented.

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

### Strategic Risks

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

# CORPORATE GOVERNANCE

## RISK MANAGEMENT AND ACTIVITIES OF THE RISK COMMITTEE

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

### Operational Risks

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

Insurance for mitigating operational risks is secured through a central procurement system.

### Legal Risks

Legal risks and opportunities are monitored by the management and legal counsel for compliance with applicable 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 trainings to reach a certain level of awareness and to avoid risks and also consult with expert legal counsel when in doubt.

### b. Risk Management Committee's Activities

The Board of Directors resolved on July 11, 2012 to establish a Risk Management Committee, which would work on early detection of risks that could pose a threat to the company's survival, development and continuity, and on applying necessary measures to mitigate these risks in order to ensure compliance with article 378 of Law 6102 of the Turkish Commercial Code, 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 İsmail Cenk Çimen.

The operating principles of the Committee, which holds at least six meetings each year, are announced on the company's website.

The Committee, which convened six times in 2020, evaluates the company's principles for the Risk Management System and risk reporting, examines the periodic risk reports and expresses views on measures that are deemed necessary to address areas where there is non-compliance with the limits stipulated in the Risk Management System. 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

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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 defined in the workflows.

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

Financial tables and statements are inspected by the Audit Committee and the Internal Audit Department, and also audited by the independent audit firm 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 "2020 Otokar Audit Activities" report prepared by the Internal Audit Department.

Otokar Otomotiv ve Savunma Sanayi A.Ş. did not undergo any private or public inspections that were completed in 2020.



# CORPORATE GOVERNANCE

## BOARD'S REVIEW OF THE COMMITTEES AND THEIR EFFECTIVENESS

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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 2020. Information on the Committees' activities and the outcomes of the meetings held throughout the year have 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 are available on the corporate website: (<https://www.otokar.com.tr/investor-relations/corporate-governance/committees>)

Detailed information on the structure and activities of the Committees are provided in the "Corporate Governance Practices" section of this report (see pages 28-29).

# CORPORATE GOVERNANCE

## CAPITAL MARKETS BOARD SUSTAINABILITY PRINCIPLES COMPLIANCE

### DECLARATION OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

Following the introduction of the Sustainability Principles Compliance Framework by the Capital Markets Board on a “comply or explain” basis, sustainability principles have been integrated into the company’s compliance work portfolio together with corporate governance principles. The company is already in compliance with several of these principles and relevant information is provided in the Annual Report. Comprehensive details will be disclosed in the forthcoming sustainability reports.

Due to the challenges in the implementation of 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, full compliance with all principles has not yet been achieved. With the studies ongoing to analyze global practices to contribute to the company’s objective of creating sustainable value, and data acquisition efforts, initiatives have been launched to improve compliance regarding the principles below, which the company has yet to comply with partially or fully. The company monitors the impact on the 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.

Otokar follows the key indicators regarding environmental, social and corporate governance regularly and discloses them to the public. On the other hand, the company also has plans to conduct a prioritization analysis to identify material aspects in light of the global and industry trends. Along with the prioritization study, the company will continue to work on determining a group strategy in the years to come.

- Otokar General Manager, who is also a Board member, is responsible for the implementation and execution of Environmental, Social, Corporate Governance (ESG) activities in accordance with company policies and applicable legislation. The company has started working on developing a comprehensive sustainability strategy in line with the ESG policies, risks and opportunities. The company’s ESG policies, material aspects, risks and opportunities, short-, medium- and long-term goals and action plans will be identified by relevant departments and implemented upon approval. While the company does not yet have sustainability-specific policies in place, efforts are ongoing to create the necessary policies in line with those of Koç Group. Since these activities are currently under way, the Board of Directors has not yet passed a resolution about the policies.
- The company identifies the ESG Key Performance Indicators (KPIs) and discloses them in the annual Sustainability Reports. KPIs are not declared together with industry benchmarks because sufficient and reliable data on the Turkish and global industry is not yet available.
- The key indicators regarding environmental, social and corporate governance are followed regularly. The company works to enhance the reliability of these indicators and their verification by independent third parties in line with the policies, standards and applications developed at Koç Group.
- Air quality and biodiversity parameters are followed seriously in accordance with applicable legislation, and company policies and management systems; however, these parameters are not considered a material environmental impact due to the nature of the industry, the locations of the offices and the manufacturing site, and production configuration. This is why, the Sustainability Reports published until the reporting period have only included limited disclosures about these issues. Further detailed disclosures are planned for the next reporting periods, with work on these matters already initiated.
- Climate change is a key topic among the company’s ESG management priorities. Accordingly, the company’s strategic plans include actions to reduce greenhouse gas emissions and increase the use of renewable energy. However, a Science Based Target systematic has not yet been integrated into company practices as of the reporting period.

# CORPORATE GOVERNANCE

## CAPITAL MARKETS BOARD SUSTAINABILITY PRINCIPLES COMPLIANCE

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- Since the regulatory processes regarding these issues are ongoing with the relevant public institutions in Turkey, the company is not part of any carbon pricing system yet. The company follows the best practices regarding internal carbon pricing and carbon credit schemes but has not implemented one so far.
- Otokar's Code of Ethics and Implementation Principles Guidelines include the company's Human Rights and Employee Rights policies and all binding provisions of applicable regulations in Turkey as well as international conventions to which the Republic of Turkey is a party. Koç Holding, the main shareholder of the company, is a signatory of Global Compact and has agreed to adopt these principles across the Group. Activities are ongoing to align Koç Group Human Rights Policy, designed according to the Universal Declaration of Human Rights and ILO Conventions, with the priorities of the company and the industry.
- In determining its corporate governance strategy, Otokar considers sustainability, the environmental impact of its operations and applicable principles.
- In addition to full compliance with the mandatory principles specified in the Corporate Governance Communiqué II-17.1, effective in 2020, compliance with several of the non-mandatory principles has also been achieved. Even though the company aims for full compliance with the non-mandatory corporate governance principles eventually, factors such as challenges in implementing certain principles, the ongoing debate in Turkey and on international platforms about some principles, and the fact that some of the principles do not align with the market and the company's current structure, have not made it possible to achieve full compliance yet.
- The company is currently working on creating an Anti-corruption and Anti-bribery Policy.

# CORPORATE GOVERNANCE

## CAPITAL MARKETS BOARD SUSTAINABILITY INDEX

Description of Principle	Sections and Pages in the Annual Report
The company identifies the priority ESG aspects, risks and opportunities and determines the necessary ESG policies. To ensure effective implementation of these policies, internal directives and business procedures, etc. can be created. The company passes the resolutions to implement these policies and discloses them to the public.	Sustainability Compliance Declaration, page 76
The company determines the Group Strategy that aligns with the ESG policies, risks and opportunities. The company also sets short- and long-term targets for the Group strategy and ESG policies and discloses them to the public.	Sustainability, page 50, Sustainability Compliance Declaration, page 76
The company determines the committees/departments responsible for implementing the ESG policies and discloses them to the public. These committees/departments report the activities carried out for these policies to the Board at least once a year and in any case, within the maximum periods of time defined for the Board to publish its annual reports.	Sustainability, page 50, Sustainability Compliance Declaration, page 76
The company creates the implementation and action plans for the set short- and long-term targets and discloses them to the public.	Sustainability, page 50, Sustainability Compliance Declaration, page 76
The company defines the ESG Key Performance Indicators (KPIs) and discloses them with comparative yearly data. If verifiable data is available, the company presents KPIs with local and international industry benchmarks.	Sustainability, page 51, Sustainability Compliance Declaration, page 76
The company discloses its innovation activities to improve sustainability performance for business processes or products and services.	R&D Activities, page 42,43
The company reports the its sustainability performance, targets and actions at least once a year and discloses them to the public. Information on sustainability activities is provided in the annual report.	Sustainability, page 50-55
Direct and clear disclosure of key information for stakeholders to understand the standing, performance and development of the Group is essential. The company may also disclose detailed information and data on the corporate website and prepare separate reports to address the requirements of individual stakeholder groups.	Sustainability, page 50-55
The company acts diligently to ensure transparency and reliability. The company adopts a balanced approach in disclosures and reports to provide objective information on all the developments about material issues.	Sustainability, page 50-55
The company provides information on its activities by indicating the relevant United Nations (UN) 2030 Sustainable Development Goals.	Sustainability, page 51
The company discloses information on filed and/or finalized lawsuits in environmental, social and corporate governance issues.	Corporate Governance, page 63, Corporate Governance Information Form, page 172
If verified by independent third parties (independent sustainability assurance providers), the company publicly discloses its sustainability performance measurements and strives to expand such verification processes.	Sustainability, page 52
The company discloses its environmental management policies and practices, action plans, systems (known as the ISO 14001 standard) and programs.	Sustainability, page 52, Sustainability Compliance Declaration, page 76
The company complies with environmental laws and other applicable regulations and discloses them.	Sustainability, page 53
In its reporting of issues related to Sustainability Principles, the company discloses the limitations regarding the environmental report, reporting period, report date, data collection process and reporting conditions.	Sustainability Compliance Declaration, page 76
The company discloses the Group's highest officer in charge, relevant committees and tasks involved in environment and climate change issues.	Sustainability, page 51, 52
The company discloses the incentives offered for managing environmental issues and achieving the set targets.	Sustainability, page 52
The company discloses how environmental topics are integrated into business objectives and strategies.	Sustainability, page 52, 53
The company discloses its sustainability performance in business processes or products and services and the performance-enhancing activities.	Sustainability, page 52, 53
The company discloses how the environmental issues are managed across the Group's value chain and integrates suppliers and customers into its strategies as well as direct operations.	Sustainability, page 53-55
The company discloses whether it is involved in policy-making processes on environmental topics (industry-specific, regional, national and international), memberships in environmental associations, partnerships with relevant institutions and NGOs as well as the responsibilities it takes, if any, and the activities it supports.	Sustainability, page 51, 53
Environmental indicators (Greenhouse gas emissions (Scope 1 (Direct), Scope 2 (Energy -indirect), Scope 3 (Others - indirect)), air quality	Sustainability, page 52, 54
The company reports its environmental impact with comparable periodical data (including energy management, water and wastewater management, waste management, biodiversity impact).	Sustainability, page 52, 54
The company discloses the standards, protocols, methodologies and baseline details used to collect and calculate the data.	Sustainability, page 52, 54
The company discloses the status (increase or decrease) of its environmental indicators for the reporting year with comparable historical data from previous years.	Sustainability, page 52, 54
The company sets short- and long-term targets to reduce its environmental impact and discloses them. These goals should be Science-based as recommended by the United Nations Conference of the Parties on Climate Change. If progress has been achieved in the reporting year compared to the previously-set targets, the company provides information on the topic.	Sustainability, page 52, 53
The company discloses its strategy and actions to address the climate crisis.	Sustainability, page 53, 54
The company discloses its programs or procedures to eliminate or minimize the potential environmental impact of its products and/or services as well as the actions of third parties to reduce greenhouse gas emissions.	Sustainability, page 53, 54
The company discloses the actions taken to reduce its environmental impact, projects and initiatives launched and their numbers and the environmental benefits/gains and cost savings they create.	Sustainability, page 53, 54
The company reports the total energy consumption data (except for raw materials) and discloses its energy consumption as Scope 1 and Scope 2.	Sustainability, page 52, 54
The company provides data on the electricity, heat, steam and cooling that it generated and consumed in the reporting year.	Sustainability, page 52, 54



# CORPORATE GOVERNANCE

## CAPITAL MARKETS BOARD SUSTAINABILITY INDEX

The company works to increase the use of renewable energy, move to zero- or low-carbon electricity and discloses its activities in these areas.	Sustainability, page 53, 54
The company discloses its renewable energy generation and consumption data.	Sustainability, page 53, 54
The company launches energy efficiency projects and discloses the energy consumption and emission reduction quantities as a result of these efforts.	Sustainability, page 53, 54
The company reports the quantity of water withdrawn, used, recycled, recovered and discharged (underground or above ground), water sources and relevant procedures (total water withdrawal by source, water sources impacted by water withdrawal, percentage and total volume of recycled and reused water, etc.).	Sustainability, page 52, 54
The company discloses whether its operations or activities are included in any carbon pricing system (Emission Trading Scheme, Cap and Trade or Carbon Tax).	Sustainability, page 52, 54
The company discloses information on carbon credit accumulated or purchased in the reporting period.	Sustainability, page 52, 54
The company discloses details if carbon pricing is applied within the Group.	Sustainability, page 52, 54
The company discloses all mandatory and voluntary platforms where its environmental information is made available.	Sustainability, page 50, 51
The company creates a Corporate Human Rights and Employee Rights Policy Human Rights where it commits to full compliance with the Universal Declaration of Human Rights, the ILO Conventions, which Turkey is a party to, and the legal framework and regulations governing human rights and working conditions in Turkey. The company discloses this question and the roles and responsibilities for its implementation.	Sustainability, page 54, 55
The company offers equal opportunity in recruitment processes. The company includes fair workforce, improvement of labor standards, female employment, inclusivity (non-discrimination against women, men, religious belief, language, race, ethnicity, age, disability, refugee status, etc.) issues in its policies while also Considering their impact on supply and value chain.	Sustainability, page 54, 55
The company discloses the measures taken across the value chain to protect the rights of vulnerable groups (low-income groups, women, etc.) against specific economic, environmental and social factors or to ensure minority rights/equal opportunity.	Sustainability, page 54, 55
The company reports developments regarding preventive and corrective practices to eliminate discrimination, inequality, human rights violations and forced labor. The company discloses its practices about not employing child labor.	Sustainability, page 54, 55
The company discloses its policies on investing in employees (training, development policies), compensation, fringe benefits, unionization rights, work/life balance solutions and talent management. The company establishes mechanisms for employee complaints and resolving disputes and defines dispute resolution processes. The company regularly discloses its activities to ensure employee satisfaction.	Sustainability, page 54, 55
The company introduces occupational health and safety policies and discloses them to the public. The company discloses the precautions taken to eliminate workplace accidents and ensure occupational health and provides injury statistics.	Sustainability, page 54, 55
The company introduces and publicly discloses its policies on personal data protection and data security.	Sustainability, page 54, 55
The company creates an ethics policy (including work, business ethics, compliance processes, advertising and marketing ethics and disclosure, etc.) and discloses it to the public.	Sustainability, page 54, 55
The company discloses its activities on community investment, social responsibility, financial inclusivity and access to financing.	Sustainability, page 54, 55
The company holds briefings and training programs on ESG policies and practices for the employees.	Sustainability, page 54, 55
The company carries out its sustainability-related activities by carefully considering the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, community and NGOs, etc.).	Sustainability, page 54, 55
The company introduces and publicly discloses a customer satisfaction policy, including the management and resolution of customer complaints.	Sustainability, page 54, 55
The company engages in continuous and transparent communications with stakeholders and discloses how, why, about what and how often it communicates with individual stakeholder groups as well as the progress achieved in sustainability efforts.	Sustainability, page 54, 55
The company discloses the international reporting standards it adopts, such as Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB) and Task Force on Climate-Related Financial Disclosures (TCFD), etc.	Sustainability, page 50, 51
The company discloses the international organizations of which it is a member or principles of which it is a signatory (Equator Principles, United Nations Environment Programme Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC) and United Nations Principles for Responsible Investment (UNPRI), etc.) and the international principles it has adopted (International Capital Market Association (ICMA) Green/Sustainability-Linked Bond Principles).	Sustainability, page 50, 51
The company strives to take firm steps toward inclusion in the Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good and MSCI ESG Indexes, etc.).	Sustainability, page 50, 51
The Company strives to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles laid out in the Capital Markets Board Corporate Governance Communiqué II-17.1.	Corporate Governance Declaration, page 65
The company considers sustainability, the environmental impact of its operations and relevant principles when determining its corporate governance strategy.	Sustainability, page 50, Sustainability Compliance Declaration, page 76
As stated in the Corporate Governance Principles, the company takes necessary measures to ensure compliance with the principles regarding stakeholders and to enhance communication with stakeholders. The company seeks the opinions of stakeholders when determining its sustainability measures and strategies.	Sustainability, page 54, 55
The company engages in social responsibility projects, awareness activities and training programs to raise awareness about sustainability and its importance.	Sustainability, page 54, 55
The company strives to apply sustainability-related international standards and become a member of sustainability initiatives and contribute to their activities.	Sustainability, page 50
The company discloses its anti-bribery, anti-corruption and tax integrity policies and programs.	Sustainability Compliance Declaration, page 77

# CORPORATE GOVERNANCE

## RESPONSIBILITY STATEMENT FOR FINANCIAL REPORTS

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

#### BOARD OF DIRECTORS' RESOLUTION ON APPROVAL OF FINANCIAL STATEMENTS

**RESOLUTION DATE:** 04.02.2021

**RESOLUTION NUMBER:** 2021/04

Regarding the consolidated financial statements pertaining to the period from 01.01.2020 to 31.12.2020, which were prepared by the company and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/ TFRS) and formats determined by Capital Markets Board (CmB) in accordance with the CMB's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1, and include the consolidated statement of financial position, comprehensive income statement, statement of cash flow and statement of changes 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,

**ALİ İHSAN İLKBAHAR**  
Chairman of Audit Committee

**Ali İhsan KAMANLI**  
Member of Audit Committee

**Ahmet Serdar GÖRGÜÇ**  
General Manager

# CORPORATE GOVERNANCE

## RESPONSIBILITY STATEMENT FOR ANNUAL REPORT

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

#### BOARD OF DIRECTORS' RESOLUTION ON APPROVAL OF ANNUAL REPORT

**RESOLUTION DATE:** 22.02.2021

**RESOLUTION NUMBER:** 2021/10

The 2020 Annual Report, which was prepared by the company and independently audited by PwC 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,



**ALİ İHSAN İLKBAHAR**  
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

## REPORT OF THE COMMITTEE RESPONSIBLE FOR THE AUDIT

**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 2020 to 31 December 2020, prepared by the governing body of Otokar Otomotiv ve Savunma Sanayi A.Ş. in accordance with the formats defined by the Turkish Financial Reporting Standards (TFRS) pursuant to the provisions of the Capital Markets Board ("CMB") Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets ("Communiqué") and the independent auditor's report prepared by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi for the said financial statements.

We have evaluated the compliance, accuracy and truth of the consolidated financial tables to be disclosed to the public 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 submitted to us and as a result of our evaluations, we have been convinced that the consolidated financial statements for the 1 January - 31 December 2020 period comply with the accounting principles that the company follows and are accurate and true. We present these financial statements for the approval of the Board of Directors.

Sincerely,

04/02/2021

**COMMITTEE RESPONSIBLE FOR THE AUDIT**

**ALİ İHSAN İLKBAHAR**  
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 2020 AND INDEPENDENT AUDITOR'S REPORT



#### INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Otokar Otomotiv ve Savunma Sanayi A.Ş.

##### A. Audit of the consolidated financial statements

###### 1. Our opinion

We have audited the accompanying consolidated financial statements of Otokar Otomotiv ve Savunma Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

###### 2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate 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. Key audit matters were addressed in the context of our independent 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 2020 AND INDEPENDENT AUDITOR'S REPORT**

Key Audit Matters	How the key audit matter was addressed in the audit
<p><b>Provision for Warranty Expenses</b></p> <p>As explained in Note 15, the Group has provision for warranty expenses amounting to TRY134,240 thousand as of December 31, 2020.</p> <p>The Group calculates provision for warranty expenses for possible future claims, maintenance and repair expenses in the following years for products sold in the current year. Provision for warranty expenses are calculated based on the remaining warranty period per vehicle and the provision for warranty expenses per vehicle estimated using the previous years' data.</p> <p>We focused on this matter during our audit for the reasons below:</p> <p>a) the amount of the provision for warranty expenses balance is material in the consolidated financial statements</p> <p>b) the provision for warranty expenses is calculated per vehicle, depending on certain assumptions such as the probable warranty claims per vehicle and foreign exchange rates. Changes in such assumptions may affect the consolidated financial statements.</p>	<p>We performed the following audit procedures to test the reasonableness of the provision for warranty expenses:</p> <ul style="list-style-type: none"> <li>• We tested the controls related to reviewing and approving the Group's assumptions in establishing the accounting estimates used.</li> <li>• We tested the remaining warranty period per vehicle as follows:             <ul style="list-style-type: none"> <li>- Group management provided us with the provision for warranty expenses calculation. We checked the number of vehicles sold subject to the warranty calculation and tested the invoices of the vehicles sold in the current period by using the sampling method.</li> <li>- We tested the mathematical accuracy of the remaining warranty period calculated for each vehicle sold by recalculation.</li> </ul> </li> <li>• We tested the provision for warranty per vehicle estimated using the current and previous years' actual warranty expenses as stated below:             <ul style="list-style-type: none"> <li>- We compared the consistency of the actual warranty expenses with the Group management's past estimations and assumptions.</li> <li>- The Group calculates the current year's provision for warranty expense per vehicle in hard currency based on the actual warranty expenses realized in the current and previous periods taking into consideration the changes in the foreign exchange rate. We assessed the reasonableness of the provision for warranty expense taking into account the actual warranty expenses and fluctuations in the foreign exchange rate and compared this amount with the provision for warranty expense calculated by the Group.</li> <li>- We tested the Group's actual warranty expenses for the current period using by sampling method.</li> </ul> </li> </ul>



# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND INDEPENDENT AUDITOR'S REPORT

#### 4. Responsibilities of management and those charged with governance for the consolidated financial statements

The Group 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.

#### 5. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.
- Assess the 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 independent 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 2020 AND INDEPENDENT AUDITOR'S REPORT**

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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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. Other responsibilities arising from regulatory requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from January 1 to December 31, 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on February 4, 2021.

PwC Bağımsız Denetim ve  
 Serbest Muhasebeci Mali Müşavirlik A.Ş.



Cihan Harman, SMMM  
 Partner

Istanbul, February 4, 2021

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2020 AND 2019

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

		(Audited)	(Audited)
	Notes	31 December 2020	31 December 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	517,422	222,722
Trade receivables	8	1,188,748	896,618
<i>Due from related parties</i>	27	440,683	219,900
<i>Due from other parties</i>	8	748,065	676,718
Other receivables	9	450	470
Inventories	10	1,335,582	768,185
Derivative financial instruments	7	15,937	-
Prepaid expenses	17	19,444	8,646
Current tax assets		281	-
Other current assets	17	100,649	46,003
<b>Total current assets</b>		<b>3,178,513</b>	<b>1,942,644</b>
<b>Non-current assets</b>			
Trade receivables	8	130,567	51,001
Other receivables	9	2,656	874
Investments accounted for using the equity method	5	169,689	56,162
Financial investments	11	147	147
Property, plant and equipment	12	227,014	129,072
Right of use assets	12	19,485	23,281
Intangible assets	13	500,727	372,539
Deferred income tax asset	25	96,285	101,997
Prepaid expenses	17	9,092	-
<b>Total non-current assets</b>		<b>1,155,662</b>	<b>735,073</b>
<b>Total assets</b>		<b>4,334,175</b>	<b>2,677,717</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2020 AND 2019

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

	Notes	(Audited) 31 December 2020	(Audited) 31 December 2019
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	6	586,057	246,400
<i>Bank loans</i>	6	577,078	236,856
<i>Short-term lease liabilities</i>	6	8,979	9,544
Short-term portion of long-term borrowings	6	289,014	7,509
<i>Bank loans</i>	6	289,014	7,509
Trade payables	8	349,519	256,191
<i>Due to related parties</i>	27	58,964	29,731
<i>Due to other parties</i>	8	290,555	226,460
Derivative financial instruments	7	-	1,100
Employee benefit obligations	17	51,147	38,276
Other payables	9	48,012	46,434
Liabilities from customer contracts	17	538,712	288,137
Government promotion and subsidies	14	2,895	314
Short-term provisions	15	234,231	147,505
<i>Provisions for employee benefits</i>	16	15,880	12,520
<i>Other provisions</i>		218,351	134,985
Other current liabilities	17	27,097	5,881
<b>Total current liabilities</b>		<b>2,126,684</b>	<b>1,037,747</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	978,993	547,940
<i>Bank loans</i>	6	964,949	533,012
<i>Long-term lease liabilities</i>	6	14,044	14,928
Government promotion and subsidies	14	2,314	1,392
Long-term provisions	16	63,725	48,460
<i>Provisions for employee benefits</i>	16	63,725	48,460
Liabilities from customer contracts	17	155,116	404,532
<b>Total non-current liabilities</b>		<b>1,200,148</b>	<b>1,002,324</b>
<b>Total liabilities</b>		<b>3,326,832</b>	<b>2,040,071</b>
<b>Equity</b>			
Paid-in share capital	18	24,000	24,000
Inflation adjustment on share capital	18	52,743	52,743
Restricted reserves	18	93,650	73,770
Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	18	(11,589)	(9,741)
<i>Defined benefit plans remeasurement losses</i>	18	(11,589)	(9,741)
Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss		(59,103)	(12,380)
<i>Currency translation differences</i>		(59,103)	(12,380)
Retained earnings	18	289,374	157,662
Net profit for the period	18	618,268	351,592
<b>Total equity</b>		<b>1,007,343</b>	<b>637,646</b>
<b>Total liabilities and equity</b>		<b>4,334,175</b>	<b>2,677,717</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2020 AND 2019

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

	Notlar	(Audited) 1 January - 31 December 2020	(Audited) 1 January - 31 December 2019
Net Sales	19	2,908,711	2,430,643
Cost of sales (-)	19	(1,714,567)	(1,511,592)
<b>GROSS PROFIT</b>		<b>1,194,144</b>	<b>919,051</b>
Marketing expenses (-)	20	(382,208)	(387,524)
General administrative expenses (-)	20	(149,634)	(120,006)
Research and development expenses (-)	20	(87,325)	(59,061)
Other operating income	22	453,914	284,663
Other operating expenses (-)	22	(392,901)	(173,177)
<b>OPERATING PROFIT</b>		<b>635,990</b>	<b>463,946</b>
Income from investing activities		787	541
Expenses from investing activities (-)		-	-
Share of profit/loss of investments accounted for using the equity method, net	5	98,288	39,774
<b>OPERATING INCOME BEFORE FINANCIAL EXPENSES</b>		<b>735,065</b>	<b>504,261</b>
Financial income	23	95,191	34,670
Financial expense (-)	24	(205,070)	(192,577)
<b>PROFIT BEFORE TAX</b>		<b>625,186</b>	<b>346,354</b>
<b>Tax income/(expense) from continued operations</b>			
Current tax expense (-)	25	(685)	(4,960)
Deferred tax income	25	(6,233)	10,198
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>618,268</b>	<b>351,592</b>
<b>Items that will not be reclassified to statement of profit or loss</b>			
Remeasurement (losses)/gains		(2,369)	(7,890)
Deferred tax income/(expense)		521	1,735
<b>Items that may be reclassified to statement of profit or loss</b>			
Currency translation differences of investments accounted for using the equity method		15,239	3,086
Currency translation differences		(61,962)	(28,463)
<b>Other comprehensive income</b>		<b>(48,571)</b>	<b>(31,532)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>569,697</b>	<b>320,060</b>
<b>Earnings per share (Kr)</b>	<b>26</b>	<b>2,576</b>	<b>1,465</b>

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



## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

					Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss	Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss			
		Paid in share capital	Inflation adjustments	Restricted reserves	Remeasurement losses on defined benefit plans	Currency translation differences	Retained earnings	Net income for the period	Total equity
<b>1 January 2019 – 31 December 2019</b>	<b>Beginning of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>66,678</b>	<b>(3,586)</b>	<b>12,997</b>	<b>72,418</b>	<b>164,336</b>	<b>389,586</b>
	Transfers	-	-	7,092	-	-	157,244	(164,336)	-
	Dividends paid	-	-	-	-	-	(72,000)	-	(72,000)
	Total comprehensive income	-	-	-	(6,155)	(25,377)	-	351,592	320,060
	<b>End of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>73,770</b>	<b>(9,741)</b>	<b>(12,380)</b>	<b>157,662</b>	<b>351,592</b>	<b>637,646</b>
<b>1 January 2020 – 31 December 2020</b>	<b>Beginning of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>73,770</b>	<b>(9,741)</b>	<b>(12,380)</b>	<b>157,662</b>	<b>351,592</b>	<b>637,646</b>
	Transfers	-	-	19,880	-	-	331,712	(351,592)	-
	Dividends paid	-	-	-	-	-	(200,000)	-	(200,000)
	Total comprehensive income	-	-	-	(1,848)	(46,723)	-	618,268	569,697
	<b>End of the period</b>	<b>24,000</b>	<b>52,743</b>	<b>93,650</b>	<b>(11,589)</b>	<b>(59,103)</b>	<b>289,374</b>	<b>618,268</b>	<b>1,007,343</b>

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

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Notes	(Audited) 1 January - 31 December 2020	(Audited) 1 January - 31 December 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(51,942)</b>	<b>424,299</b>
Net profit/(loss) for the period		618,268	351,592
<b>Adjustments to reconcile income before taxes to net cash flows from operating activities:</b>		<b>310,247</b>	<b>278,013</b>
<b>Depreciation and amortization</b>	12, 13	<b>96,714</b>	<b>79,298</b>
<b>Adjustments in relation to impairment:</b>		<b>27,300</b>	<b>7,075</b>
- Provision for doubtful receivables	8	14,942	3,705
- Provision for inventories	10	12,358	3,370
<b>Adjustments in relation to provision:</b>		<b>166,522</b>	<b>118,952</b>
- Provision for employee benefits		20,405	11,834
- Provision for warranty expenses	15	119,094	100,090
- Adjustments for other provisions		27,023	7,028
<b>Adjustments in relation to interest income and expenses:</b>		<b>82,792</b>	<b>127,330</b>
- Interest income	23	(37,526)	(1,887)
- Interest expense	24	120,318	129,217
<b>Adjustments in relation to unrealised foreign exchange gains and losses</b>	6	<b>40,524</b>	<b>25,737</b>
<b>Adjustments in relation to fair value gains and losses</b>		<b>(11,448)</b>	<b>(34,826)</b>
- Fair value losses/(gains) on financial derivative instruments, net		(11,448)	(34,826)
<b>Adjustments for undistributed profits of investments accounted for using equity method</b>		<b>(98,288)</b>	<b>(39,774)</b>
Adjustments for undistributed profits of joint ventures	5	(98,288)	(39,774)
<b>Adjustments for tax income/(expenses)</b>		<b>6,918</b>	<b>(5,238)</b>
<b>Adjustments in relation to gains or losses on sales of property, plant and equipment</b>		<b>(787)</b>	<b>(541)</b>
- Gain on sale of property, plant and equipment's		(787)	(541)
<b>Changes in net working capital</b>		<b>(907,282)</b>	<b>(163,176)</b>
<b>Adjustments for increase/decrease in trade receivables</b>		<b>(387,218)</b>	<b>(73,105)</b>
<b>Adjustments for increase/decrease in inventories</b>		<b>(579,755)</b>	<b>(81,542)</b>
<b>Adjustments for increase/decrease in trade payables</b>		<b>93,328</b>	<b>(13,268)</b>
<b>Adjustments for other increase (decrease) in working capital</b>		<b>(33,637)</b>	<b>4,739</b>
- Increase/(decrease) in other assets related to activities		(76,298)	13,411
- Increase/(decrease) in other liabilities related to activities		42,661	(8,672)
<b>Cash flows from operations</b>		<b>21,233</b>	<b>466,429</b>
<b>Payments in relation to employee benefits</b>	16	<b>(4,149)</b>	<b>(7,422)</b>
<b>Payments in relation to other provisions</b>	15	<b>(62,751)</b>	<b>(65,971)</b>
<b>Deductions/(payments) in relation to income tax</b>		<b>(685)</b>	<b>(4,960)</b>
<b>Other cash collections/(payments)</b>		<b>(5,590)</b>	<b>36,223</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(310,688)</b>	<b>(183,770)</b>
<b>Proceeds from sale of property, plant and equipment and intangible assets</b>		<b>1,012</b>	<b>1,471</b>
- Proceeds from sale of property, plant and equipment		1,012	1,471
<b>Cash outflows due to purchase of property, plant and equipment and intangible assets</b>		<b>(311,700)</b>	<b>(185,094)</b>
- Purchase of property, plant and equipment	12	(112,414)	(36,970)
- Purchase of intangible assets	13	(199,286)	(148,124)
<b>Other cash inflows/(outflows)</b>		<b>-</b>	<b>(147)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>719,425</b>	<b>(162,232)</b>
<b>Cash inflow from due to borrowings</b>		<b>2,049,296</b>	<b>1,427,576</b>
- Proceeds from bank borrowings	6	2,049,296	1,427,576
<b>Cash outflow due to repayment of borrowings</b>		<b>(1,047,513)</b>	<b>(1,391,151)</b>
- Repayments of borrowings	6	(1,047,513)	(1,391,151)
<b>Cash outflows related to loan payments arising from lease agreements</b>		<b>(10,984)</b>	<b>(9,164)</b>
<b>Dividends paid</b>		<b>(200,000)</b>	<b>(72,000)</b>
<b>Interest paid</b>		<b>(108,900)</b>	<b>(119,380)</b>
<b>Interest received</b>		<b>37,526</b>	<b>1,887</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES</b>		<b>356,795</b>	<b>78,297</b>
<b>Currency translation difference on cash and cash equivalents</b>		<b>(62,095)</b>	<b>(28,592)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>294,700</b>	<b>49,705</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>222,722</b>	<b>173,017</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4	<b>517,422</b>	<b>222,722</b>

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

The Company operates in the automotive industry and off road vehicles, armored vehicles, minibuses, midibuses and autobuses, trailers, semi-trailers, light truck and cross-country comprises the majority of its production.

The registered addresses of the Company are as follows:

Headquarters: Aydınevler Mahallesi. Saygı Cad. No: 58 A B1. 34854 Küçükyalı/Istanbul

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

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

<b>Subsidiaries</b>	<b>Country</b>	<b>Main activity</b>	<b>Field of activity</b>
Otokar Europe SAS	France	Sales and marketing	Automotive
Otokar Land Systems LLC	United Arab Emirates	Sales and marketing	Automotive
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and marketing	Automotive
<b>Joint Ventures</b>	<b>Country</b>	<b>Main activity</b>	<b>Field of activity</b>
Al Jasoor Heavy Vehicles Industry	United Arab Emirates	Sales and marketing	Automotive

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:

	<b>2020</b>		<b>2019</b>	
	<b>Period end</b>	<b>Average</b>	<b>Period end</b>	<b>Average</b>
<b>Total personnel number</b>	2,258	2,110	1,957	1,994

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

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

The consolidated financial statements for the year ended 31 December 2020 were authorized for issue and signed by the Board of Directors of Otokar on 4 February 2020. The accompanying consolidated financial statements may be amended by the General Assembly.

Otokar is registered to the Capital Market Board ("CMB") and its shares are listed on the Borsa İstanbul A.Ş. ("BIST") since 1995. As of 31 December 2020, 27.85% of the shares are quoted on the BIST.

As of 31 December 2020, the principal shareholders and their respective shareholding percentages are as follows:

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

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

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

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

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

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

#### 2.1. Basis of presentation of consolidated financial statements

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

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

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

**NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019**

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****2.1. Basis of presentation of consolidated financial statements (Continued)**

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

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

**Functional and presentation currency**

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

In accordance with the CMB's resolution dated 17 March 2005 and numbered 11/367, the financial statements were restated in accordance with International Accounting Standards (IAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of 31 December 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of 31 December 2020 and 31 December 2019 have been restated by applying the relevant conversion factors through carrying additions after 31 December 2004 at their nominal values.

**Financial statements of foreign subsidiaries, joint ventures and associates**

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

**2.2. Accounting errors and changes in accounting estimates**

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

If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The accounting policies except the situation stated below used in the preparation of these consolidated financial statements for the year ended 31 December 2020 are consistent with those used in the preparation of financial statements for the year ended 31 December 2019.



## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****2.3. Changes in accounting policies**

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. New and revised standards and comments:****a. Standards, amendments and interpretations applicable as at 31 December 2020:**

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
  - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in TAS 1 about immaterial information

This change does not have any impact on the Group's financial performance.

- **Amendments to IFRS 3 - definition of a business;** effective from annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This change does not have any impact on the Group's financial performance.
- **- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The effect of this change on the Group's financial position is evaluated.
- **Amendment to IFRS 16, 'Leases' - COVID-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. This change does not have any impact on the Group's financial performance.

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****2.3. Changes in accounting policies (Continued)****2.3.1. New and revised standards and comments (Continued):****b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:**

- **Amendments to IAS 1, "Presentation of financial statements' on classification of liabilities";** effective from 1 January 2022. These narrow-scope amendments to IAS 1, "Presentation of financial statements", clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability. This change does not have any impact on the Group's financial performance.
- **A number of narrow - scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
  - **Amendments to IFRS 3,** "Business combinations" update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to IAS 16,** "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to IAS 37,** "Provisions, contingent liabilities and contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, "First - time Adoption of IFRS", IFRS 9, "Financial instruments", IAS 41, "Agriculture" and the Illustrative Examples accompanying IFRS 16, "Leases".
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from Annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The effects of these changes on the financial position and performance of the Group are evaluated.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

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

#### 2.3. Changes in accounting policies (Continued)

##### 2.3.2. Significant accounting judgments and estimates

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

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

- a) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all deductible temporary differences. For the year ended 31 December 2020, 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.

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

The table below sets out the subsidiaries of the Company and shows the total interest of the Company in these companies at 31 December 2020 and 2019:

Subsidiaries	2020		2019	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Otokar Europe SAS	100	100	100	100
Otokar Land Systems LLC	100	100	100	100
Otokar Europe Filiala Bucuresti SRL	100	100	100	100
Otokar Central Asia Limited	100	100	100	100

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****2.4. Summary of significant accounting policies (Continued)***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. "TFRS 11 Joint Arrangements", effective for the annual periods on or after 1 January 2013, supersedes "TAS 31 Shares in Joint Ventures" and requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

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 2020 and 2019:

Joint ventures	2020		2019	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Al Jasoor Heavy Vehicles Industry LLC (*)	49	49	49	49

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

**Revenue recognition**

The 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.

The Group recognizes revenue based on the following main principles:

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



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

The 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 (straight line method) during the agreement periods and amounts belonging to the following periods are booked as deferred revenue.

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

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

## Revenue from sale of extended warranty

The 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, The Group treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

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

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

#### 2.4. Summary of significant accounting policies (Continued)

##### Related parties

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity,
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  
- (b) In the existence of any instances stated below, the entities shall be considered as related parties to the Company:
  - (i) Entity and Company are member of same group.
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

##### Inventories

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

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

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

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

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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

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

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

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

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

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

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.

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

#### 2.4. Summary of significant accounting policies (Continued)

##### 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.

##### 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.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****2.4. Summary of significant accounting policies (Continued)****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 22% 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.

**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.



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

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

#### 2.4. Summary of significant accounting policies (Continued)

##### 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.

##### 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.

##### Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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

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.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate.

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.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all such receivables. The allowance for doubtful receivables is established through a provision charged to expenses. Provision is made when there is objective evidence that the Group will not be able to collect the debts. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. Bad debts are written off when identified. Provision for doubtful receivables is recognized as an expense when identified.

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.

Group has preferred to apply "simplified approach" defined in IFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

##### Trade payables

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

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

**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 under statement 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.

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.

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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)**

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.



# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

### 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)

##### Lease liability (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 IFRS 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.

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

**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.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

### 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. Significant changes in the current period

In connection with the Covid-19 pandemic and parallel to the current conditions/slowdown in the global economy, there have been disruptions in the supply and sales processes and especially during the lockdowns the manufacturing have been temporarily suspended. In the context, production activities were temporarily suspended at the Group's facility in Sakarya between 25.03.2020 – 20.04.2020.

The impact of Covid-19 (Coronavirus) pandemic to the Group's operations and financial results has been monitored and actions have been immediately taken for the Group to mitigate the impacts of the pandemic. In the meantime, the Group has taken measures for stock optimization and for savings on operational and capital expenditures. Cash management strategies have been reviewed for a stronger liquidity position. Emergency plan and risk analysis have been revised.

With the removal of restrictions to prevent outbreaks, production and sales activities continued without interruption as of the balance sheet date. It is still unclear, both in Turkey and around the world, how long the impact of the Covid-19 will last and to what extent the virus will continue to spread. It will be possible to make a more clear and accurate estimation for the medium and long-term when the impact and duration of the virus become more evident. In preparation of the consolidated financial statements as of 31 December 2020, the Group has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. Within this scope, the Group has tested the financial assets, inventories, tangible assets, goodwill and brands for a possible impairment and no impairments were identified.

### NOTE 3 - SEGMENT REPORTING

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

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

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
<b>Banks</b>		
- Time deposits	452,463	144,016
- Demand deposits	64,949	78,649
Other	10	57
	517,422	222,722

As of 31 December 2020, TRY452,463 thousand of the total amount of time deposits amounting to TRY86,718 thousand is denominated in foreign currency and the annual effective interest rate is 0.74% and has a maturity of 4 days. The annual effective interest rate of the remaining TRY365,745 thousand is 19.11% and has a maturity of 15 days.

(As of 31 December 2019, TRY144,016 thousand of the total amount of time deposits amounting to TRY62,745 thousand is denominated in foreign currency and the annual effective interest rate is 0.95% and has a maturity of 6 days. The annual effective interest rate of the remaining TRY81,271 thousand is 10.48% and has a maturity of 6 days.)

As of 31 December 2020, the Group has restricted bank deposit amounting to TRY0,2 thousand (31 December 2019: TRY0,2 thousand).

## NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The details of carrying value and consolidation rate subject to equity accounting of joint venture is as follows :

Joint ventures	2020		2019	
	(%)	Amount	(%)	Amount
Al Jasoor	49	169,689	49	56,162
		<b>169,689</b>		<b>56,162</b>

The movement of joint venture is as follows:

	2020	2019
1 January	56,162	13,305
Shares of profit/(loss)	98,288	39,774
Currency translation differences	15,239	3,083
<b>31 December</b>	<b>169,689</b>	<b>56,162</b>

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The summary of the financial statements of Al Jasoor as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Total assets	1,130,199	989,834
Total liabilities	(783,895)	(875,218)
<b>Net assets</b>	<b>346,304</b>	<b>114,616</b>
Ownership of the Group	49%	49%
<b>Net asset share of the Group</b>	<b>169,689</b>	<b>56,162</b>

## NOTE 6 - BORROWINGS

## Short term borrowings

31 December 2020	Maturities	Annual effective interest rate (%)	TRY equivalent
<b>Bank loans</b>			
RON credits	30 June 2021	5.18	304,455
TRY credits	7 June 2021	9.05	272,623
			<b>577,078</b>
<b>Short-term lease liabilities</b>			
EUR payables	-	2,00	6,399
TRY payables	-	10,00	2,580
			<b>8,979</b>
<b>Total short term borrowings</b>			<b>586,057</b>

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 6 - BORROWINGS (Continued)

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

31 December 2020	Maturities	Annual effective interest rate (%)	TRY equivalent
<b>Bank loans</b>			
EUR credits	-	2.73	181,330
TRY credits	-	9.19	107,684
			<b>289,014</b>

## Long term borrowings (\*)

31 December 2020	Maturities	Annual effective interest rate (%)	TRY equivalent
<b>Bank loans</b>			
TRY credits	4 October 2021 - 5 August 2025	9.19	784,802
EUR credits	20 September 2021 - 25 January 2023	2.73	180,147
			<b>964,949</b>

## Long-term lease liabilities

EUR payables	-	2.00	10,009
TRY payables	-	10.00	4,035
			<b>14,044</b>
<b>Total long term borrowings</b>			<b>978,993</b>

(\*) Bearing fixed interest rate



## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 6 - BORROWINGS (Continued)

## Short term borrowings

31 December 2019	Maturities	Annual effective interest rate (%)	TRY equivalent
<b>Bank loan</b>			
EUR credits	2 January 2020	1.04	139,676
RON credits	14 December 2020	5.22	97,180
			<b>236,856</b>
<b>Short-term lease liabilities</b>			
EUR payables	-	6.00	6,802
TRY payables	-	25.00	2,742
			<b>9,544</b>
<b>Total short term borrowings</b>			<b>246,400</b>

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

31 December 2019	Maturities	Annual effective interest rate (%)	TRY equivalent
<b>Bank loans</b>			
TRY credits	-	14.87	6,697
EUR credits	-	2.35	812
			<b>7,509</b>

(\*) Bearing fixed interest rate

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 6 - BORROWINGS (Continued)

## Long term borrowings(\*)

31 December 2019	Maturities	Annual effective interest rate (%)	TRY equivalent
<b>Bank loans</b>			
TRY credits	1 October 2021 - 3 October 2022	14.87	400,000
EUR credits	20 September 2021	2.35	133,012
			<b>533,012</b>
<b>Long-term lease liabilities</b>			
EUR payables	-	6.00	10,639
TRY payables	-	25.00	4,289
			<b>14,928</b>
<b>Total long term borrowings</b>			<b>547,940</b>

(\*) Bearing fixed interest rate

As of 31 December 2020, the Group has not provided any guarantees for the borrowings (31 December 2019: None).

The movement of the borrowings for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
1 January	801,849	707,547
Borrowing received during the period	2,049,296	1,427,576
Lease liabilities included in the balance sheet for the first time within the scope of TFRS 16	-	17,855
Cash outflows from debt payments from lease agreements	(10,984)	(9,457)
Changes in lease liabilities within the scope of TFRS 16	9,474	13,905
Principal payments (-)	(1,047,513)	(1,391,151)
Change in interest accruals	11,418	9,837
Change in exchange rates	40,524	25,737
<b>31 December</b>	<b>1,854,064</b>	<b>801,849</b>

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

### NOTE 6 - BORROWINGS (Continued)

	31 December 2020		31 December 2019	
	Carrying values	Fair values	Carrying values	Fair values
Fixed interest	1,526,586	1,489,141	680,197	730,140
Floating rate (*)	304,455	304,455	97,180	97,180
	1,831,041	1,793,596	777,377	799,380

(\*) The fair values of variable rate loans converge to their book values.

### NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

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

	Contract amount	Current period contract maturity	Fair value assets
<b>31 December 2020</b>			
Forward transactions	691,263	7 January 2021- 29 January 2021	15,937
Short-term derivative financial instruments	691,263		15,937
<b>Total derivative financial instruments</b>	<b>691,263</b>		<b>15,937</b>

	Contract amount	Current period contract maturity	Fair value assets
<b>31 December 2019</b>			
Forward transactions	612,478	9 January 2020- 31 January 2020	(1,100)
Short-term derivative financial instruments	612,478		(1,100)
<b>Total derivative financial instruments</b>	<b>612,478</b>		<b>(1,100)</b>

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ  
**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND INDEPENDENT AUDITOR'S REPORT**

## NOTE 8 - TRADE RECEIVABLES AND PAYABLES

### Trade receivables

	31 December 2020	31 December 2019
Trade receivables, net	699,074	591,833
Notes receivables, net	110,515	131,586
	<b>809,589</b>	<b>723,419</b>
Less: provision for doubtful receivables	(61,524)	(46,701)
<b>Short-term trade receivables</b>	<b>748,065</b>	<b>676,718</b>
Trade receivables from related parties (Note 27)	440,683	219,900
<b>Short-term trade receivables</b>	<b>1,188,748</b>	<b>896,618</b>
Long-term notes receivable, net	130,567	51,001
<b>Long-term trade receivables</b>	<b>130,567</b>	<b>51,001</b>

As of 31 December 2020, the average maturity of trade receivables is between 60-90 days (excluding notes receivables) (31 December 2019: 60-90 days).

As of 31 December 2020 and 2019, the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

#### Guarantees received for trade receivables

Receivables of the Group are mainly composed of minibuses and bus sales to dealers and trailer and armored vehicle sales. As of 31 December 2020, the total trade receivable from dealers amounting to TRY108,658 thousand (31 December 2019: TRY92,084 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY108,830 thousand (31 December 2019: TRY92,268 thousand). The Group manages the credit risk of remaining balance in the manner described in the Credit Risk section of Note 28 to the consolidated financial statements.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

### NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

The aging of the past due but not impaired receivables is as follows:

#### 31 December 2020

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	325
	<b>325</b>
<b>Amount secured with guarantees</b>	<b>325</b>

#### 31 December 2019

1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	270
Over 5 years past due	-
	<b>270</b>
<b>Amount secured with guarantees</b>	<b>270</b>

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 2020 and 2019 are as follows:

	2020	2019
As of 1 January	46,701	43,512
Collections	(699)	(684)
Currency translation differences	580	168
Exchange differences	14,942	3,705
<b>31 December</b>	<b>61,524</b>	<b>46,701</b>

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

**NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)****Trade payables**

	31 December 2020	31 December 2019
Trade payables, net	290,065	225,948
Notes payables, net	490	512

<b>Short-term other trade payables</b>	<b>290,555</b>	<b>226,460</b>
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Trade payables to related parties (Note 27)	58,964	29,731
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<b>Short-term trade payables</b>	<b>349,519</b>	<b>256,191</b>
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As of 31 December 2020, average payment term for trade payables is 45-60 days (31 December 2019: 45-60 days).

As of 31 December 2020 and 2019, the fair values of trade payables approximate to their carrying values due to short-term maturity of those payables.

**NOTE 9 - OTHER RECEIVABLES AND PAYABLES****Other short-term receivables**

	31 December 2020	31 December 2019
Due from personnel	291	362
Deposits and guarantees given	159	108
	<b>450</b>	<b>470</b>

**Other long-term receivables**

	31 December 2020	31 December 2019
Deposits and guarantees given	2,656	874
	<b>2,656</b>	<b>874</b>

**Short term other receivables**

	31 December 2020	31 December 2019
Other miscellaneous payables	48,012	46,434
	<b>48,012</b>	<b>46,434</b>

TRY40,725 thousand (31 December 2019: TRY40,725 thousand) of other miscellaneous payables was collected but not credited to statement of profit or loss, since the lawsuit in relation to deductible corporate tax from Research and Development expenses has not been finalised.



# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

### NOTE 10 - INVENTORIES

	31 December 2020	31 December 2019
Raw material	535,169	229,304
Semi-finished goods	103,059	72,267
Finished goods	346,811	246,131
Merchandise goods	165,437	117,692
Goods in transit	206,826	112,153
Impairment for inventories (*)	(21,720)	(9,362)
	<b>1,335,582</b>	<b>768,185</b>

(\*) TRY862 thousand of impairment is related to finished goods and TRY20,858 thousand is related to raw materials (31 December 2019: TRY325 thousand of impairment is related to finished goods and TRY818 thousand is related to merchandises and TRY8,219 thousand is related to raw materials.). The impairment has been accounted for under cost of sales.

The movements of impairment for inventories in 2020 and 2019 are as follows:

	2020	2019
1 January	(9,362)	(5,992)
Reversal of provisions	(12,358)	(3,370)
<b>31 December</b>	<b>(21,720)</b>	<b>(9,362)</b>

### NOTE 11 - FINANCIAL INVESTMENTS

Otokar Central Asia Limited company was established on 5 November 2019 in Astana International Financial Center (AIFC), a special-status region that accepts the principles of British Law in Kazakhstan, in order to increase overseas sales and follow up export activities.

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2020.

	1 January 2020	Additions	Currency para translation	Disposal	Transfers	31 December 2020
<b>Cost</b>						
Land	37,437	-	-	-	-	37,437
Land improvements	8,608	312	-	-	-	8,920
Buildings	59,620	1,161	-	-	-	60,781
Machinery and equipment	112,253	8,000	871	(837)	14,513	134,800
Motor vehicles	9,782	4,974	-	(195)	-	14,561
Furniture and fixtures	53,168	20,463	496	(117)	739	74,749
Leasehold improvements	1,117	15	-	-	-	1,132
Construction in process	12,011	77,489	-	(139)	(15,252)	74,109
	<b>293,996</b>	<b>112,414</b>	<b>1,367</b>	<b>(1,288)</b>	<b>-</b>	<b>406,489</b>
<b>Accumulated depreciation</b>						
Land improvements	(4,730)	(297)	-	-	-	(5,027)
Buildings	(47,350)	(1,232)	-	-	-	(48,582)
Machinery and equipment	(86,988)	(7,053)	(393)	777	-	(93,657)
Motor vehicles	(6,026)	(989)	-	45	-	(6,970)
Furniture and fixtures	(18,910)	(5,309)	(262)	241	-	(24,240)
Special costs	(920)	(79)	-	-	-	(999)
	<b>(164,924)</b>	<b>(14,959)</b>	<b>(655)</b>	<b>1,063</b>	<b>-</b>	<b>(179,475)</b>
<b>Net book value</b>	<b>129,072</b>					<b>227,014</b>

There is no mortgage on property, plant and equipments as of 31 December 2020 (31 December 2019: None)

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

### NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2019.

	1 January 2019	Additions	Currency translation differences	Disposal	Transfers	31 December 2019
<b>Cost</b>						
Land	37,457	-	-	(20)	-	37,437
Land improvements	8,583	25	-	-	-	8,608
Buildings	58,489	489	-	-	642	59,620
Machinery and equipment	106,570	5,172	115	(70)	466	112,253
Motor vehicles	9,345	1,226	-	(789)	-	9,782
Furniture and fixtures	38,143	11,300	71	(57)	3,711	53,168
Leasehold improvements	1,089	28	-	-	-	1,117
Construction in process	4	18,730	-	-	(6,723)	12,011
	<b>259,680</b>	<b>36,970</b>	<b>186</b>	<b>(936)</b>	<b>(1,904)</b>	<b>293,996</b>
<b>Accumulated depreciation</b>						
Land improvements	(4,432)	(298)	-	-	-	(4,730)
Buildings	(44,870)	(2,480)	-	-	-	(47,350)
Machinery and equipment	(81,205)	(5,758)	(91)	66	-	(86,988)
Motor vehicles	(5,483)	(721)	-	178	-	(6,026)
Furniture and fixtures	(15,245)	(3,631)	(49)	15	-	(18,910)
Special costs	(842)	(78)	-	-	-	(920)
	<b>(152,077)</b>	<b>(12,966)</b>	<b>(140)</b>	<b>259</b>	<b>-</b>	<b>(164,924)</b>
<b>Net book value</b>	<b>107,603</b>					<b>129,072</b>

The distribution of depreciation and amortization expenses of tangible and intangible assets for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
Research and development expenses	70,698	56,256
Right of use assets	10,657	8,187
Cost of goods sold	6,029	5,995
General administrative expenses	3,836	3,276
Depreciation on inventories	2,300	1,577
Development projects in process	2,222	3,048
Selling and marketing expenses	972	959
Currency translation differences	655	140
	<b>97,369</b>	<b>79,438</b>

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

## NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

## Right of use assets

The addition and disposal amounts related to right of use assets is occurred TRY7,599 thousand and TRY484 thousand, respectively in 2020. The depreciation expense related to right of use asset for the period 2020 is TRY 10,910 thousand.

The balances of right of use assets as of 31 December 2020 and 2019 and the accumulated depreciation amounts in the relevant periods are as follows:

31 December 2020	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	21,369	16,399	561	38,329
Accumulated depreciation	(7,386)	(11,072)	(386)	(18,844)
	<b>13,983</b>	<b>5,327</b>	<b>175</b>	<b>19,485</b>
31 December 2019	Buildings	Motor vehicles	Furniture and fixture	Total
Cost	16,800	13,623	1,045	31,468
Accumulated depreciation	(2,767)	(5,217)	(203)	(8,187)
	<b>14,033</b>	<b>8,406</b>	<b>842</b>	<b>23,281</b>

## NOTE 13 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the years ended 31 December 2020.

	1 January 2020	Additions	Currency translation differences	Disposal	Transfers	31 December 2020
<b>Cost</b>						
Other intangible assets	21,821	4,642	-	-	-	26,463
Development costs	542,609	-	-	-	31,823	574,432
Developments projects in progress	123,643	194,644	-	-	(31,823)	286,464
	<b>688,073</b>	<b>199,286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>887,359</b>
<b>Accumulated amortization</b>						
Other intangible assets	(14,693)	(2,449)	-	-	-	(17,142)
Development costs	(300,841)	(68,649)	-	-	-	(369,490)
	<b>(315,534)</b>	<b>(71,098)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(386,632)</b>
<b>Net book value</b>	<b>372,539</b>					<b>500,727</b>

In 2020, the Group has capitalised TRY3,129 thousand (2019: TRY8,684 thousand) of its borrowing costs in relation to its qualifying asset.

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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 13 - INTANGIBLE ASSETS (Continued)

Movements of intangible assets and related accumulated amortisation for the years ended 31 December 2019

	1 January 2019	Additions	Currency translation differences	Disposal	Transfers	31 December 2019
<b>Cost</b>						
Other intangible assets	18,249	1,881	-	(213)	1,904	21,821
Development costs	427,570	-	-	-	115,039	542,609
Developments projects in progress	92,439	146,243	-	-	(115,039)	123,643
	<b>538,258</b>	<b>148,124</b>	<b>-</b>	<b>(213)</b>	<b>1,904</b>	<b>688,073</b>
<b>Accumulated amortization</b>						
Other intangible assets	(13,017)	(1,889)	-	213	-	(14,693)
Development costs	(244,585)	(56,256)	-	-	-	(300,841)
	<b>(257,602)</b>	<b>(58,145)</b>	<b>-</b>	<b>213</b>	<b>-</b>	<b>(315,534)</b>
<b>Net book value</b>	<b>280,656</b>					<b>372,539</b>

## NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES

	31 December 2020	31 December 2019
Short-term	2,895	314
Long-term	2,314	1,392
	<b>5,209</b>	<b>1,706</b>

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 (TÜBİTAK). The related balance will be recognized as income in line with the amortization of the respective development costs.

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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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## NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

## Short-term provisions

	31 December 2020	31 December 2019
Other cost allowance	134,240	77,897
Provision for warranty expenses	15,880	12,520
Employee benefits short-term provisions (Note 16)	84,111	57,088
<b>Total</b>	<b>234,231</b>	<b>147,505</b>

## Provision for other costs

Includes costs incurred by the Group related to tank project, which were not charged yet, and costs incurred by the subcontractors that will be invoiced to the Group at the end of the project, which were computed according to the estimated percentage of completion. The movement of provision for other costs is as follows:

The movements of the provision for warranty expenses during the periods ending on 31 December 2020 and 2019 are as follows:

	2020	2019
1 January	77,897	43,778
Additional provisions	119,094	100,090
Disposals/payments (-)	(62,751)	(65,971)
<b>31 December</b>	<b>134,240</b>	<b>77,897</b>

## Provision for warranty expenses

As of 31 December 2020 and 2019, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	31 December 2020	31 December 2019
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	1,584,476	1,150,067
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	339,921	-
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	-	-
	<b>1,924,397</b>	<b>1,150,067</b>



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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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## NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 2020		31 December 2019	
	Original currency	TRY equivalent	Original currency	TRY equivalent
USD	147,855	1,085,331	151,597	900,516
EUR	58,823	529,870	22,452	149,317
TRY	191,425	191,425	91,779	91,779
RON	46,450	85,343	-	-
CNY	29,000	32,428	10,000	8,455
		<b>1,924,397</b>		<b>1,150,067</b>

a) Guarantees given as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Bank letters of guarantee	1,595,609	1,150,067
Surety	328,788	-
	<b>1,924,397</b>	<b>1,150,067</b>

b) Guarantees received as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Bank letters of guarantee	443,378	245,208
Guarantee notes	12,619	9,974
Guarantee cheques	270	-
Mortgages received	20	4,020
	<b>456,287</b>	<b>259,202</b>

## Contingent asset

The legal case related to tax deduction for the research and development activities in 2011-2012-2013-2014 and 2015 was concluded in favor of the Group and the same cases is still in progress at appeal phase. The appeal process ended in favor of the Group for 2011-2012-2013-2014 but the decision has been requested by the administration for correction. The appeal process is still in progress for 2015.

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 16 - EMPLOYEE BENEFITS

	31 December 2020	31 December 2019
Provision for employment termination benefits	63,725	48,460
Provision for unused vacation	15,880	12,520
	<b>79,605</b>	<b>60,980</b>

## Employment termination benefits

The amount payable consists of one month's salary limited to a maximum of TRY7,117.17 in full for each year of service as of 31 December 2020 (31 December 2019: TRY6,379.86 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 7,638.96 in full (1 January 2020: TRY6,730.15 in full), which is effective from 1 January 2021, 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 2020	31 December 2019
Net discount rate (%)	4.63	4.67
Turnover rate to estimate the probability of retirement (%)	97.80	97.66

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

	2020	2019
1 January	48,460	38,235
Interest expense	4,386	3,460
Charge for the period	12,659	6,297
Remeasurement differences	2,369	7,890
Payments	(4,149)	(7,422)
<b>31 December</b>	<b>63,725</b>	<b>48,460</b>

## Provision for unused vacation

The movements of provision for unused vacation are as follows:

	2020	2019
1 January	12,520	10,443
Charge for the period, net (Note 21)	3,360	2,077
<b>31 December</b>	<b>15,880</b>	<b>12,520</b>

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

**NOTE 17 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES****a) Prepaid expenses**

Short- term prepaid expenses	31 December 2020	31 December 2019
Prepaid expenses	19,444	8,646
	<b>19,444</b>	<b>8,646</b>

Long-term prepaid expenses	31 December 2020	31 December 2019
Advances given	9,092	-
	<b>9,092</b>	<b>-</b>

**b) Other non-current assets**

	31 December 2020	31 December 2019
Value added tax receivables	96,884	45,040
Other	3,765	963
	<b>100,649</b>	<b>46,003</b>

**c) Deferred revenues**

Deferred revenues - short term	31 December 2020	31 December 2019
Advances received	508,165	266,602
Deferred maintenance revenues	28,750	21,535
Other	1,797	-
	<b>538,712</b>	<b>288,137</b>

Deferred revenues - long term	31 December 2020	31 December 2019
Deferred maintenance revenues	155,116	131,185
Advance received	-	273,347
	<b>155,116</b>	<b>404,532</b>

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**NOTE 17 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES (Continued)****d) Employee benefits obligation**

	31 December 2020	31 December 2019
Payables to employees	22,978	18,543
Social security payables	14,802	10,034
Taxes and funds payable	13,367	9,699
	<b>51,147</b>	<b>38,276</b>

**e) Other current liabilities:**

	31 December 2020	31 December 2019
Taxes and funds payable	25,370	3,700
Deferred special consumption tax	418	1,064
Payables to shareholders	147	318
Other	1,162	799
	<b>27,097</b>	<b>5,881</b>

**NOTE 18 - EQUITY****Share capital**

As of 31 December 2020 and 2019, the principal shareholders and their respective shareholding percentages are as follows:

	31 December 2020		31 December 2019	
	TRY	(%)	TRY	(%)
Koç Holding A.Ş.	10,723	44.68	10,723	44.68
Ünver Holding A.Ş.	5,955	24.81	5,955	24.81
Other	7,322	30.51	7,322	30.51
	<b>24,000</b>	<b>100.00</b>	<b>24,000</b>	<b>100.00</b>
Inflation adjustment on equity items	52,743		52,743	
	<b>76,743</b>		<b>76,743</b>	

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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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### NOTE 18 - EQUITY (Continued)

The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code. The first legal reserve is allocated out of last period's statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the paid-in share capital (not indexed to the inflation). The second legal reserve is allocated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. The first and the second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Publicly traded companies enter into force as of 1 February 2014, dividend distributions according to the Communiqué No: II-19.1.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Group.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

	31 December 2020	31 December 2019
Paid-in share capital	24,000	24,000
Inflation adjustment on equity items	52,743	52,743
Restricted reserves	93,650	73,770
Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss	(11,589)	(9,741)
Accumulated other comprehensive income and expense that is subject to reclassification to income or loss	(59,103)	(12,380)
Retained earnings		
- Extraordinary reserves	278,424	146,712
- Inflation adjustments on legal reserves	10,950	10,950
Net income for the year	618,268	351,592
	<b>1,007,343</b>	<b>637,646</b>

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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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## NOTE 18 - EQUITY (Continued)

As of 31 December 2020 and 2019, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows :

## 31 December 2020

	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24,000	52,743	76,743
Legal reserves	93,650	10,950	104,600
	<b>117,650</b>	<b>63,693</b>	<b>181,343</b>

## 31 December 2019

	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24,000	52,743	76,743
Legal reserves	73,770	10,950	84,720
	<b>97,770</b>	<b>63,693</b>	<b>161,463</b>

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

	31 December 2020	31 December 2019
Legal reserves	93,650	73,770
Extraordinary reserves	193,566	94,618
	<b>287,216</b>	<b>168,388</b>

Dividends distributed during the year based on previous year's net income per statutory financial statements	200,000	72,000
Dividend paid per share (piaster)	0.833	0.300

The Company's share capital is fully paid, and consists of 24,000,000,000 shares with piaster 0.1 par value each .



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### NOTE 19 - REVENUE AND COST OF SALES

#### Net sales

	1 January - 31 December 2020	1 January - 31 December 2019
Domestic sales	714,312	495,401
Export sales	2,210,216	1,957,037
<b>Gross Sales</b>	<b>2,924,528</b>	<b>2,452,438</b>
Less: sales discounts and returns	(15,817)	(21,795)
<b>Net sales</b>	<b>2,908,711</b>	<b>2,430,643</b>

Sales of the Group for the years ended 31 December 2020 and 2019 in terms of the products are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Commercial vehicle	1,208,828	1,106,821
Armored vehicle	1,359,452	1,034,333
Other sales (*)	340,431	289,489
	<b>2,908,711</b>	<b>2,430,643</b>

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

#### Cost of sales

	1 January - 31 December 2020	1 January - 31 December 2019
Cost of finished goods sold	(1,583,840)	(1,371,261)
Cost of merchandise goods sold	(130,727)	(140,331)
	<b>(1,714,567)</b>	<b>(1,511,592)</b>

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

	1 January - 31 December 2020	1 January - 31 December 2019
Sales and marketing expenses	(382,208)	(387,524)
General administrative expenses	(149,634)	(120,006)
Research and development expenses	(87,325)	(59,061)
	<b>(619,167)</b>	<b>(566,591)</b>

**NOTE 21 - EXPENSES BY NATURE**

	1 January - 31 December 2020	1 January - 31 December 2019
Cost of raw material and consumption goods	1,547,333	1,301,930
Personnel expenses	317,846	260,518
Cost of merchandises sold	130,727	139,258
Provision for warranty expenses (Note 15)	119,094	100,090
Sales, incentives and premiums	101,203	40,858
Depreciation and amortization expense	91,027	73,379
Administrative expenses	84,362	84,142
Operational expenses	49,140	36,538
Transportation, distribution and storage expenses	44,365	39,602
Advertising, promotion and promotion costs	9,402	26,900
Change in finished and semi-finished goods	(179,349)	(113,840)
Other expenses	18,584	88,808
	<b>2,333,734</b>	<b>2,078,183</b>

The breakdown of personnel expenses for the years 2020 and 2019 is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
<b>Based on the account it's recorded:</b>		
Cost of sales and inventories on hand	158,420	134,246
Sales and marketing expenses	88,256	71,458
Capitalized development expenditures	86,218	74,086
General administrative expenses	64,284	52,010
Research and development expenses	6,886	2,804
	<b>404,064</b>	<b>334,604</b>

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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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## NOTE 21 - EXPENSES BY NATURE (Continued)

	1 January - 31 December 2020	1 January - 31 December 2019
<b>By nature:</b>		
Wages and salaries	312,881	266,084
Social security premiums	37,998	30,657
Other social benefits	30,889	23,428
Provision for employment termination benefits	17,059	9,845
Provision for vacation pay liability	3,360	2,077
Other	1,877	2,513
	<b>404,064</b>	<b>334,604</b>

## NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
<b>Other operating income</b>		
Foreign exchange gains on operating activities	345,173	167,600
Gain on forward transactions	64,170	64,812
Revenue from charge of due date receivables	14,195	23,163
Incentives income	532	1,477
Other	29,844	27,611
<b>Total</b>	<b>453,914</b>	<b>284,663</b>

	1 January - 31 December 2020	1 January - 31 December 2019
<b>Other operating expenses</b>		
Foreign exchange loss on operating activities	(311,795)	(139,400)
Loss on forward transactions	(55,469)	(29,985)
Provision for doubtful receivables (Note 8)	(14,942)	(3,705)
Expected credit losses on trade receivables	(7,064)	(87)
Other	(3,631)	-
	<b>(392,901)</b>	<b>(173,177)</b>

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## NOTE 23 - FINANCIAL INCOME

	1 January - 31 December 2020	1 January - 31 December 2019
Interest income from time deposits	37,526	1,887
Foreign exchange gains on deposits	35,619	13,997
Foreign exchange gains on bank borrowings	22,046	18,786
	<b>95,191</b>	<b>34,670</b>

## NOTE 24 - FINANCIAL EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Interest expense on bank borrowings	(120,318)	(129,217)
Foreign exchange losses on bank borrowings	(59,539)	(44,523)
Foreign exchange losses on deposits	(22,793)	(16,071)
Other	(2,420)	(2,766)
	<b>(205,070)</b>	<b>(192,577)</b>

## NOTE 25 - TAX ASSETS AND LIABILITIES

The Company is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey. Otokar SAS Europe is subject to taxation in accordance with the tax regulation and the legislation effective in France.

In Turkey, the corporation tax rate is 22% (2019 - 22%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 22% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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### NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35<sup>th</sup> article of the Law 5746 related to the Support of Research and Development Operations.

The aforementioned law has been enacted as of 1 April 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments.

As a result of its research and development expenditures made in 2020 amounting to TRY179,123 (2019: TRY115,358). The Group has utilized research and development incentives at 100% deduction without any withholding tax. The Company has an R&D center certificate.

As of 31 December 2020 and 2019, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 December 2020	31 December 2019
Income tax payable	685	4,960
Prepaid taxes (-)	(685)	(4,960)
	-	-

The breakdown of total tax expense for the years ended 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Current tax charge	(685)	(4,960)
<b>Deferred tax income / expense reflected in profit or loss</b>		
Charged to profit for the period	(6,233)	10,198
Charged to other comprehensive income	521	1,735
	<b>(6,397)</b>	<b>6,973</b>

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

	1 January - 31 December 2020	1 January - 31 December 2019
<b>Profit before tax</b>	<b>625,186</b>	<b>346,354</b>
Income tax charge at effective tax rate 22%	(137,541)	(76,198)
Disallowable expenses	(7,442)	(11,895)
Discounts and exceptions	129,039	72,789
Tax effect on gain on investments accounted for using the equity method	21,623	8,750
Impact of foreign companies subject to different tax rates	(15,030)	8,464
Other	2,433	3,328
<b>Total</b>	<b>(6,918)</b>	<b>5,238</b>

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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

As of 31 December 2020 and 2019, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets / (liability)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Incentives from research and development activities (*)	-	314,365	-	69,160
Property, plant and equipment	(42,416)	(27,051)	(5,002)	(1,929)
Intangible assets	(98,580)	(103,649)	(19,716)	(20,730)
Deferred financial expenses	(2,620)	(1,323)	(576)	(291)
Inventories	24,359	10,027	5,311	2,195
Provision for warranty expenses	134,240	77,897	26,527	16,226
Provision for employment termination benefits	63,725	48,460	12,745	9,692
Deferred financial income	16,098	(2,134)	3,542	(470)
Other provisions	77,169	49,968	15,793	10,283
Deferred maintenance income	132,143	145,908	30,495	24,435
Investment incentives (**)	32,787	-	32,787	-
Other	(26,712)	(32,061)	(5,621)	(6,574)
<b>Deferred tax assets, net</b>			<b>96,285</b>	<b>101,997</b>

(\*) The Company's incentive income from investments with incentive certificate are subject to corporate income tax exemption tax at reduced rates being effective starting from the period that investment is partially or entirely operated and till the period that investment reaches the contribution amount. In this context, as of December 31, 2020, the no tax advantage (31 December 2019: TRY314,365), which the Company will use in the foreseeable future, has been recognized in the financial statements as deferred tax asset.

(\*\*) 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 TRY447,596 thousand was issued for the modernization investment envisaged to be made in the next 4 years.



## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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## NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax asset for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
1 January	101,997	90,064
Deferred tax income/loss		
Charged to profit for the period	(6,233)	10,198
Charged to other comprehensive income	521	1,735
<b>31 December</b>	<b>96,285</b>	<b>101,997</b>

## NOTE 26 - 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 2020	31 December 2019
Net income attributable to shareholders (TRY)	618,268	351,592
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings per share (Piastre)	2.576	1.465

## NOTE 27 - RELATED PARTY DISCLOSURES

Due from and due to the related parties at the period end and transactions with related parties during the periods are as follows:

Due from and due to related party balances as of 31 December 2020 and 2019:

Due from related parties	31 December 2020	31 December 2019
Ram Dış Ticaret A.Ş. (1) (*)	264,814	138,537
Al Jasoor Heavy Vehicles Industry LLC (3) (**)	175,866	81,303
Other (1)	3	60
	<b>440,683</b>	<b>219,900</b>

(\*) 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,

(1) Related parties of the parent company

(3) Joint venture

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Due to related parties	31 December 2020	31 December 2019
Koç Holding A.Ş. (2)	15,833	11,787
Ram Dış Ticaret A.Ş. (1)	11,661	4,400
Ark İnşaat A.Ş. (1)	9,305	-
Zer Merkezi Hizmetler A.Ş. (1)	8,689	4,914
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	6,092	3,803
Ford Otosan A.Ş. (1)	1,418	-
Opet Fuchs Madeni Yağ A.Ş. (1)	1,190	479
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	1,135	830
Setur Servis Turistik A.Ş. (1)	874	1,573
Other (1)	2,767	1,945
	<b>58,964</b>	<b>29,731</b>

Advances received from related parties	31 December 2020	31 December 2019
Al Jasoore Heavy Vehicles Industry LLC (3) (*)	336,848	527,169
	<b>336,848</b>	<b>527,169</b>

(\*) 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 2020	1 January - 31 December 2019
Al Jasoore Heavy Vehicles Industry LLC (3)	1,204,065	810,709
Ram Dış Ticaret A.Ş. (1) (*)	216,836	253,240
Other (1)	249	173
	<b>1,421,150</b>	<b>1,064,122</b>

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

Fixed asset purchases	1 January - 31 December 2020	1 January - 31 December 2019
Ark İnşaat A.Ş. (1)	26,099	-
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	9,681	2,748
Zer Merkezi Hizmetler A.Ş. (1)	1,036	47
Other (1)	297	308
	<b>37,113</b>	<b>3,103</b>

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

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## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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### NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 December 2020	1 January - 31 December 2019
<b>Inventory purchases</b>		
Zer Merkezi Hizmetler A.Ş. (1)	57,448	42,044
Ram Dış Ticaret A.Ş. (1)	26,540	5,203
Ford Otosan A.Ş. (1)	4,950	-
Opet Fuchs Madeni Yağ A.Ş. (1)	4,867	3,173
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	2,896	2,633
Opet Petrolcülük A.Ş. (1)	2,796	3,493
Koçtaş Yapı Marketleri A.Ş. (1)	1,987	-
Türk Traktör ve Ziraat Makineleri A.Ş.(1)	-	2,196
Other (1)	1,245	574
	<b>102,729</b>	<b>59,316</b>
<b>Service purchases</b>		
Koç Holding A.Ş. (2) (*)	18,609	5,339
Ram Dış Ticaret A.Ş. (1)	8,872	65,582
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	8,586	6,695
Eltek Elektrik Enerji İth. İhr. Top. Tic. A.Ş. (1)	8,405	-
Koç Sistem Bilgi ve İlt. Hiz. A.Ş. (1)	8,011	9,507
Ram Sigorta Aracılık Hiz. A.Ş. (1) (**)	6,775	6,496
Setur Servis Turistik A.Ş. (1)	4,631	11,644
Ingage Dijital (1)	1,718	1,689
Other (1)	3,695	3,864
	<b>69,302</b>	<b>110,816</b>

(\*) It includes service cost that are based on finance, law, planning, tax and management 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 2020 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

	31 December 2020	31 December 2019
<b>Banka mevduat hesapları</b>		
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	44,161	4,510
- Deposit deposits	16	2
	<b>44,177</b>	<b>4,512</b>

(1) Related parties of the parent company

(2) Shareholder

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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## NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Checks and notes in collection	31 December 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (1)	-	1,921
	-	1,921
Credits	31 December 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (1)	141,531	-
	141,531	-

For the years ended 31 December 2020 and 2019, financial income and expense with related parties:

	1 January - 31 December 2020	1 January - 31 December 2019
Trade receivables and payables foreign exchange gains		
Ram Dış Ticaret A.Ş. (1)	111,995	87,282
Yapı ve Kredi Bankası A.Ş. (1)	12,580	4,018
Other (1)	473	290
	125,048	91,590
Trade receivables and payables foreign exchange expenses		
Ram Dış Ticaret A.Ş. (1)	43,656	32,482
Yapı ve Kredi Bankası (1)	8,829	7,470
Zer Merkezi Hizmetler A.Ş. (1)	968	456
Other (1)	139	14
	53,592	40,422

For the years ended 31 December 2020 and 2019, financial income and expense with related parties:

	1 January - 31 December 2020	1 January - 31 December 2019
Interest income		
Yapı ve Kredi Bankası A.Ş. (1)	10,203	269
	10,203	269

(1) Related parties of the parent company

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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## NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 December 2020	1 January - 31 December 2019
<b>Interest expense</b>		
Yapı ve Kredi Bankası A.Ş. (1)	13,909	16,009
	<b>13,909</b>	<b>16,009</b>

(1) Related parties of the parent company

**Benefits provided to senior executives**

For the year ended 31 December 2020, the total amount of benefits provided to senior management is TRY20,437 thousand (31 December 2019: TRY19,044. TRY1,400 thousand of this amount is related to the payments made due to separation and remaining part consists of short term benefits). The senior executives consist of board members, general manager and deputy general managers.

## NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. These risks are market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

**Credit risk**

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Group mainly arises from trade receivables. The Group manages this risk that may arise from its dealers or from other customers by restricting the credit limits determined for the dealers according the amount of guarantees received, by receiving advance payments or by receiving the pledge of ownership of the vehicles sold. Credit limits are regularly monitored by the Group and the customers' credit quality are regularly evaluated by considering the customer's financial position, past experiences and other factors. All foreign sales are made after receiving confirmed letters of credit. Military vehicle sales are made to domestic or foreign governmental institutions or to companies acting as agents to these institutions; accordingly, the Group does not anticipate any collection risk related to military vehicle sales. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note8).

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

31 December 2020	Receivables			
	Trade receivables	Other	Bank deposits	Derivative instruments
<b>Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)</b>	<b>1,319,315</b>	<b>3,106</b>	<b>517,412</b>	<b>-</b>
- Maximum risk secured by guarantee (2)	244,399	-	-	-
A. Net book value of financial assets neither overdue nor impaired	1,317,902	3,106	517,412	-
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	325	-	-	-
D. Net book value of impaired assets	1,089	-	-	-
- Overdue (gross book value)	62,613	-	-	-
- Impairment (-) (Note 8)	(61,524)	-	-	-
- Net value under guarantee	1,089	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off - balance sheet items having credit risk	-	-	-	-

31 December 2019	Receivables			
	Trade receivables	Other	Bank deposits	Derivative instruments
<b>Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)</b>	<b>947,619</b>	<b>1,344</b>	<b>222,722</b>	<b>-</b>
- Maximum risk secured by guarantee (2)	189,378	-	-	-
A. Net book value of financial assets neither overdue nor impaired	946,222	1,344	222,722	-
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	270	-	-	-
D. Net book value of impaired assets	1,127	-	-	-
- Overdue (gross book value)	47,828	-	-	-
- Impairment (-) (Note 8)	(46,701)	-	-	-
- Net value under guarantee	1,127	-	-	-
- 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.



## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)**

As of 31 December 2020 and 2019, maturities of gross trade payables and financial liabilities are as follows:

**31 December 2020**

<b>Maturities per agreements</b>	<b>Book value</b>	<b>Total cash outflow per agreements (=I+II+III+IV)</b>	<b>Less than 3 month (I)</b>	<b>Between 3-12 month (II)</b>	<b>Between 1-5 years (III)</b>	<b>Over 5 years (IV)</b>
<b>Non-derivative financial liabilities</b>						
Bank borrowings	1,831,041	1,963,894	38,476	937,312	988,106	-
Trade payables	349,519	352,157	351,666	491	-	-
<b>Expected maturities</b>	<b>Book value</b>	<b>Total expected cash outflow</b>	<b>Less than 3 month</b>	<b>Between 3-12 month</b>	<b>Between 1-5 years</b>	<b>Over 5 years</b>
<b>Non-derivative financial liabilities</b>						
Other payables	48,012	23,223	23,223	-	-	-
Other short-term liabilities	27,097	27,097	27,097	-	-	-
<b>Expected (or maturities per agreement)</b>	<b>Book value</b>	<b>Total expected cash outflow</b>	<b>Less than 3 month</b>	<b>Between 3-12 month</b>	<b>Between 1-5 years</b>	<b>Over 5 years</b>
<b>Derivative financial liabilities (net)</b>	<b>15,937</b>	<b>15,937</b>	<b>15,937</b>	-	-	-
Derivative cash inflows	353,600	353,600	353,600	-	-	-
Derivative cash outflows	(337,663)	(337,663)	(337,663)	-	-	-

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)****31 December 2019**

<b>Maturities per agreements</b>	<b>Book value</b>	<b>Total cash outflow per agreements (=I+II+III+IV)</b>	<b>Less than 3 month (I)</b>	<b>Between 3-12 month (II)</b>	<b>Between 1-5 years (III)</b>	<b>Over 5 years (IV)</b>
<b>Non-derivative financial liabilities</b>						
Bank borrowings	777,377	868,717	300,576	134,389	433,752	-
Trade payables	256,191	257,532	257,020	512	-	-
<b>Expected maturities</b>	<b>Book value</b>	<b>Total expected cash outflow</b>	<b>Less than 3 month</b>	<b>Between 3-12 month</b>	<b>Between 1-5 years</b>	<b>Over 5 years</b>
<b>Non-derivative financial liabilities</b>						
Other payables	46,434	18,946	18,946	-	-	-
Other short-term liabilities	5,881	5,881	5,881	-	-	-
<b>Expected (or maturities per agreement)</b>	<b>Book value</b>	<b>Total expected cash outflow</b>	<b>Less than 3 month</b>	<b>Between 3-12 month</b>	<b>Between 1-5 years</b>	<b>Over 5 years</b>
<b>Derivative financial liabilities (net)</b>	<b>(1,100)</b>	<b>(1,100)</b>	<b>(1,100)</b>	-	-	-
Derivative cash inflows	(305,689)	(305,689)	(305,689)	-	-	-
Derivative cash outflows	(306,789)	(306,789)	(306,789)	-	-	-

**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.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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### NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The accompanying table represents the foreign currency risk of the assets and liabilities of the Group in the original currencies:

31 December 2020	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	931,704	70,677	45,832	5
2a. Monetary financial assets (including cash, bank accounts)	95,319	5,798	5,857	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	15	2	-	-
4. <b>Current assets (1+2+3)</b>	<b>1,027,038</b>	<b>76,477</b>	<b>51,689</b>	<b>5</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. <b>Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9. <b>Total assets( 4+8)</b>	<b>1,027,038</b>	<b>76,477</b>	<b>51,689</b>	<b>5</b>
10. Trade payables	(140,738)	(14,070)	(4,113)	(41)
11. Financial liabilities	(181,329)	-	(20,130)	-
12a. Monetary other liabilities	(252,892)	(19,100)	(12,510)	-
12b. Non-monetary other liabilities	-	-	-	-
13. <b>Current liabilities (10+11+12)</b>	<b>(574,959)</b>	<b>(33,170)</b>	<b>(36,753)</b>	<b>(41)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(180,149)	-	(19,999)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. <b>Non-current liabilities (14+15+16)</b>	<b>(180,149)</b>	<b>-</b>	<b>(19,999)</b>	<b>-</b>
18. <b>Total liabilities (13+17)</b>	<b>(755,108)</b>	<b>(33,170)</b>	<b>(56,752)</b>	<b>(41)</b>
<b>Net balance sheet position (9+18)</b>	<b>271,930</b>	<b>43,307</b>	<b>(5,063)</b>	<b>(36)</b>
19. Net asset/(liability) position of off-balance sheet derivative instruments( 19a-19b)	(337,663)	(46,000)	-	-
19a. Hedged total assets amount	-	-	-	-
19b. Hedged total liabilities amount	(337,663)	(46,000)	-	-
20. <b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>(65,733)</b>	<b>(2,693)</b>	<b>(5,063)</b>	<b>(36)</b>
21. <b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>271,915</b>	<b>43,305</b>	<b>(5,063)</b>	<b>(36)</b>
22. Total fair value of financial instruments used for foreign currency hedging	(15,937)	(15,937)	-	-
23. Export	2,199,309	197,600	91,281	23
24. Import	1,104,203	68,057	75,577	1,576

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)

31 December 2019	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	760,010	29,718	87,717	14
2a. Monetary financial assets (including cash, bank accounts)	19,717	2,877	395	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	24	4	-	-
4. <b>Current assets (1+2+3)</b>	<b>779,751</b>	<b>32,599</b>	<b>88,112</b>	<b>14</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. <b>Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9. <b>Total assets( 4+8)</b>	<b>779,751</b>	<b>32,599</b>	<b>88,112</b>	<b>14</b>
10. Trade payables	(147,618)	(14,402)	(9,218)	(98)
11. Financial liabilities	(140,487)	-	(21,124)	-
12a. Monetary other liabilities	(244,327)	(40,940)	(138)	(28)
12b. Non-monetary other liabilities	-	-	-	-
13. <b>Current liabilities (10+11+12)</b>	<b>(532,432)</b>	<b>(55,342)</b>	<b>(30,480)</b>	<b>(126)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(133,012)	-	(20,000)	-
16a. Monetary other liabilities	(152,983)	(25,754)	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. <b>Non-current liabilities (14+15+16)</b>	<b>(285,995)</b>	<b>(25,754)</b>	<b>(20,000)</b>	<b>-</b>
18. <b>Total liabilities (13+17)</b>	<b>(818,427)</b>	<b>(81,096)</b>	<b>(50,480)</b>	<b>(126)</b>
<b>Net balance sheet position (9+18)</b>	<b>(38,676)</b>	<b>(48,497)</b>	<b>37,632</b>	<b>(112)</b>
19. Net asset/(liability) position of off-balance sheet derivative instruments( (19a-19b)	49,641	51,461	(38,500)	-
19a. Hedged total assets amount	305,689	51,461	-	-
19b. Hedged total liabilities amount	(256,048)	-	(38,500)	-
20. <b>Net foreign currency asset/(liability) position (9+18+19)</b>	<b>10,965</b>	<b>2,964</b>	<b>(868)</b>	<b>(112)</b>
21. <b>Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(38,701)</b>	<b>(48,501)</b>	<b>37,632</b>	<b>(112)</b>
22. Total fair value of financial instruments used for foreign currency hedging	1,100	-	851	249
23. Export	1,945,041	177,305	86,860	2,417
24. Import	630,817	46,815	56,233	1,110

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

### NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Group's income before tax as of 31 December 2020 and 2019:

31 December 2020	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	(1,977)	1,977
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>(1,977)</b>	<b>1,977</b>
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(4,561)	4,561
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(4,561)</b>	<b>4,561</b>
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(36)	36
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(36)</b>	<b>36</b>
<b>Total (3+6+9)</b>	<b>(6,574)</b>	<b>6,574</b>
31 December 2019	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	1,761	(1,761)
2- Amount hedged for USD risk (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>1,761</b>	<b>(1,761)</b>
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(577)	577
5- Amount hedged for EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(577)</b>	<b>577</b>
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(87)	87
8- Amount hedged for GBP risk (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(87)</b>	<b>87</b>
<b>Toplam (3+6+9)</b>	<b>1,097</b>	<b>(1,097)</b>

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

**NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(Continued)****b) Interest position table and related sensitivity analysis****Interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not substantially subject to changes in market interest rates.

The Group's interest rate risk arises from short-term borrowings and time deposits. The Group has obtained fixed rate bearing borrowings and time deposits. However the borrowings and time deposits that the Group is going to obtain in future will be affected from future interest rates.

As of 31 December 2020 and 2019, 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 2020	31 December 2019
Total financial liability	1,854,064	801,849
Less: Cash and cash equivalents (Note 4)	(517,422)	(222,722)
Net financial liability	1,336,642	579,127
Total equity	1,007,343	637,646
<b>Financial debt/shareholders' equity factor</b>	<b>133%</b>	<b>91%</b>

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2020 AND 2019

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

## NOTE 29 - FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2020 and 2019:

## 31 December 2020

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	15,937	-	15,937
	-	15,937	-	15,937

## 31 December 2019

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	1,100	-	1,100
	-	1,100	-	1,100

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The Group considers that carrying amounts reflect fair values of the financial instruments.

Monetary assets - Short term monetary assets are considered to approximate their respective carrying values due to their short-term nature and low level of credit risk.

Monetary liabilities - Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of long-term bank borrowings with fixed interest rates are noted that it is close to approximate their respective carrying values, since the interest rate as of balance sheet date is used. The fair values of short-term bank borrowings are considered to approximate their respective carrying values due to their short-term nature.

## NOTE 30 - SUBSEQUENT EVENTS

None.

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# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 17.03.2021 TO REVIEW 2020

### 1. INVITATION TO THE ORDINARY GENERAL ASSEMBLY ON 17.03.2021

The Ordinary General Assembly will convene to review 2020 activities of the Company and to discuss the agenda detailed below at 11:00 am on Wednesday, 17.03.2021 at the Divan İstanbul Hotel, Asker Ocağı Cad. No: 1, Elmadağ, Şişli, İstanbul (Phone: +90 212 315 55 00).

The Annual Report, which includes Financial Statements related to the year 2020, Independent Audit Report, Dividend Distribution Proposal, Corporate Governance and Sustainability Principles Compliance Reports, and the detailed Information Sheet that includes these agenda items and the required disclosures for compliance with the Capital Markets Board Regulations will be made available for the shareholders to view within the legal period of 3 weeks before the Annual General Meeting at head office of the company, on the corporate website [www.otokar.com.tr](http://www.otokar.com.tr) and the Electronic Annual General Meeting System of Central Registry Agency.

Shareholders who will not personally attend the Annual General Meeting, provided that the rights and obligations of shareholders who will participate electronically are reserved, must submit their power of attorney 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](http://www.otokar.com.tr) and accordingly submit the power of attorney with a signature approved by a notary public, 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 power of attorney. **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](http://www.otokar.com.tr) or from the company Headquarters (Phone: 0 216 229 22 44) to ensure that they comply with the provisions of the applicable regulations and communiqués.

Pursuant to article 415 clause 4 of the New Turkish Commercial Code No. 6102 and article 30 clause 1 of the Capital Markets Law, the right to participate and vote in the Annual General Assembly Meeting is not dependent on the condition to deposit the shares. Accordingly, shareholders who wish to participate in the General Assembly Meeting are not required to block their shares.

In accordance with the Law No. 6698 on Protection of Personal Data, detailed information on processing your personal data by our company is provided in the Personal Data Protection and Processing Policy of Otokar Otomotiv ve Savunma Sanayi A.Ş. which is available on [www.otokar.com.tr](http://www.otokar.com.tr)

At the Ordinary General Assembly Meeting, the voters will use open voting system by a raise of hands, without prejudice to the provisions of electronic voting regarding the voting of each item on the agenda.

We would like to advise that the meeting will be organized with the health and safety measures imposed by the authorities in place due to the ongoing COVID-19 pandemic and ask the shareholders to follow the new rules that the healthcare officials may announce closely. Accordingly:

- Considering the ongoing pandemic situation and the restrictions imposed by applicable regulations on meetings in groups, only the shareholders will be accepted into the General Assembly Meeting venue to protect public health and no other visitors will be allowed.
- The guests' temperatures will be measured at the entrance of the meeting venue.
- Wearing face masks upon arrival at the venue and throughout the meeting is mandatory.
- No food and beverage will be served during the General Assembly Meeting.
- Press and media member are invited to attend the General Assembly Meeting.

Pursuant to the Capital Markets Law, shareholders holding registered shares that are traded on the stock exchange will not receive a separate registered invitation letter for the meeting.

Submitted to the esteemed shareholders with due respect.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 17.03.2021 TO REVIEW 2020

### 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 privileges in our company's Articles of Association pertaining to the exercise of voting rights. The voting rights of our shareholders at the time this document is made public are provided in the table below:

Shareholder	Share Amount (TL)	Stake (%)	Voting Right	Voting Right (%)
Koç Holding A.Ş.	10,722,749.81	44.68	1,072,274,980.90	44.68
Ünver Holding A.Ş.	5,954,943.83	24.81	595,494,383.00	24.81
Other	7,322,306.36	30.51	732,230,636.10	30.51
<b>Total</b>	<b>24,000,000.00</b>	<b>100.00</b>	<b>2,400,000,000.00</b>	<b>100.00</b>

Main shareholder Koç Holding A.Ş. is controlled by Koç Family and companies that Koç Family owns.

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 our strategic targets at Otokar Otomotiv ve Savunma Sanayi A.Ş., there were no changes in the management or operations in 2020 that could materially affect the activities of the company. No 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](http://www.kap.org.tr).

#### 2.3. Information concerning the Requests of Shareholders for Inclusion of an Issue in the Agenda

Information on shareholders' written requests submitted to the Investor Relations Department for inclusion of a topic in the agenda, rejected requests and reasons for rejections 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 2020 activities will be discussed.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 17.03.2021 TO REVIEW 2020

### 3. REMARKS ON THE AGENDA TOPICS OF THE ORDINARY GENERAL ASSEMBLY ON 17.03.2021

#### 1. Opening and election of the Chairman to Preside over the Meeting

The election of the Chairman who will preside over the Ordinary General Assembly will be carried out in accordance with the provisions of the Turkish Commercial Code No. 6102 (TCC) and the Regulation on the Procedures and Principles Applicable to Ordinary General Assemblies of Joint Stock Companies and the Representatives of the Ministry of Customs and Commerce to Attend Ordinary General Assembly (the "Regulation" or the "General Assembly Regulation"), and article 7 of the General Assembly Internal Directive. The Chairman of the General Assembly will appoint at least one Secretary to record the minutes of the meeting in accordance with the General Assembly Internal Directive. The Chairman may also select sufficient number of vote collectors.

#### 2. Presentation for discussion and approval of the 2020 Annual Report prepared by the Board of Directors

Information on the 2020 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](http://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 2020 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 2020 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](http://www.otokar.com), will be presented to the General Assembly.

#### 4. Presentation, discussion and approval of the Financial Statements of the Company for the 2020 fiscal year

Information on our financial statements and statutory financial statements issued in accordance with 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](http://www.otokar.com) 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 2020

Release of the members of the Board of Directors individually with respect to the activities, transactions and accounts in 2020 according to the provisions of the TCC and the Regulation will be presented for the approval of the General Assembly.

#### 6. Approval, approval with modifications or refusal of the Board of Directors' proposal pertaining to the date and issuance of profit distribution prepared in accordance with the Company's profit distribution policy

According to the financial statements for the accounting period of 01.01.2020-31.12.2020 prepared in compliance with the International Financial Reporting Standards in accordance with the provisions of Turkish Commercial Code and Capital Market Law and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., the Company has earned a Consolidated Net Profit for the Period amounting to TL 618,267,060. The table showing our profit distribution proposal, which was prepared by taking into account our Profit Distribution Policy, long-term strategies, investment and financing policies, and the profitability and liquidity position in line with the Communiqué on Dividends II-19.1 and the Profit Distribution Guidelines announced in accordance with this Communiqué is provided in **ATTACHMENT/1**.

#### 7. Approval, approval with modifications or refusal of the Board of Directors' proposal to amend Article 7. Capital in the Articles of Association, provided that necessary permissions are obtained from the Capital Markets Board and the Ministry of Trade

The amendment to Article 7. Capital in the Articles of Association proposed for extension of the validity period regarding the registered capital ceiling and resolved by the Board of Directors is provided in **ATTACHMENT/2** and will be presented to the General Assembly. Approval has been obtained from the Capital Markets Board on 08.02.2021 and necessary application will be filed with the Ministry of Trade.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 17.03.2021 TO REVIEW 2020

### 8. Resolution of the number of the 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 applicable for the election of the members of the Board or as set forth in the company's articles of association pursuant to CMB regulations, the TCC and the relevant regulations. In addition, independent member(s) will be elected to the Board in order to ensure compliance with 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 formed by minimum 5 (five) members who are elected for maximum 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 membership to the Board of Directors, which is proposed to consist of eight members, must meet the criteria of independency as defined in CMB's mandatory Corporate Governance Principles.

Upon the proposal of the Corporate Governance Committee, which has evaluated the candidates presented to it, Mr. Ali İhsan İlkbahar, Mr. Ali İhsan Kamanlı and Mr. Kenan Güven were nominated by the Board of Directors as Independent Members of the Board of Directors. Our Company has been notified that there is no negative opinion about the Independent Board Members by the letter of CMB dated 05.02.2021.

The curriculum vitae of the nominees for the Board of Directors and the declarations of independence of the independent members are provided in **ATTACHMENT/3**.

### 9. Presentation of the Remuneration Policy for the members of the Board of Directors and the Senior Executives and payments made thereof pursuant to the Corporate Governance Principles to the shareholders for approval

Pursuant to CMB's mandatory Corporate Governance Principle 4.6.2, principles applicable for remuneration of the members of the Board of Directors and the senior management must be in writing and presented to the shareholders as a separate agenda topic, and the shareholders must be given the opportunity to express their views. The revised remuneration policy prepared for this purpose is provided in **ATTACHMENT/4** and an updated copy is available on the corporate website. Otokar Otomotiv ve Savunma Sanayi A.Ş. has disclosed information about the benefits provided to the Board Members and Senior Executives in note 27 of the financial statements for the 2020 fiscal year.

### 10. 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 2021 fiscal year in accordance with the Remuneration Policy, presented to the approval of the shareholders in line with agenda item 9 will be determined by the shareholders.

### 11. 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 meeting on 5.02.2021, the Board of Directors has resolved to appoint, in consultation with the Audit Committee, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.) to audit the financial statements of the company pertaining to the 2021 accounting period and to carry out the other tasks under the 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.

### 12. Approval of the Donations and Sponsorship Policy, presentation of the donations made by the Company in 2020, and resolution of an upper limit for donations to be made in 2021

According to article 6 of the Capital Market Board's Communiqué on Dividends II-19.1, the limit of donations should be determined by the General Assembly in the event that it is not addressed in the articles of association. Donations and payments made should be presented to shareholders at the General Assembly. The donations made to foundations and associations in 2020 amounted to TL 4,637,753. Of this amount, TL 4,000,000 was donated to Vehbi Koç Foundation, and the remainder to various other institutions and organizations. The upper limit for donations in 2021 will be determined by the General Assembly. The Board of Directors is currently in the process of drafting a Donations and Sponsorship Policy, which 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 17.03.2021 TO REVIEW 2020

### 13. Pursuant to Capital Markets Board regulations, informing the shareholders about the income or benefits obtained in 2020 through guarantees, pledges, liens and sureties given by the company and its subsidiaries to third parties

Pursuant to Article 12 of the Corporate Governance Communiqué No. II-17.1 of Capital Markets Board, the topic of income or benefits obtained through guarantees, pledges, liens and sureties given by the company and its subsidiaries to third parties should be included as a separate agenda item of the ordinary Annual General Assembly Meeting. This is mentioned in note 15 of the Financial Statements dates 31.12.2020.

### 14. 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 pursuant to Articles 395 and 396 of the Turkish Commercial Code and CMB regulations; and presentation of the transactions carried out thereof in 2020 pursuant to the Corporate Governance Communiqué of the Capital Markets Board to the shareholders

According to the first paragraph of article 395, "Ban on Execution of Transactions with the company and on Borrowing from the company", and article 396, "Ban on Competition" of the TCC, transactions by members of the Board of Directors can only be possible with the approval of the General Assembly.

Pursuant to CMB's mandatory Corporate Governance Principle 1.3.6, in the event that the shareholders with management control, members of the Board of Directors, senior executives with administrative authority, and their spouses and blood relatives up to the second degree engage in transactions that may result in 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 Koç Group or Ünver Group, the said transactions will be presented to the General Assembly under a separate agenda topic and recorded in minutes of the Ordinary General Assembly.

In order to fulfill the requirements of these regulations, the aforementioned permission will be presented to the shareholders for approval at the General Assembly. In addition, our shareholders will be informed 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 to our company's, and that serve as a board member or executive at Koç Group or Ünver Group companies. In 2020, there was no transaction requiring information within the scope of the principle number 1.3.6 of the Corporate Governance Communiqué.

### 15. Wishes and opinions

#### ATTACHMENTS:

ATTACHMENT/1	Profit Distribution Policy and the proposal of the Board of Directors related to the Profit Distribution of 2020 and proposed Profit Distribution Table (See pages 30-31)
ATTACHMENT/2	Amendment to Articles of Association and Related Board of Director's Resolution (See pages 162)
ATTACHMENT/3	Résumés of the Candidates for the Board of Directors and the Declarations of Independence of the Independent Member Candidates (See pages 32-33)
ATTACHMENT/4	Remuneration Policy for Members of the Board of Directors and Senior Management (See page 34)

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 17.03.2021 TO REVIEW 2020

### AMENDMENT TO THE ARTICLES OF ASSOCIATION OF OTOCAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

ORIGINAL ARTICLE	AMENDED ARTICLE
<p><b>Article 7. Capital</b></p> <p>The company accepted the registered capital system in line with the provisions of the Law No. 2499 and switched to the system with the permission of the Capital Markets Board dated March 7, 1996, and No. 15/263.</p> <p>The company's registered capital ceiling amounts to TL 100,000,000 (one hundred million Turkish Lira), and it is divided into 10,000,000,000 (ten billion) registered shares each having a value of 1 (one) Kuruş.</p> <p>The registered capital ceiling permission granted by the Capital Markets Board is valid for the period between 2017 and 2021 (5-year). Although the company has not reached the permitted registered capital ceiling at the end of 2021, it is mandatory for the Board of Directors to obtain a permission from the Capital Markets Board for the previous or a new ceiling amount, and then obtain authorization from the General Assembly for a new period that shall not exceed five years to be able to adopt a capital increase resolution after 2021. The company shall not be able to increase capital through the Board of Directors if it cannot obtain such authorization.</p> <p>The company's issued capital amounts to TL24,000,000 (twenty-four million Turkish lira), and it was paid in full and free from collusion.</p> <p>The company's shares are registered shares. The shares representing the capital shall be monitored in line with dematerialization principles.</p> <p>The company shall be able to increase or decrease its capital, when necessary, in line with the provisions of the Turkish Commercial Code and Capital Markets Legislation.</p> <p>The Board of Directors shall be authorized to increase the issued capital by issuing new shares up to the registered capital ceiling in line with the provisions of the Capital Markets Law and adopt resolutions to restrict privileged shareholders' rights, limit shareholders' right to acquire new shares and issue shares lower than premium or nominal values. The authority to restrict new share acquisition shall not be used to lead to inequality among shareholders.</p>	<p><b>Article 7. Capital</b></p> <p>The company accepted the registered capital system in line with the provisions of the Law No. 2499 and switched to the system with the permission of the Capital Markets Board dated March 7, 1996, and No. 15/263.</p> <p>The company's registered capital ceiling amounts to TL 100,000,000 (one hundred million Turkish Lira), and it is divided into 10,000,000,000 (ten billion) registered shares each having a value of 1 (one) Kuruş.</p> <p>The registered capital ceiling permission granted by the Capital Markets Board is valid for the period between 2021 and 2025 (5-year). Even if the company has not reached the permitted registered capital ceiling at the end of 2025, it is mandatory for the Board of Directors to obtain a permission from the Capital Markets Board for the previous or a new ceiling amount, and then obtain authorization from the General Assembly for a new period that shall not exceed five years to be able to adopt a capital increase resolution after 2025. The company shall not be able to increase capital through the Board of Directors if it cannot obtain such authorization.</p> <p>The company's issued capital amounts to TL24,000,000 (twenty-four million Turkish lira), and it was paid in full and free from collusion.</p> <p>The company's shares are registered shares. The shares representing the capital shall be monitored in line with dematerialization principles.</p> <p>The company shall be able to increase or decrease its capital, when necessary, in line with the provisions of the Turkish Commercial Code and Capital Markets Legislation.</p> <p>The Board of Directors shall be authorized to increase the issued capital by issuing new shares up to the registered capital ceiling in line with the provisions of the Capital Markets Law and adopt resolutions to restrict privileged shareholders' rights, limit shareholders' right to acquire new shares and issue shares lower than premium or nominal values. The authority to restrict new share acquisition shall not be used to lead to inequality among shareholders.</p>

8 8 Nisan 2021



OTOKAR  
Savunma Sanayi Anonim Şirketi  
Yönetim Kurulu Başkanı  
[Signature]

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE COMPLIANCE REPORT

### I. CORPORATE GOVERNANCE COMPLIANCE REPORT (URF)

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
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 500,000 made to a number of 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					
<b>1.4. VOTING RIGHTS</b>						
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 A.Ş. does not have any cross-ownership associated with a controlling relationship.



## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>1.5. MINORITY RIGHTS</b>						
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.
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	Dividends have been paid out.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
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					
<b>2.2. ANNUAL REPORT</b>						
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 COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
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					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
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					
<b>3.3. HUMAN RESOURCES POLICY</b>						
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					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
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					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
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					
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
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 COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
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			The company agrees that achieving diversity in the Board of Directors in terms of knowledge, experience and perspectives contributes positively to its operations and enhances the effective functioning of the Board of Directors and believes that the current structure reflects this perspective. While there is no policy in place, female member ratio in the Board of Directors is currently 12.5 percent. While there is no policy in place, female member ratio in the Board of Directors is currently 12.5 percent. Even though developing a policy for this purpose is currently not on the agenda, the topic may be revisited in the following years with the increase of suitable candidates.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1 - Each board member attended the majority of the board meetings in person.			X			In 2020, the Board of Directors did not convene in a physical setting due to the COVID-19 pandemic; however, the members were regularly advised about the company's performance and developments while resolutions were all reached by passing them around. The Board has also convened twice with all members in attendance to address strategic matters and discussed the Company's position and activities without passing any resolutions.
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.

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
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			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.
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Considering that Board members contribute significantly to the Board with their business experience and industry knowledge, they are not restricted in terms of assuming other duties outside the company. The résumé of each Board member and their other duties outside the company are provided in the annual report. Given the effective functioning of the Board, no changes to the current practice are anticipated in the near future since no negative consequence has been observed in terms of corporate governance.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
<b>4.5. BOARD COMMITTEES</b>						
4.5.5 - Board members serve in only one of the Board's committees.			X			Board members serving on more than one committee facilitate communication and increase the opportunities for cooperation between committees handling related subjects. Considering the efficient work of the Board members with their wealth of knowledge and experience, the current committee structure is deemed effective and no changes are anticipated in the near future.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	Such a consultancy service has not been procured.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Remunerations provided to the Board members and executives with administrative responsibilities are provided in the notes to the financial statements and disclosed to the public as a total figure. Given that this matter is important due to the privacy of personal data, practices in the market are followed with plans to act in line with the wide-spread preferences.

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE INFORMATION FORM

### II. CORPORATE GOVERNANCE INFORMATION FORM (KYBF)

#### 1. SHAREHOLDERS

##### 1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/etc.) organised by the company during the year

In 2020, very few investor meetings took place in a physical setting due to the COVID-19 pandemic. Throughout the year, the relevant department held 5 face to face meetings and 140 teleconferences.

##### 1.2. Right to Obtain and Examine Information

The number of special audit request(s)

0

The number of special audit requests that were accepted at the General Shareholders' Meeting

0

##### 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/819263>

Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time

Yes, available.

The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9

There is no such transaction.

The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)

There is no such transaction.

The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)

<https://www.kap.org.tr/tr/Bildirim/818470>

The name of the section on the corporate website that demonstrates the donation policy of the company

An upper limit for donations and aid is determined at the general assembly meeting every year and a dedicated policy is yet to be implemented. Work is under way to develop a specific policy on this topic.

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved

Material disclosure about the general assembly meeting where the upper limit for donations and aid was approved: <https://www.kap.org.tr/tr/Bildirim/829507>

The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting

Article 15-a

Identified stakeholder groups that participated in the General Shareholders' Meeting, if any

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

##### 1.4. Voting Rights

Whether the shares of the company have differential voting rights

There are no privileged shares.

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

-

The percentage of ownership of the largest shareholder

44.68%

##### 1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association

No

If yes, specify the relevant provision of the articles of association

-

##### 1.6. Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy

Investor Relations/Corporate Governance/Dividend Policy

Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend

Dividends have been paid out.

PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends

-



# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE INFORMATION FORM

<b>General Assembly Meetings</b>	
General Meeting Date	16.03.2020
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	-
Shareholder participation rate to the General Shareholders' Meeting	76.82%
Percentage of shares directly present at the GSM	0.001%
Percentage of shares represented by proxy	76.82%
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	<a href="https://www.kap.org.tr/tr/Bildirim/829507">https://www.kap.org.tr/tr/Bildirim/829507</a>
<b>2. DISCLOSURE AND TRANSPARENCY</b>	
<b>2.1. Corporate Website</b>	
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
<b>2.2. Annual Report</b>	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	General Assembly and Corporate Governance Practices Section
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Corporate Governance Practices Section
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance Practices Section
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Legal Disclosures Section
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Legal Disclosures Section
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Legal Disclosures Section
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Legal Disclosures Section
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Sustainability and Human Resources

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE INFORMATION FORM

### 3. STAKEHOLDERS

#### 3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Even though a dedicated reparations policy is not available, all Koç Group companies and Koç Holding manage the rights of stakeholders to reparations in accordance with national and international laws and norms.
The number of definitive convictions the company was subject to in relation to breach of employee rights	5
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Audit Department and Ethics Board
The contact detail of the company alert mechanism.	<a href="https://www.otokar.com.tr/contact/contact-form">https://www.otokar.com.tr/contact/contact-form</a>

#### 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. Internal communication meetings (townhalls) are organized to share information about the company with the employees, dealers and other stakeholders and to answer their questions.

#### 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 plans 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. <a href="https://www.otokar.com.tr/investor-relations/corporate-governance/ethical-code">https://www.otokar.com.tr/investor-relations/corporate-governance/ethical-code</a>
Whether the company provides an employee stock ownership programme	No stock option is offered for employees.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Human Resources
The number of definitive convictions the company is subject to in relation to health and safety measures	1

#### 3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations – Corporate Governance – Code of Ethics
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Sustainability
Any measures combating any kind of corruption including embezzlement and bribery	Principles on these topics are covered in Code of Ethics.

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### CORPORATE GOVERNANCE INFORMATION FORM

#### 4. BOARD OF DIRECTORS - I

##### 4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	31.12.2020
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 to the board	Internal audit department presents collective information to the audit committee regarding the operations within the year.
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Internal Audit Department
Name of the Chairman	Yıldırım Ali Koç
Name of the CEO	Ahmet Serdar Görgüç
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	Not available.
The number and ratio of female directors within the Board of Directors	1 (12.5%)

#### 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		Not Considered	No	Yes
Levent Çakıroğlu	Non-Executive	Not Independent	26.03.2015		Not Considered	No	Yes
Selin Ayla Ünver	Non-Executive	Not Independent	22.10.2018		Not Considered	No	Yes
İsmail Cenk Çimen	Non-Executive	Not Independent	18.03.2019		Not Considered	No	Yes
Ahmet Serdar Görgüç	Executive	Not Independent	20.04.2006		Not Considered	No	Yes
Ali İhsan İlkahar	Non-Executive	Independent	16.03.2020	<a href="https://www.kap.org.tr/tr/Bildirim/834714">https://www.kap.org.tr/tr/Bildirim/834714</a>	Considered	No	Yes
Ali İhsan Kamanlı	Non-Executive	Independent	15.03.2018	<a href="https://www.kap.org.tr/tr/Bildirim/834714">https://www.kap.org.tr/tr/Bildirim/834714</a>	Considered	No	Yes
Kenan Güven	Non-Executive	Independent	15.03.2018	<a href="https://www.kap.org.tr/tr/Bildirim/834714">https://www.kap.org.tr/tr/Bildirim/834714</a>	Considered	No	Yes

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

### CORPORATE GOVERNANCE INFORMATION FORM

#### 4. BOARD OF DIRECTORS - II

##### 4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)

In 2020, the Board of Directors did not convene in a physical setting due to the COVID-19 pandemic; however, the members were regularly advised about the company's performance and developments while resolutions were all reached by passing them around. The Board has also convened twice with all members in attendance to address strategic matters and discussed the Company's position and activities without passing any resolutions.

Director average attendance rate at board meetings

9%

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

Link(s) to the PDP announcement(s) with the board committee charters

<https://www.kap.org.tr/tr/Bildirim/834409>  
<https://www.kap.org.tr/tr/Bildirim/751694>

#### 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	-	Ali İhsan İlkbahar	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	-	İsmail Cenk Çimen	Member	Board Member

# OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

## CORPORATE GOVERNANCE INFORMATION FORM

### 4. BOARD OF DIRECTORS - III

#### 4.5. Board Committees - II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices – Committees formed by the Board
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices – Committees formed by the Board
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	There is no nomination committee. Corporate governance committee carries out its tasks.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Practices – Committees formed by the Board
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	There is no remuneration committee. Corporate governance committee carries out its tasks.

#### 4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Board of Directors' Annual Report
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

# GLOSSARY

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**BIST:** Borsa İstanbul A.Ş. (Istanbul Stock Exchange)

**CMB:** Capital Markets Board

**EBITDA:** Earnings before Interest, Taxes, Depreciation and Amortization

**e-GKS:** Electronic General Meeting System (e-GEM). Shareholder participation to General Assembly meetings by remote access and mobile applications through e-MKK Information Portal.

**EMC:** Electromagnetic Compatibility

**EMI:** Electromagnetic Interference

**IAS:** International Accounting Standards

**IED:** Improvised Explosive Device

**POA:** Public Oversight Accounting and Auditing Standards Authority

**MESS:** Turkish Metal Industrialists Union

**PDP:** Public Disclosure Platform is an electronic system through which electronically signed notifications required by the capital markets and Borsa Istanbul regulations are publicly disclosed.

**OSD:** Automotive Manufacturers Association

**TAS:** Turkish Accounting Standards

**TCC:** Turkish Commercial Code

**MKK:** Central Depository Institution holds capital market instruments and rights in an electronic environment on an investor basis with respect to participants.

**ESHOT:** Electricity, Water, Coal Gas, Buses and Trolley Buses

**HEMUS:** International Defence Equipment Exhibition

**Kaizen:** Continuous Improvement

**CRM:** Customer Relationship Management

**TÜBİTAK:** The Scientific and Technological Research Council of Turkey

**TÜSİAD:** Turkish Industry and Business Association

**ISO:** Istanbul Chamber of Industry

**EU:** European Union

**NATO:** North Atlantic Treaty Organization

**CAD:** Computer Aided Design

**TSE:** Turkish Standards Institution

**SATSO:** Sakarya Chamber of Commerce and Industry

**OHSAS:** Occupational Health and Safety Management Systems

**OSH:** Occupational Safety and Health

**KoçHub:** Koç Group's mobile transformation application where it increases effective communication and collaboration between co-workers.

**ILO:** International Labour Organization

**Otokar Otomotiv ve Savunma Sanayi A.Ş.**

**Headquarters**

Aydınevler Mah.

Saygı Cad. No. 58

34854 Maltepe - İstanbul - Turkey

**Phone:** +90 216 489 29 50

**Fax:** +90 216 489 29 67

**Factory**

Atatürk Cad. No. 6

54580 Arifiye - Sakarya - Turkey

**Phone:** +90 264 229 22 44

**Fax:** +90 264 229 22 42

**[www.otokar.com](http://www.otokar.com)**



