



Otokar

OTOKAR 2021 ANNUAL REPORT

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OUR STORY ON THE ROADS STARTED WITH A FIRST IN 1963;
WE SAID, “ WE CAN!” AND PRODUCED TURKEY’S VEHICLES,
BECOMING A TRUSTED ROAD COMPANION.

GOING BEYOND THE BORDERS OF OUR COUNTRY,
WE EMBARKED ON NEW JOURNEYS AROUND THE WORLD.

WE DID NOT STOP,
KNOWING THAT WE HAD TO DRIVE FORWARD!

WE KEPT MAKING STRIDES, PROUDLY SERVING OUR COUNTRY,
LEADING OUR INDUSTRIES, RESEARCHING AND DEVELOPING,
DESIGNING VEHICLES FOR A BETTER FUTURE, PASSING THE
TOUGHEST TESTS IN THE HARSHEST ENVIRONMENTS WITH
FLYING COLORS, BUILDING ON OUR KNOW-HOW, AND MORE.

OUR JOURNEY AROUND THE GLOBE CONTINUES SINCE THE
VERY FIRST DAY, ALWAYS HEADED TOWARD THE FUTURE WITH
CONFIDENT STEPS.

Otokar

CHAIRMAN'S MESSAGE



Esteemed Shareholders, Partners, and Employees,

The year we left behind was marked with improvements as trust and cooperation became even more critical, and businesses from supply chains to distribution channels maintained sustainable growth only when they worked together in harmony. The commitment and efforts of our employees, the confidence of our clients, and our collaborative work with our business partners enabled us to move forward at full steam as we maintained our steady growth and outperformed our targets.

We are pleased to report that we grew our revenues by 55 percent to TL 4.5 billion and real operating profit by 69 percent to TL 1 billion 76 million in 2021. As a result, we posted TL 1 billion 42 million with a 69% increase. Year on year, our exports rose by 12 percent to \$ 345 million, accounting for 73 percent of our revenues. Overall, commercial and military vehicle sales are balanced in our revenues.

The investments we made in research and development increased by 49 percent year on year, amounting to TL 300 million. With investments reaching a total of TL 1.6 billion in R&D in the last decade, this amount corresponds to nearly 8 percent of our revenues.

In commercial vehicles, we remained the most preferred Turkish bus brand for the 13th time, with one out of every two buses sold in Turkey bearing the Otokar name. In the last two years, we were awarded contracts for public transportation vehicles by Istanbul, Ankara, and Izmir, becoming the preferred manufacturer of Turkey's three biggest metropolises. Our buses are already serving Izmir Metropolitan Municipality and Ankara Metropolitan Municipality in passenger transportation, while the production of 100 metrobus ordered by the Istanbul Metropolitan Municipality is ongoing.

‘IN 2021, WE GREW OUR REVENUES BY 55 PERCENT TO TL 4.5 BILLION AND REAL OPERATING PROFIT BY 69 PERCENT TO TL 1 BILLION 76 MILLION.’

Meanwhile, more and more of our buses are operating across Europe, our primary export market. For instance, the buses we manufactured for the capital of Slovakia are already in operation.

As we continued to export to European countries such as Spain, France, Germany, and Italy, we also received high volume orders from the Middle East.

Starting with Europe, municipalities worldwide are increasingly adopting sustainable urban practices to combat climate change.

This approach reflects on their inclination toward alternative fuel vehicles in public transportation. As a key player in this competition, we received orders for natural gas-powered public transportation buses from Romania, Azerbaijan, and Ukraine. Starting late last year, we took our electric bus on a demo tour across Europe, visiting Germany, Spain, Italy, France, Romania, and the Benelux countries. We expect these export-focused efforts to promote our electric vehicle, which was received with great interest by users and operators, to produce positive results this year.

Another development of 2021 was the launch of our cataphoresis line, made possible with a significant investment to extend the life and improve the durability of the vehicles we manufacture. Following the agreement we signed to manufacture Iveco Bus buses in Turkey last year, the production and deliveries of the first buses started.

On the other hand, our sales in the 8.5-ton truck market outperformed market growth. We aim to maintain this growth trend, especially in the logistics sector.

In the defense industry, we participated in various events and exhibitions as the travel restrictions eased in 2021 and found the opportunity to meet in person with our clients and potential customers. Throughout the year, we mainly focused on delivering the orders received from different countries and clients across the world. In 2021, we completed the production and delivery of the amphibious armored vehicles as part of the 8x8 armored vehicle project and one of Turkey's biggest land vehicles export deals, signed in 2017. Furthermore, our Arma 8x8 armored vehicle and Tulpar tracked armored vehicle completed the rigorous tests in Kazakhstan's different geographic and climate conditions.

As a company that always focuses on client needs and expands its product range with innovative vehicles, Otokar signed an international cooperation agreement for autonomous military vehicle development and applications for unmanned and robotic operations of the armies. This agreement marks an important step toward creating the unmanned land vehicles segment.

However, as we kept working in all these areas, we never compromised our values, remaining focused on sustainability. As part of our efforts to combat climate change, we strived to reduce the environmental

impact of our operations and products and introduced new policies regarding social issues and governance. In 2022, our sustainability-focused efforts will continue. As we study the potential effects of the Green Deal on our trade with the EU, starting with carbon tax regulations at the border, we closely follow the Carbon Transformation Program that Koç Holding has introduced.

Esteemed Partners,

We recognize that 2022 is still a year of uncertainties, and yet, we remain committed to our goal of becoming a global player in the automotive and defense industries. Accordingly, we aim to maintain our position in the domestic commercial vehicles market and to increase the vehicle park and market share in Europe, our primary market in the bus segment. In the defense industry, we will continue to offer our products, capabilities, and opportunities to benefit our country. In addition to exports, we also aim to seize opportunities for technology transfer and joint production in international markets with local partners.

I want to thank you all, our esteemed shareholders and clients for your 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, OFFERS SOLUTIONS TAILORED TO CUSTOMER NEEDS WITH ITS TECHNOLOGIES, DESIGNS, AND APPLICATIONS.



Otokar was established in 1963, at a time when industrialization and modernization initiatives were being launched in Turkey, to produce the first intercity buses in 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 the defense industry in 1987 and produced Turkey's first tactical wheeled armored vehicle in the 1990s.

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 21 meters for passenger transportation. In addition, the company 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 with

IN **60+** COUNTRIES



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 know-how 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 approximately 8 percent of its revenues for R&D expenditures.

VISION

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


MISSION

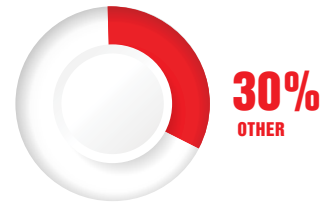
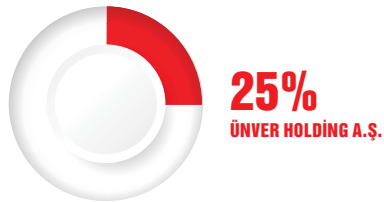
Otokar's primary mission is to design, manufacture and market commercial vehicles and various defense industry products with global competitive strength, all developed to meet customer expectations.

VALUES

Otokar, together with its employees, strives to ensure customer satisfaction and sound growth by delivering products and services of universal quality and standards in line with the objectives and principles set by the Koç Group. 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 resource 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**  **100%**
LOCAL CAPITAL



USD 345 MILLION

2021 EXPORT REVENUES

TL 4,5 BILLION

2021 TURNOVER

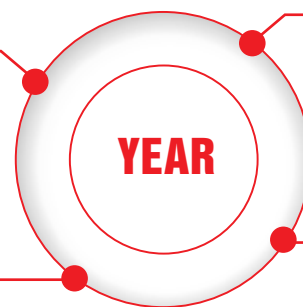
TL 1.6 BILLION

10-YEAR R&D EXPENDITURE

PRODUCTION CAPACITY

5,300
BUSES
MINIBUSES

1,600
TRUCKS
LIGHT TRUCKS



2,000
TACTICAL VEHICLES

625
TACTICAL ARMORED
VEHICLES

2,286
EMPLOYEES

552,000 M²
PRODUCTION AREA

300+ SALES AND
AFTERSALES NETWORK

COMPETITIVE ADVANTAGES

PRODUCTS WITH OTOKAR OWNED INTELLECTUAL PROPERTY RIGHTS

INDEPENDENCE TO DEVELOP PRODUCTS TO MEET MARKET REQUIREMENTS

PUBLICLY TRADED

TRANSPARENT STRUCTURE, RELIABILITY

OPERATING IN NICHE MARKETS

SUSTAINABLE GROWTH

R&D CAPABILITIES AND FLEXIBLE PRODUCTION ABILITY

RAPID PRODUCT DEVELOPMENT AND SPEED TO MARKET

CAPABILITY TO OFFER CUSTOMIZED FEATURES

CUSTOMER SATISFACTION GUARANTEE

NO FOREIGN SHAREHOLDERS

FREEDOM TO DETERMINE COMPANY STRATEGIES



**BUSES,
LIGHT TRUCKS**



**WHEELED ARMORED
VEHICLES, TRACKED
ARMORED VEHICLES,
TURRET SYSTEMS**

GLOBAL COMPANY

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

PIONEER

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

MARKET LEADER

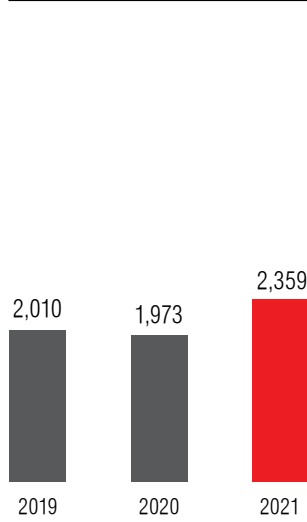
MOST PREFERRED BUS BRAND IN TURKEY*

*in all of its respective bus segments

SUMMARY FINANCIAL INFORMATION

SALES QUANTITIES

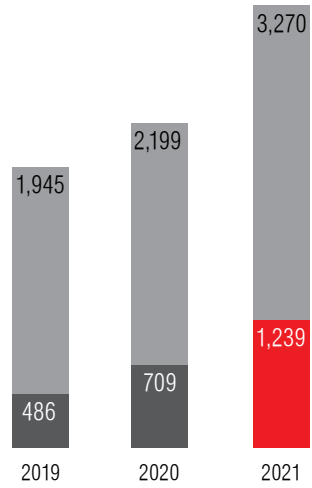
unit



SALES REVENUES

TL million

■ Domestic ■ Abroad



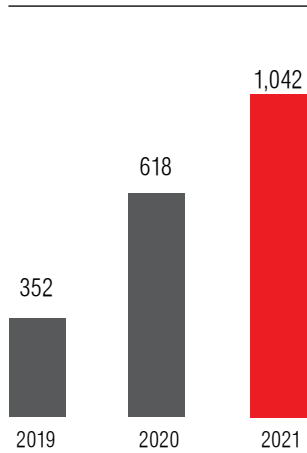
EXPORT REVENUES

USD million



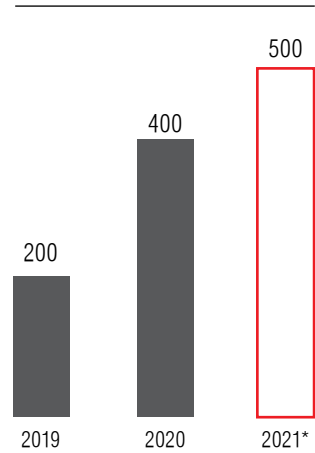
NET PROFIT

TL million



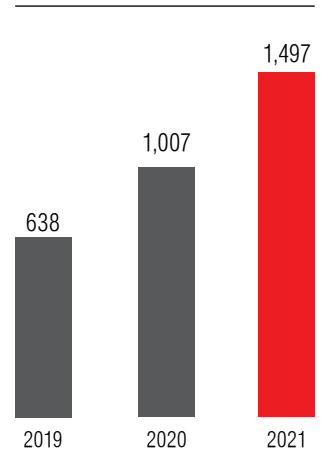
DIVIDENDS PAID

TL million



SHAREHOLDERS' EQUITY

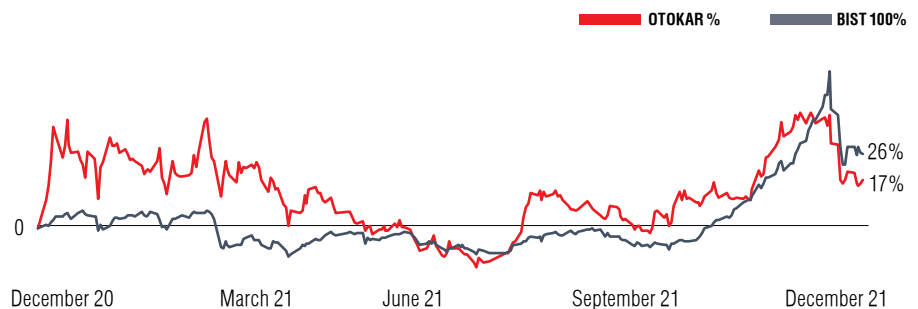
TL million



*Dividend proposal will be presented to the General Assembly for approval in March 2022.

STOCK PERFORMANCE

Otokar Otomotiv ve Savunma Sanayi A.Ş. shares have been traded on Borsa İstanbul since April 24, 1995 with ticker symbol "OTKAR". In 2021, BIST 100 rose 26%, while Otokar shares were traded at lowest TL 263.50 and highest TL 426.00, seeing %17 increase throughout the year.



MAIN RATIOS (%)

	2021	2020
Gross Profit Margin	38.1	41.1
Operating Margin	23.9	21.9
EBITDA Margin	20.2	23.1
Pre-Tax Profit Margin	20.1	21.5
Net Profit Margin	23.1	21.3

FINANCIAL RATIOS

Liquidity Ratios	2021	2020
Current Ratio (Current Assets/Short Term Liabilities)	1.39	1.49
Liquidity Ratio (Current Assets-Inventories/Short Term Liabilities)	0.89	0.87
Financial Leverage Ratios	2021	2020
Total Debt to Total Assets Ratio (Short Term Debt + Long Term Debt/Total Assets)	0.75	0.77
Equity/Total Debt Equity/(Short Term Debt + Long Term Debt)	0.33	0.30
Profitability Ratios	2021	2020
Sales Profitability Ratio (Pre-Tax Profit/Net Sales)	0.20	0.21
Return on Assets (Pre-Tax Profit/Total Assets)	0.15	0.14
Return on Equity (Net Profit/Shareholders' Equity)	0.70	0.61

R&D INDICATORS

8%

Share of 10-year R&D expenditures in turnover

62

Patent and industrial design applications

97%

Share of Otokar-designed vehicle sales in turnover

PRODUCTIVITY INDICATORS

23%

Capacity utilization rate

16%

10-year average growth

TL 235 MILLION

Economic contribution

CORPORATE GOVERNANCE RATING SCORE 9.49

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 21 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 33,000 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**

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 (Articulated, Kent Articulated CNG, Kent XL)

Territo

LIGHT TRUCK

Otokar Atlas

MARKET POSITION AND HIGHLIGHTS OF 2021

- Maintained leadership in the Turkish bus market in the total of its segments.
- Won the high-volume tender of the Greater Municipality of Amman to meet the city's public transportation needs.
- Won IETT's metrobus tender.
- Made the largest delivery of the year to ESHOT.
- Won the tender of EGO General Directorate.
- Received export orders for CNG-powered buses from Ukraine, Azerbaijan, and Romania.
- Territo took home prizes from the BIG SEE Awards 2021 and European Product Design Award.
- e-KENT C electric bus was promoted in Spain, Germany, Italy, France, Romania, and Benelux countries.
- Otokar Atlas trucks were delivered to various companies that prefer the brand for various purposes.

TACTICAL WHEELED VEHICLES

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

TRACKED ARMORED VEHICLES

Tracked Armored Vehicles (Tulpar, Tulpar S)

TURRET SYSTEMS

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

- Diesel-powered Akrep Ild joined the next-generation Akrep II 4x4 armored vehicle range.
- Akrep Ild and Cobra II MRAP made their debut in Turkey at IDEF'21.
- Production and delivery of the amphibious armored vehicles as part of the 8x8 armored vehicle project and one of Turkey's biggest land vehicles export deals completed successfully.
- Participated in DSEI exhibition in London with Cobra II MRAP and Tulpar tracked armored vehicle.
- Signed a cooperation agreement with Milrem Robotics, a leading robotics and autonomous systems developer in Europe, for unmanned and robotic operations of military vehicles.
- Arma 8x8 and Tulpar armored combat vehicles successfully completed the rigorous tests in Kazakhstan.

HISTORY

OTOKAR'S STORY,
WHICH STARTED WITH
A FIRST AND TODAY
CONTINUES GLOBALLY,
CONFIDENTLY MOVING
FORWARD.



1960s

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

1970s

- Production of minibuses for public transportation
- Joined Koç Group

1980s

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

1990s

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

2000s

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



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

2020s

- Production agreement signed between Otokar and Iveco Bus
- Arma 8x8 and Tulpar vehicles successfully tested in Kazakhstan
- Foundations laid for a Cataphoresis Line
- Turkey's Best Employer Award
- "Safe Bus" reducing coronavirus infection risk
- Investment incentive certificate



HIGHLIGHTS OF 2021



- Otokar completed the production and delivery of the amphibious armored vehicles as part of the 8x8 armored vehicle project and one of Turkey's biggest land vehicles export deals, signed in 2017.
- Otokar held the international premiere of its electric armored vehicle Akrep IIe at IDEX 2021 in Dubai, the capital of United Arab Emirates.
- Otokar was awarded a contract amounting to TL 606 million by IETT for the purchase of 100 metro buses and their after-sales services for three years.
- Otokar ranked 83rd in Turkey's Top 500 Industrial Enterprises 2020 list of Istanbul Chamber of Industry (ISO).
- Otokar delivered the KENT LF and KENT LF Articulated buses to ESHOT, an İzmir Metropolitan Municipality company, marking the largest delivery of the year.
- Otokar participated in IDEF'21, where it exhibited Arma 6x6 and Arma 8x8 multi-wheeled armored vehicles and Tulpar tracked vehicles and debuted Akrep II, the diesel-powered Akrep II and Cobra II MRAP, a mine-resistant ambush-protected vehicle in Turkey.
- At the DSEI 2021 exhibition in London, Otokar signed a cooperation agreement with Milrem Robotics to join forces with their know-how and resources on autonomous development and applications for unmanned and robotic operations.
- Otokar was recognized with Kocaeli Chamber of Industry's Şahabettin Bilgisu Environment Award in the Large Enterprises, Automotive category.
- Otokar continued to work on Turkey's first intelligent Autonomous Bus, which will provide the infrastructure for the autonomous public transportation bus that the company will develop in line with the zero-accident goal as part of the European Union 2050 targets.
- Otokar received an order for 40 Kent Articulated buses from Bratislava Transport Company (DPB) in Slovakia.
- Xaliq Faiqoglu, a leading transportation company in Azerbaijan, placed an order for 50 CNG-powered KENT public transportation buses.
- Otokar delivered 10 KENT CNG buses to the transportation company of Vinnytsia, named one of the most livable cities in Ukraine.
- Arma 8x8 and Tulpar armored combat vehicles completed the rigorous tests in Kazakhstan's different geographic and climate conditions.
- e-KENT C electric bus was promoted at IAA Mobility 2021 in Munich, Germany where the bus carried more than 2,000 people in six days.
- e-KENT C was introduced at the Gala Tranzit event held in Romania.
- Otokar won the tender of the Greater Municipality of Amman, the capital of Jordan, to meet the city's public transportation needs. The contract, worth nearly \$32 million is funded by the EBRD.
- Otokar Atlas trucks were delivered to public service providers and logistics companies.
- e-KENT C was promoted across Europe on a demo tour, visiting Italy, France, Spain, Romania, Germany, and Benelux countries.
- Otokar was awarded the contract for 28 articulated buses by EGO General Directorate, an Ankara Metropolitan Municipality company.





GENERAL ASSEMBLY

GENERAL ASSEMBLY

MEETING AGENDA

AGENDA OF THE ORDINARY ANNUAL GENERAL MEETING OF OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. ON 21.03.2022

- 1- Opening and election of the Chairman to preside over the Meeting
- 2- Presentation for discussion and approval of the 2021 Annual Report prepared by the Board of Directors
- 3- Presentation of the summary of the Independent Audit Report for the 2021 fiscal year
- 4- Presentation, discussion and approval of the company's Financial Statements for the 2021 fiscal year
- 5- Release of each member of the Board of Directors individually for the affairs of the company in 2021
- 6- Approval, approval with modifications or refusal of the Board of Directors' proposal pertaining to when and how the profit of 2021 will be distributed in accordance with the company's profit distribution policy
- 7- Resolution of the number of members of the Board of Directors and their terms of office, election in accordance with the resolved number and election of the independent members of the Board of Directors
- 8- Presentation of the Remuneration Policy for the members of the Board of Directors and the Senior Executives and payments made thereof pursuant to the Corporate Governance Principles to the shareholders for approval
- 9- Resolution of the annual gross salaries to be paid to the members of the Board of Directors
- 10- Approval of the appointment of the Independent Audit Firm selected by the Board of Directors pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Board regulations
- 11- Informing the shareholders about the donations made by the company in 2021, and resolution of an upper limit for donations to be made in 2022
- 12- Pursuant to Capital Markets Board regulations, informing the shareholders about the income or benefits obtained in 2021 through guarantees, pledges, liens, and sureties given by the company and its subsidiaries to third parties
- 13- 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 2021 pursuant to the Corporate Governance Communiqué of the Capital Markets Board to the shareholders
- 14- 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 2021 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 (including International Independence Standards) (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 2022 on the full set consolidated financial statements for the 1 January - 31 December 2021 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:

- a) a)to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) 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.
- c) 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, 24 February 2022

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2021 - 31.12.2021

The consolidated financial statements of our company reflecting the 2021 activities and their results, prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") introduced by the Public Oversight, Accounting and Auditing Standards Authority ("POA") of Turkey and their annexes and interpretations pursuant to the provisions of the Capital Markets Board ("CMB") Communiqué II-14.1 on the Principles of Financial Reporting in Capital markets ("Communiqué"), are presented to our shareholders and the public.

The members of the Board of Directors, who were elected at the Ordinary Annual General Assembly Meeting on March 17, 2021 and served during the reporting period are:

Board Of Directors	
Full Name	Title
Yıldırım Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Selin Ayla ÜNVER	Member
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 on March 17, 2021 to serve until the next Ordinary General Assembly Meeting where 2021 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	Chairman	Member
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.

SHAREHOLDING AND CAPITAL STRUCTURE

As of December 31, 2021, the company's registered capital ceiling is TL 100 million, and the issued capital is TL 24 million. A list showing shareholders with more than 10% of the company capital, their shares, and their stakes in the capital is provided below.

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

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS' REPORT 01.01.2021 - 31.12.2021

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 and defense industry
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 Vehicles Industry	United Arab Emirates	Sales and marketing	Automotive and defense industry

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

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.

As announced to the public on February 20, 2017 with a material event disclosure, Otokar signed an agreement, through its UAE-based joint venture Al Jasoor, to supply a total of 700 8x8 armored vehicles to the UAE Armed Forces. As the first lot of this agreement, 400 8x8 armored vehicles, amounting to \$661 million, were delivered by 2021 year-end. Work is ongoing for the agreement's second lot, which will include vehicles configured for different missions.

Amendments to the Articles of Association

As resolved on March 17, 2021 at the ordinary Annual General Assembly Meeting, Article 7 "Capital" of the Articles of Association, has been changed to extend the validity date of the Company's registered capital ceiling until 2025.

Dividends Distributed in the Last Three Years and Ratios

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

Period	%
2018	300.00
2019	833.33
2020	1,666.67

The company paid out the dividends for the 2020 accounting period in full in cash on March 24, 2021.

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

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2021 - 31.12.2021

AUTOMOTIVE INDUSTRY AND OTOKAR

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

MARKET, SALES AND PRODUCTION

The industry-specific developments of 2021 can be summarized below in line with the OSD (Automotive Manufacturers Association) data:

- Total vehicle production in 2021 declined 1.7% year-on-year, down to 1,276,140 units while passenger car production also dropped 8.4% down to 782,835 units. In 2021, the transportation vehicles market decreased by 2.9% to 772,722 units, while the passenger car market also declined by 7.9% to 561,853 units year-on-year.

In 2021, vehicle production by segments performed as follows year-on-year:

- Light Commercial Vehicles Segment

Minibuses 9% decrease

Midibuses 9% increase

Pick-up trucks 12% increase

- Heavy Commercial Vehicles Segment

Buses 30% decrease

Trucks 66% increase

- In 2021, domestic light commercial vehicle sales decrease by 6%, while imported light commercial vehicle sales increased by 32% year-on-year.
- In the same period, imports accounted for 44% 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:

	2021		2020		Change (Units)		Change %	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Small Bus	783	896	922	906	(139)	(10)	(15)	(1)
Bus	722	723	637	583	85	140	13	24
Military Vehicles	161	216	213	178	(52)	38	(24)	21
Trucks	589	524	193	306	396	218	205	71
TOTAL	2,255	2,359	1,965	1,973	290	386	15	20

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2021 - 31.12.2021

According to the consolidated financial statements prepared in line with applicable legislation, the company's 2021 revenues increased 55% year-on-year.

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

	2021 (TL thousand)	2020 (TL thousand)	Change %
Domestic sales	1,238,911	709,402	75
Exports	3,269,963	2,199,309	49
TOTAL	4,508,874	2,908,711	55

The company's exports amounted to \$345,259 thousand in 2021 (2020: \$307,157 thousand), accounting for 73% of total revenues (2020: 76%).

In 2021, capacity utilization was 23% (2020: 15%).

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 to capture the rapid growth targeted in vehicles with owned intellectual property rights, continued in 2021.

The company's total investments, including R&D expenditures, amounted to approximately \$21.9 million in 2021.

ADMINISTRATIVE AFFAIRS

The company's senior management team and titles in 2021 are listed below:

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

* Mustafa Kerem Erman has been appointed as Assistant General Manager – Commercial Vehicles, effective June 14, 2021.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2021 - 31.12.2021

Number of Group employees as of year-end:

Year-end	31.12.2021	31.12.2020
Office employees	772	729
Field employees	1,514	1,529
Total	2,286	2,258

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

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

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.

Otokar's Corporate Governance Rating rose from 94.67 (9.47) in 2020 to 94.89 (9.49) in 2021.

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 İstanbul) Sustainability Index for six consecutive years.

2020 Otokar Sustainability Report is available on the corporate website: www.otokar.com.tr

FINANCIAL RESULTS

The company presents to the public its 2021 consolidated financial statements, which have been prepared in accordance with the Turkish Financial Reporting Standards, implemented by the Public Oversight Accounting and Auditing Standards Authority (POA) pursuant to Capital Markets Board's (CMB) Communiqué on the Principles of Financial Reporting in Capital Markets II-14.1. Annexes and notes related to these standards were also considered in preparing the financial tables.

The company has attained the operational and financial targets set for 2021, and the financial tables, notes and ratios showing the results of the activities in 2021 are also presented.

The consolidated revenues of the company as of 2021 year-end amounted to TL 4,508,874 thousand with a gross profit of TL 1,716,685 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 904,546 thousand before tax, and a net profit of TL 1,041,524 thousand in 2021.

GENERAL ASSEMBLY

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT 01.01.2021 - 31.12.2021

At the Annual General Assembly meeting on March 17, 2021, the upper limit for donations to be made by the company in 2021 was set at 0.3% of the previous year's revenues, and the company provided donations and aid amounting to TL 7,246 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 20.83333 gross=net cash dividend per one share with nominal value of TL 1.00 at the rate of 2,083.333%,
- Other shareholders be paid TL 18.75000 net cash dividend per one share with nominal value of TL 1.00 at the rate of 1,875.000%, and
- Payment of the dividends amounting to TL 500,000 thousand start on Monday, March 28, 2022.

We hereby submit an overview of the operations in 2021 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, February 24, 2022



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 2021, 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 2021, 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	2021	2020
Total Current Assets	3,960,425	3,178,513
Non-Current Assets	2,029,101	1,155,662
Total Assets	5,989,526	4,334,175
Total Non-Current Liabilities	2,852,334	2,126,684
Total Liabilities	1,640,657	1,200,148
Total Equity	1,496,535	1,007,343
Total Liabilities and Equity	5,989,526	4,334,175

Consolidated Income Statement

Thousand TL	2021	2020
Sales	4,508,874	2,908,711
Cost of Goods Sold	(2,792,189)	(1,714,567)
Gross Profit	1,716,685	1,194,144
Operating Profit	1,075,538	635,990
Profit Before Tax	904,546	625,186
Tax Income/Expense	136.978	(6.918)
Profit for the Period	1,041,524	618,268
Earnings Per Share (kr)	4.340	2.576

GENERAL ASSEMBLY

BOARD OF DIRECTORS



Yıldırım Ali Koç
Chairman

Y. Ali 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 in 1990 at American Express Bank as a Management Trainee and continued as an Investment Analyst at Morgan Stanley Investment Bank from 1992 to 1994. Ali Y. Koç joined Koç Holding in 1997 as New Business Development Coordinator in the Strategic Planning Group and held senior-level positions, including the President of Corporate Communications and IT Group from 2006 to 2010. He has served as a Board Member at Koç Holding for over eight years and as Vice Chairman since February 2016. In addition to serving as the Chairman of Koç Financial Services and Yapı Kredi Bank since April 2016, Y. Ali Koç is also a Chairman at other Koç Group companies, including Otokar and Ford Otosan. Furthermore, Mr. Koç contributes to the country's social and economic development as Chairman of Fenerbahçe Sports Club, and a Board Member at 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 at 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 an Assistant at the Ministry of Finance and went on to serve as a Financial Analyst from 1991 to 1997. He was appointed Vice President of the Financial Crimes Investigation Board at the Ministry of Finance (1997-1998), while he also taught at Bilkent University as a Part-time Lecturer. Joining Koç Holding as Finance Group Coordinator in 1998, he served as the CEOs of Koçtaş (2002- 2007), and Migros (2007-2008). He was appointed the CEO of Arçelik in 2008, and also served as the Koç Holding Durable Goods Group President starting from April 2010. He was appointed the CEO of Koç Holding A.Ş. in April 2015. Mr. Çakıroğlu currently serves as the CEO and has been a Board Member of Koç Holding A.Ş. since April 2016. Mr. Çakıroğlu is also the Chairman of Arçelik-LG and TürkTraktör, Vice Chairman of Otokar and Yapı ve Kredi Bank, and a Board member at some Koç Group companies. 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. In addition to his role as the Chairman at Otokoç, Fer Mas Oto, Koç Fiat Credit, Cenk Çimen, serves as a Board member at Ford Otosan, Türk Traktör, Otokar, Zer, Ingage, Koç Finance, and some other Koç Group companies. Mr. Çimen is also a Board member at the İstanbul Chamber of Commerce and member of Global Relations Forum (GRF).

Çimen is also a Board member at the İstanbul Chamber of Commerce and member of Global Relations Forum (GRF). 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 are stated above, has been a Board member at Otokar since 2019. He also 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 the Department of Mechanical Engineering at Boğaziçi University and later earned a master's degree in Business Administration from Istanbul University.

Mr. Görgüç joined Koç Group in 1982, working at the Group's R&D Center. He served as the Automotive Unit Manager at the R&D Center until 1985 and was appointed Advanced Projects Design Manager at Otokar the same year. Mr. Görgüç served as Product Engineering Manager (1989-1995), and as Assistant General Manager of Engineering (1995-2005). He has been the General Manager of Otokar Otomotiv ve Savunma Sanayi A.Ş. since 2006.

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 İnönü, Eskişehir (1977-1980) and led the Gölcük Plant project and Connect vehicle project (1997-2000). He was the President of the Automotive Manufacturers Association from 1989 through February 2004. He served on the Board of Ford Otosan from 1991 to 2012 and was reelected as a member on March 25, 2014. Mr. İlkbahar has also served on the Corporate Governance Committee at Ford Otosan 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 has been 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 an Advisor to General Manager at Otokoç A.Ş. (2009-2010) and served as an Independent Board Member at various companies other than Koç Group and Ünver Group (2012-2016).

Mr. Kamanlı, 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 has been 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 at TEK Construction as Department Head and in various positions at STFA companies (1972-1978).

After his role as Project and Sales Manager at Demma Çelik Hasır A.Ş. (1976-1978), he joined Otokar Otomotiv ve Savunma Sanayi A.Ş. in 1981 as Public Sales Manager and retired from this position in 2009 at the end of his tenure. He later served as Board Member, General Manager and Chairman at Ve-Ge Yapıştırıcı Bant ve Hassas Kağıt San. A.Ş. (2009-2014). Since November 2016, Mr. Güven has served as the Chairman of Turkish Heart Foundation.

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

GENERAL ASSEMBLY

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

The company distributes profit in accordance with the provisions of the Turkish Commercial Code, Capital Markets Legislation, Tax Legislation, other applicable laws and regulations, and the Articles of Association regarding profit distribution. The company follows a consistent and balanced policy between the shareholders and its own interests as per Corporate Governance Principles.

In principle, minimum 50% of the net distributable period profit, calculated by considering market expectations, long-term company strategy, investment and financing policies, profitability and cash position and in accordance with Capital Markets Legislation and other applicable laws and regulations, is distributed in cash or as gratis shares, to the extent allowed by applicable regulations and financial means.

The profit is intended to be distributed within one month at the latest after the General Assembly, which also decides on the profit distribution date. General Assembly, or the Board of Directors, if authorized, can resolve to distribute the profit in installments as per Capital Markets Regulations.

As specified in the Articles of Association, the Board of Directors can resolve to make an advance payment on profit distribution, provided that it is authorized by the General Assembly and that it is in compliance with Capital Markets Regulations.

GENERAL ASSEMBLY

01.01.2021-31.12.2021 FISCAL YEAR DIVIDEND PAYMENT PROPOSAL

Annex to the Board of Directors resolution no. 2022/06 dated 16.02.2022.

According to the consolidated financial tables, which were prepared in accordance with the Turkish Financial Reporting Standards (TFRS) for the 01.01.2021-31.12.2021 fiscal year pursuant to the Capital Market Board's (CMB) II-14.1 Communiqué 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 1,041,523,170 in net profits. The dividend distribution proposal of the Board of Directors prepared by considering the company's long-term strategy, capital requirements, investment and financing policies, profitability and cash position is presented below. Distribution of dividends will commence on 28.03.2022 upon General Assembly's approval.

Otokar Otomotiv ve Savunma Sanayi A.Ş. Dividend Distribution Table 2021 (TL)

1.	Paid-in/Issued Capital		24,000,000
2.	Total Legal Reserves (According on Legal Records)		133,518,147
	Information concerning any privileges provided in the articles of association regarding profit		-
		According to CMB	According to Statutory Records
3	Current Period Profit	904,545,146	766,457,347
4	Taxes Payable (-)	(136,978,024)	-
5	Net Current Period Profit (=)	1,041,523,170	766,457,347
6	Losses in the Previous Years (-)		
7	Primary Legal Reserve (-)		
8	NET DISTRIBUTABLE CURRENT PERIOD PROFIT (=)	1,041,523,170	766,457,347
9	Donations made during the year (+)	7,246,083	
10	Donations -Added Net Distributable Current Period Profit	1,048,769,253	
11	First Dividend to Shareholders		1,200,000
	- Cash	500,000,000	
	- Bonus Shares		
	- Total		
12	Dividend Distributed to Owners of Privileged Shares		
13	Other Dividend Distributed		
	- To the Members of the Board of Directors		
	- To the Employees		
	- To None Shareholders		
14	Dividend to Owners of Redeemed Shares		
15	Second Dividend to Shareholders	-	498,800,000
16	Legal Reserves	49,880,000	49,880,000
17	Status Reserves		
18	Special Reserves		
19	EXTRAORDINARY RESERVES	491,643,170	216,577,347
20	Other Distributable Resources		
	- Previous year's profit		
21	Legal Reserves Allocated for Other Source as Proposed to be Distributed		-

Dividend Ratios Table

	Group	Cash Dividend Amount (TL)		Total Dividend Amount (TL) / Net Distributable Current Period Profit (%)	Dividend to be Paid for Share With Per Value of TL 1	
		Cash (TL)	Bonus (TL)	Ratio (%)	Amount (TL)	Ratio (%)
Gross	-	500,000,000.00	0	48.01	20.83333	2,083.333
	TOTAL	500,000,000.00	0	48.01	20.83333	2,083.333
Net	-	450,000,000.00	0	43.21	18.75000	1,875.000
	TOTAL	450,000,000.00	0	43.21	18.75000	1,875.000

GENERAL ASSEMBLY

CANDIDATES FOR THE BOARD OF DIRECTORS

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 Independent Member Candidate)

See Page 29 Board of Directors' Résumés

Ali İhsan İlkbahar (Board of Directors Independent Member Candidate)

See Page 29 Board of Directors' Résumés

Ali İhsan Kamanlı (Board of Directors Independent Member Candidate)

See Page 29 Board of Directors' Résumés

Kenan Güven (Board of Directors Independent Member Candidate)

See Page 29 Board of Directors' Résumés

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

GENERAL ASSEMBLY

STATEMENT OF INDEPENDENCE

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

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



ALİ İHSAN İLKBAHAR



ALİ İHSAN KAMANLI



KENAN GÜVEN

GENERAL ASSEMBLY

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

This policy document identifies the remuneration systems and practices for the Board of Directors and Senior Executives with administrative 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 and 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. The criteria are briefly explained below:

- **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, personal and collective targets set by the Senior Executives together with their teams and managers and key performance indicators are considered. In measuring 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 as 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 Senior Executives and Board Members during the year, are submitted to shareholders for information/approval at the next General Assembly as legally required.







OTOKAR IN 2021

COMMERCIAL VEHICLES

OTOKAR INCREASED ITS BUS MARKET SHARE IN TURKEY FOUR POINTS IN THE TOTAL OF ITS SEGMENTS, COMPLETING 2021 AS THE MARKET LEADER FOR THE 13TH TIME.



Total bus sales in Turkey increased by 8 percent, despite the shrinkage of the intercity bus market in 2021. With the reduction of pandemic restrictions after June, sales of tourism buses and personnel shuttles increased significantly.

Otokar increased its bus market share in Turkey by four points in the total of its segments, maintaining its leadership despite the challenges of the COVID-19 pandemic and completing 2021 as the market leader for the 13th time. In the small and medium size bus market, which grew by nearly 5 percent year on year, Otokar was again the top choice, with approximately one out of every two vehicles sold in this segment bearing the Otokar brand. Otokar's wide product range contributed to this preference. The company continued to sign new deals in domestic and international markets.

The 8.5 truck market in Turkey, in which the company operates, captured nearly 50 percent growth compared to 2020. Private sector fleets and utility operators started to prefer Otokar Atlas more and more for its high performance, design features, and improved comfort levels.

Public transportation

The pandemic led to a need for increasing the capacities of public transportation vehicles. Many municipalities placed major orders to meet their needs and upgrade their fleets, and the market grew by nearly 75 percent year on year as a result. Serving some of the largest metropolises in Turkey and worldwide with its buses, Otokar continued to be the first choice of many municipalities. Winning the contracts of Istanbul, Ankara and Izmir, Otokar became the preferred bus supplier of the three largest cities in Turkey.

**TURKEY'S MOST PREFERRED
BUS BRAND**



Otokar brings home design awards

Territo U, standing out with a powerful, dynamic, and innovative design, brought two awards to Otokar. The first came from BIG SEE Awards 2021, where the bus won the “Product Design - Mobility” award among the 21 participating countries. Territo’s design excellence was also recognized with the European Product Design Award. The vehicle won the award in the “Transportation/ Mass Transportation” category at the 2021 EPDA event where thousands of design projects from around the world competed.

As part of the agreement signed with ESHOT, an Izmir Metropolitan Municipality, for 364 Kent and Kent Articulated buses and the provision of after-sales services for five years, Otokar completed the biggest delivery of the year. Otokar was also awarded a contract by EGO General Directorate, an Ankara Metropolitan Municipality company, for 28 articulated buses and their after-sales services for two years. The vehicles were delivered in 2021. Furthermore, Otokar won the tender of the Istanbul Metropolitan Municipality for 100 metrobuses for IETT and the provision of after-sales services for three years. As part of the agreement, worth a total of TL 606 million, Kent XL metrobuses will be delivered in lots throughout 2022. In addition, Otokar delivered Kent to public bus operators in Istanbul.

Tourism and personnel transportation

In the small and medium size bus segment, Sultan, named as Navigo in export markets, was the top choices of the Turkish market. Sultan Comfort continues to be the most preferred model in tourism transportation with luxury seats, exclusive trims, low operating costs, superior performance, and durability. Sultan Comfort is also a popular choice as a school bus with three-point seat belts or as a personnel shuttle with its 29+1 passenger capacity.

Alternative fuel vehicles

Otokar, manufacturer of Turkey’s first electric bus, continued to promote its next-generation electric bus, e-Kent,

in Turkey and across Europe. The 12-meter all-electric e-Kent, which can deliver a range of 300+ kilometers on a full charge, was introduced at the 12th Transportation and Communications Council in Turkey and at the IAA Mobility 2021 in Munich, Germany. During the six-day exhibition, e-Kent, operated on “Blue Lane,” allocated for zero-emission vehicles, traveling more than 1,000 kilometers and carrying over 2,000 visitors. e-Kent, which promises a cleaner environment, quieter traffic, and high efficiency, was also promoted in Spain, Italy, Romania, France, and Benelux countries as part of a European demo tour. The bus was tested by private and public transportation operators in the countries it visited, and was also showcased at the Gala Tranzit event in Romania. In addition, e-Kent, traveled across Italy for a month, visiting nine regions where it was tested by private and public transport companies.

Developments in exports

Every day, Otokar provides comfortable and safe public transportation for millions of passengers in more than 50 countries, including Turkey. In 2021, maintaining its growth trend in Europe, its primary export market, Otokar received an order from Bratislava Transport Company (DPB) for 40 Kent Articulated buses. Delivery of the buses, manufactured specifically to meet the public transportation requirements of Bratislava, the capital of Slovakia, started in late 2021.

In addition to Europe, Otokar also increased its sales in Middle East.

The company won the tender of the Greater Municipality of Amman, the capital of Jordan, for 136 public transportation buses. The agreement, financed by the EBRD and amounting to nearly \$32 million including taxes, covers the buses as well as vehicle maintenance for two years and driver training. Otokar plans to complete the deliveries in 2022.

As a key player in the global competition for alternative fuel vehicles, Otokar received high volume orders for Kent CNG buses from Romania, Ukraine and Azerbaijan. The ten CNG-powered Otokar Kent buses of the Transport Company of Vinnytsia in Ukraine, were delivered at a ceremony. Otokar also took an order for 50 natural gas-powered buses from Xaliq Faiqoglu, a leading public transportation company in Azerbaijan, and won the tender of the Ramnicu Valcea Municipality in Romania for 16 natural gas-powered buses. The deliveries will be in 2022.

8.5-ton truck market

As demand rose in the Turkish transportation market, Otokar Atlas came to the forefront with its high torque, powerful engine, and superior features. Otokar captured a growth rate above market average, increasing its sales by 64 percent year on year. Otokar Atlas, a mighty and versatile hero adapting to all kinds of service, was completely renewed, redefining the segment’s standards. In 2021, Otokar Atlas was mostly preferred by companies operating in the waste management, utility services, and distribution sectors.

DEFENSE INDUSTRY

OTOKAR, TURKEY'S
GLOBAL LAND
SYSTEMS
MANUFACTURER,
SHOWCASES ITS
DEFENSE INDUSTRY
CAPABILITIES
WORLDWIDE.



As a company with innovative products, engineering capabilities, production capacity, and experience, and a pioneer in land systems introducing many firsts to the industry, Otokar reaches users, including the Turkish armed and security forces, in more than 35 friendly and allied countries. Otokar reflects the experience gained in Turkey and in different climates and terrains worldwide on its vehicle development efforts, striving to offer the best products and services against present and future threats.

Diesel-powered Akrep II

Otokar's next-generation Akrep II 4x4 armored vehicle range, designed as an armored reconnaissance, surveillance, and weapons platform, expanded with the diesel-powered Akrep II. At IDEF'21, Otokar showcased Arma 6x6

and Arma 8x8 multi-wheeled armored vehicles and Tulpar tracked vehicles and debuted Akrep II. During the exhibition, the mine-resistant ambush-protected armored vehicle Cobra II MRAP also made its premier in Turkey.

Toward autonomous vehicles

Otokar signed a cooperation agreement with Milrem Robotics, Europe's leading robotic and autonomous systems developer, at the DSEI Exhibition, where it showcased its mine-resistant ambush-protected armored vehicle Cobra II MRAP and Tulpar tracked armored vehicle. The agreement will enable both parties to combine their knowledge and resources for autonomous development and applications for unmanned and robotic operations of military vehicles and cover their existing product ranges. This

IN 55+ CLIENTS' INVENTORIES

cooperation is expected to facilitate the development of intelligent functions, encryption and safety features, enhance environmental awareness, and hybridization. It will also bring Otokar one step closer to creating an unmanned land vehicles segment in addition to its existing product range.

Developments in exports

With military vehicles included in the inventories of more than 55 users, Otokar successfully completed the production and delivery of amphibious armored vehicles as part of the 8x8 armored vehicle deal signed in 2017, one of Turkey's largest defense industry export agreements. Otokar also received new orders, including the African continent.

Otokar's world-renowned Arma 8x8 armored combat vehicle successfully completed all stages of the Experimental Military Operation (EMO) tests in Kazakhstan. The Kazakhstan Army personnel subjected Arma 8x8 to the most demanding tests in various environmental and climatic conditions of the country. During the six-month-long testing activities, the Kazakhstan Army personnel from three different Army Commands tested Arma 8x8, which completed successfully all terrain and firing tests. In addition to showing its adaptability to all the climate conditions of Kazakhstan, Arma 8x8 also demonstrated its superior amphibious mobility and maneuverability in the tests conducted in the Caspian Sea.

In addition to Arma 8x8 tactical wheeled vehicle, Otokar's tracked armored vehicle Tulpar was also subjected to rigorous tests in

Kazakhstan, achieving successful results in all the tests conducted in late June 2021.

Industry collaborations

Otokar's industry collaborations continued throughout 2021. ASELSAN systems were integrated into Arma 6x6, Arma 8x8, and Cobra 4x4 vehicles. In addition, the acceptance stages of the X-Band Tactical Satellite Communication System (TUMSIS) Project, carried out jointly by ASELSAN and Otokar, were completed and the Cobra II vehicles included in this project were added to the Turkish Armed Forces (TSK) inventory. Through the TUMSIS Project, the first land vehicle, with satellite communication capability on the move via a terminal, was included in the TSK inventory. These vehicles, with over-the-horizon communication capability and resistance to geographical conditions,

are developed to provide secure and fast voice, image, and data transmission via satellite in cases where other means of communication are not available or capabilities are limited.

During IDEF '21, Otokar provided information on the collaborative projects with HAVELSAN. These projects include:

- Development of Otokar BMS – Battle Management System
- Aligning the HAVELSAN KASK system, which enables GNSS receivers to generate the required location data despite the presence of jammers and to resume their tasks, with Otokar's needs
- Integrating HAVELSAN products against CBRN threats and risks with Otokar's Vehicle Electronic and Control System on platforms developed by Otokar



CREATING VALUE FOR STAKEHOLDERS

OTOKAR BUILDS RELATIONSHIPS BASED ON TRUST AND COOPERATION WITH EXISTING AND PROSPECTIVE CLIENTS AND WORKS TO IMPROVE EFFICIENCY.



As company that always aims to create value for all its stakeholders, Otokar focuses on making life easier for its customers, business partners and employees. Accordingly, the company launched various initiatives in 2021, continued to build relations based on mutual trust and cooperation with existing and prospective business partners, and worked to improve efficiency.

Agile transformation

Having embarked on an Agile Transformation journey in 2021, Otokar continues to work toward its vision of turning into an agile organization that creates value through innovation, continually learns, and drives change. Through this cultural change process, Otokar

aims to achieve ultimate customer satisfaction by producing higher value-added products and services for its customers and stakeholders. Accordingly, the company runs various pilot projects from productivity increase to optimizations. Furthermore, the company broke ground in 2021 for the construction of the Production Preparation Building, which will bring together all suppliers under one roof and improve efficiency. With continued investments in production, Otokar also launched the Cataphoresis Line to ensure long-term anti-corrosive protection.

Customer satisfaction

Ensuring customer satisfaction is a critical topic for Otokar, which considers customer needs and

TL 2.5 BILLION
PURCHASING COST

expectations in all processes. The company aims to further improve satisfaction with its products. Accordingly, Otokar launched the Customer Loyalty Program via the Otokar Customer Mobile App to sustain customer satisfaction. In addition to offering low maintenance costs and affordable parts through a wide aftersales service network across Turkey, the company also organized two “Service Days” campaigns for commercial vehicles.

Otokar Academy online training portal was launched to support both authorized service providers and customers with training programs. In addition, 1,476 hours of alternative fuel vehicle training was provided to 2,275 people in 11 countries, and aftersales service, dealer, public institution and fleet training programs were hosted in 19 cities.

Supplier relations

Otokar carried out strategic purchasing activities with its suppliers for materials sourced both directly and indirectly, rapidly increasing and maintaining its stock levels or including local alternatives for many materials. Meanwhile, supply chain risks and their management remained a key focus of Otokar. In 2021, Otokar worked with 1,356 suppliers, including 1,084 local companies, for direct and indirect procurements. During the reporting period, purchasing costs amounted to TL 2.5 billion, with local supply rate at 59 percent levels.

Otokar also launched the Supplier Assessment Portal to monitor and assess supplier performance with

83rd in Turkey's Top 500 Industrial Enterprises List

Otokar climbed up nine places and ranked 83rd in Turkey's Top 500 Industrial Enterprises list of Istanbul Chamber of Industry (ISO), based on the company's 2020 production and sales figures.



accurate and objective data and ensure that they are aligned with the company's targets. As a result, a live, objective and transparent assessment process was introduced for all domestic suppliers.

Kaizen practices

Always focused on continuous improvement of its business processes, services and products, Otokar continued to apply Kaizen

practices to offer employees opportunities to develop themselves. Based on evaluations of the Kaizen work of the field employees throughout the year, the viable practices were included in the system and implemented and 130 employees were recognized with the Kaizen Reward. In addition to Kaizen practices, Otokar rewarded 1,271 employees as part of the reward and recognition procedures in 2021.

DIGITAL TRANSFORMATION

OTOKAR DEFINES ITS DIGITAL TRANSFORMATION STRATEGY AS A COMPANY CULTURE.



As a company that follows the requirements of the times closely and pioneers innovations in its industries, Otokar believes that digital transformation is the key to the future. The company sees digital transformation as a critical opportunity for entering new production segments. Therefore, Otokar aims to lead its sectors in the digital transformation journey as well.

Since its establishment, Otokar has always embraced the philosophy of total excellence by developing its own technology and preserving the local and national identity of its products. Therefore, Otokar defines its digital transformation strategy as a company culture. Accordingly, the

company has set four main themes for its digital transformation vision. Currently, there are nearly 20 projects focused on these four themes: Customer Facing Digital Channels, Digitalized Production and Supply Chain, Analytical Decision and Marketing, and Digital Products and Services.

PROJECTS **Under Vehicle Quality Control System**

The project involved developing a system that captures images under the vehicle using camera sensors and detects anomalies. Integrations were completed to view the generated reports on Otokar's Digital Quality platform.

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

As an app workspace provider, Otokar defined the requirements, testing scenarios, and success criteria for the solution that will be developed. As a result, security solutions were developed for server and PLC communication, manipulation of robot trajectory, user authentication protocol, and system infiltration scenarios (MitM – Man in the Middle, DoS – Denial of Service, Address Resolution Protocol Poisoning attacks).

Factory IoT Applications

The company built an IoT infrastructure to monitor the temperature of the

busbars used in electrical power distribution and to generate alerts before malfunctions caused by overheating occur. The company aims to integrate several systems in the factory into this IoT platform and monitor their activities.

Forklift Camera Integration

The company developed a solution to capture images showing the position of the forks and the pallet with a camera attached to the forklift forks and communicate them to the tablet screen in front of the operator. This solution makes it easier for the operator to align the forks while picking up the pallets from high warehouse shelves and prevents potential work accidents.

~20 DIGITAL
TRANSFORMATION
PROJECTS



SUSTAINABILITY

OTOKAR'S BUSINESS STRATEGY IS BASED ON IMPROVING THE LIFE STANDARDS OF FUTURE GENERATIONS WITH EFFICIENT, ENVIRONMENT-FRIENDLY, AND INNOVATIVE PRODUCTS AND CONTRIBUTING TO ESTABLISHING PEACE AND SAFETY WORLDWIDE.



Sustainability lies at the core of Otokar's activities. In line with its sustainability strategy, Otokar has designed a business model that faithfully follows work ethics, creates value for the environment, meets all customer expectations, develops technology-driven products, and contributes to local capital. In all its operations, Otokar aims for operational excellence.

At Otokar, Board of Directors is responsible for determining the strategic direction of the company's social, economic and environmental activities. In line with this sustainability strategy. The General Manager, who

is also a Board member, oversees the sustainability efforts and ensures that they are implemented in compliance with company policies and applicable legislation. 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.

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 updated as needed.

Otokar's sustainability priorities were reviewed and revised in 2021. A materiality analysis was conducted by the Sustainability Team consisting of representatives from the Human Resources, Environment, Investor Relations and Corporate Governance, Procurement, R&D and Corporate Communications Departments. This team also held stakeholder surveys with 14 different stakeholder groups. Following the stakeholder surveys, the executives at Otokar were also asked to respond to a survey. Based on the sustainability team's work, stakeholder surveys, and executive surveys, Otokar Sustainability Model was created. The objective of this model is to draw up a roadmap that respects the environment, people and the future to strengthen Otokar's business strategy in the automotive and

BIST Sustainability Index

Otokar aims to create long-term value by combining economic, environmental and social factors with corporate governance principles. As a testament to its sustainability focused efforts, Otokar has been included in the BIST Sustainability Index, which consists of listed companies with the highest corporate sustainability performance, since 2014. Through the Sustainability Index, Otokar shares information on its environmental, social and corporate governance related activities as well as their performance results and relevant targets with its stakeholders.

OTOKAR'S SUSTAINABILITY MODEL

R&D and Innovation for Continuous and Sustainable Development

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



Sustainable and Quality Products

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



Innovative Solutions to Combating Climate Change

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



Brand Value and Customer Satisfaction

- Accessibility
- Customer Satisfaction
- Brand Value and Reputation



Employee Satisfaction

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



defense industries as a company with environmental, social, and governance responsibilities. Otokar Sustainability Model aims to move toward the future with a holistic and inclusive approach.

RESPONSIBLE MANAGEMENT APPROACH

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

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

Participating in international initiatives has an important place in Otokar's sustainability strategies. 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 upholds transparency and accountability as a core value. Accordingly, the Investor Relations Department maintains transparent and continuous communication with investors and shareholders. Otokar follows applicable laws and regulations and capital markets legislation in shareholder relations. Information about the company is disclosed to interested parties at the annual ordinary General Assembly Meetings and through Annual Reports, Sustainability Reports, annual and quarterly interim Financial Performance Reports, periodic

Environmental Key Performance Indicators (KPIs)	2017	2018	2019	2020	2021
Total Energy Consumption (GJ)	171,069	137,033	158,992	156,184	169,235
Direct Energy Consumption (GJ)	113,142	55,044	101,751	103,607	106,863
Direct Renewable Energy Consumption (GJ)	241	240	240	240	240
Indirect Energy (Electricity) Consumption (GJ)	57,927	54,804	57,241	52,577	62,132
Total Water Withdrawal (m ³)	162,823	155,496	152,058	183,907	226,435
Underground Water (m ³)	77,324	85,505	77,484	114,270	135,652
Municipal Water (m ³)	83,849	68,431	73,154	68,537	90,783
Rain Water (m ³)	1,640	1,560	1,420	1,100	0
Total Wastewater Discharge (m ³)	164,400	148,400	119,000	140,000	150,000
Recovered Water (m ³)	149,317	150,417	150,350	150,500	150,500
Ratio of Recovered Water in Water Consumption (%)	48	49	50	45	40
Total Waste (from production) (tons)	3,216	2,556	2,785	3,894	4,543
Recycled Waste (tons)	3,138	2,507	2,742	3,288	3,801
Scope 1 Greenhouse Gas Emissions (tons CO ₂ e)	5,845	4,660	5,157	4,952	7,910
Scope 2 Greenhouse Gas Emissions (tons CO ₂ e)	7,725	7,308	7,633	6,543	8,083

analyses and information documents, corporate website, press releases, material event disclosures, meetings and interviews.

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

CORPORATE GOVERNANCE MODEL

The corporate governance model of Otokar is based on compliance with the Corporate Governance Principles stipulated by the Capital Markets Board. The company has already achieved full compliance with all mandatory principles and currently works on certain principles that have yet to be fully complied with.

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

Otokar currently works on developing its internal sustainability policy in line with Koç Group's relevant policies.

LEGAL COMPLIANCE

Legal compliance is another strategic factor that Otokar follows as part of its risk and audit activities. In 2021, Otokar's governance activities focused on compliance. Accordingly, Compliance Policy, Competition Law Compliance Policy, and Supply Chain Compliance Policy were defined and implemented. These policies form an integral part of Otokar's Code of Ethics.

Otokar Compliance Policy demonstrates Otokar's commitment to defining a comprehensive and effective compliance framework, complying with laws and regulations, internal policies, best corporate governance practices, and ethical rules. The Compliance Policy is binding on all Otokar employees and executives.

On the other hand, Otokar Competition Law Compliance Policy is an indication of how much Otokar values the importance of complying with competition law in its commercial activities and relations with its competitors. The policy lays out the principles and procedures regarding the execution of all activities in compliance with the competition law legislation. All Otokar employees and executives are required to adhere to the Competition Law Compliance Policy.

Otokar Supply Chain Compliance Policy provides guidelines for sharing Otokar's core principles and values with its business partners and communicating the standards they are expected to meet. In selecting

business partners and monitoring them, Otokar aims to function as a guide. This policy is an integral part of Otokar's Code of Ethics and is binding on all business partners of Otokar.

ENVIRONMENTAL SUSTAINABILITY

Managing environmental aspects

Otokar carries out its operations with environmental sensitivity and aims to create minimum impact. In environment-related activities, Otokar seeks stakeholders opinions and makes use of best practices from around the world. The environmental aspects are managed according to Otokar's Environment Policy and in compliance with applicable legislation.

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.

In determining the environmental management strategies and deciding on the practices, Otokar also follows the national and international standards. All Otokar manufacturing sites hold ISO 14001 Environmental Management Systems Standard certification.

Environmental performance is measured with score cards and

SUSTAINABILITY INDICATORS

Social Indicators	2,221	6.6%	100%	0.93	12,862	45,572
	TOTAL WORKFORCE	FEMALE EMPLOYMENT RATIO	UNIONIZATION RATIO OF FIELD EMPLOYEES	INJURY RATE	PERSON*HOURS OHS TRAINING	PERSON*HOURS TOTAL TRAINING
Environmental Indicators	2,463 GJ	150,500 M ³	319 TONS CO ₂	2,01 TONS CO ₂ /UNIT	99%	240 GJ
	ENERGY SAVINGS	RECOVERED WATER	EMISSION REDUCTION	GREENHOUSE GAS EMISSIONS PER VEHICLE	WASTE RECOVERY RATIO	RENEWABLE ENERGY CONSUMPTION

reported to the General Manager and the Board of Directors. Results of environmental performance assessments 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.

Environment-related topics are monitored through 22 key performance indicators (KPIs). In determining these indicators, GRI standards, environmental issues, industry norms and requirements, and Koç Group's material environmental aspects are considered. The annual Sustainability Reports are the primary channel for disclosing environmental performance transparently. Environmental KPIs are also

provided on the corporate website and in Annual Reports. Disclosing five-year historical data regarding environmental KPIs provides an opportunity to make retrospective comparisons.

Environmental strategy

Otokar has created a five-year environmental strategy to define and mitigate environmental risks. The environmental strategy addresses topics such as reducing water withdrawal, decreasing greenhouse gas emissions, and increasing the use of renewable energy.

Combating climate change, natural resources, material efficiency and waste, greenhouse gas emissions, biodiversity, compliance with applicable laws and legislation, environmental training, and communication and cooperation with non-governmental organizations and other stakeholders are some of the issues followed as part of 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 like municipalities also inspect Otokar's operations. Otokar reports its performance regarding greenhouse gas emissions, VOC emissions, wastewater, and hazardous and non-hazardous waste to the Ministry of Environment and Urbanization.

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 expects its suppliers and business partners to adopt the same environmental management approach. Accordingly, Otokar aims to spread the environmental

management approach across its entire value chain beyond its own operations. Therefore, Otokar includes compliance with environmental standards and environmental impact management criteria in supplier selection processes. The environmental performance of suppliers is monitored through regular inspections.

Environmental collaborations

Environment is an area where Otokar aims to create more positive impact through collaborations. Accordingly, Otokar partners with different stakeholder groups and non-governmental organizations. Otokar attends the monthly meetings of the Koç Group Environmental Committee as a member, contributing to Group companies by sharing its best practices. Otokar also takes an active role in the Environmental Working Groups of OSD and TÜSİAD. Otokar's work as a member of TÜSİAD and İSO 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

As a responsible company, Otokar regards the efficient use of natural resources as a key responsibility and follows it diligently, aiming for minimal water use in its operations.

In addition to reducing water consumption, Otokar also ensures that the water consumed is drawn from recovered sources to the extent possible. These efforts have resulted in recovery of 150.5 thousand m³ of water in 2021. Otokar also strives to minimize waste through efficient use of materials and resources with the help of reuse

and recovery practices. In 2021, 99 percent of the waste from production operations was recovered with various methods.

Combating climate change

Otokar's efforts to combat climate change are carried out in line with Environmental Policy, Energy Policy, R&D Strategy, Koç Group's Climate Change Strategy and Koç Group Climate Change Management. At Otokar, the Board of Directors determines the climate change strategies.

Otokar manages climate change with an approach focused on considering risks and seizing opportunities. Accordingly, a climate change focused risk analysis study was conducted out within the scope of Task Force on Climate-related Financial Disclosures (TFCD) in 2021. Sustainable products, services, and strategies that facilitate the shift to a low carbon economy were considered on the basis of risk and opportunity.

The core strategy that Otokar determined to combat climate change involves limiting 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. With a number of efficiency projects implemented to reduce energy consumption and emissions, Otokar has saved 2,463 GJ of energy and reduced 319 tons of CO₂ emissions in 2021.

Alternative fuel vehicles

Emissions released from combustion-engine vehicles can have devastating

impact on climate change. Therefore, developing technologies to limit takes up an important place on the agenda of Otokar as leading industry player. Otokar engages in R&D activities to reduce the greenhouse emissions of its products and works on developing alternative fuel vehicles, electric vehicles and vehicles with high fuel efficiency.

In addition to investing in vehicle technologies with reduced emissions, the engine systems of the vehicles in the current product lineup are also upgraded to deliver lower emissions. In product development, Otokar considers low carbon economy and stakeholder expectations.

Green transportation solutions

Transportation is a key factor perpetuating climate change. Otokar focuses on developing green solutions to reduce the impact of transportation on climate change.

Otokar's electric bus, Kent Electra, contributes to a cleaner environment and quieter traffic while offering lower operating costs and higher efficiency. On the other hand, Akrep İle 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 and equal environment where human rights and employee rights are protected. Otokar does not discriminate on the basis of race, gender, political tendencies, philosophical views, religion or faith in

any human resources process and does not tolerate any behavior that may be considered discriminatory. In remuneration, Otokar adopts the “equal pay for equal work” approach.

Human rights

Otokar's core values and material sustainability aspects include human rights. In 2021, Otokar published its Human Rights Policy to provide a guide that reflects its human rights approach and standards. This policy is binding on all Otokar employees and executives. All business partners are also expected to comply with this policy. Koç Holding Human Rights Policy, UN Guiding Principles on Business and Human Rights, ILO Conventions, and Universal Declaration of Human Rights were used as references in drafting the Human Rights Policy.

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.

Based on these initiatives and Otokar's Code of Ethics, the company aims to offer equal opportunity on all levels and to ensure diversity and inclusivity. Otokar believes that achieving diversity, especially in decision-making mechanisms, would directly contribute to business performance. Therefore, Otokar strives for ensuring diversity among Board members, who bring knowledge and experience

in their respective fields. To drive its diversity and equal opportunity practices further, Otokar drafted and implemented the Board Diversity Policy in 2021.

Unionization rights

Otokar respects the unionization rights of its employees and provides an environment where they can freely exercise their rights. As a result of this inclusive approach, all field employees at Otokar are unionized as of 2021.

Code of Ethics

Otokar Code of Ethics is based on and aligned with Koç Holding Code of Ethics and Implementation Principles. The Code of Ethics is binding on all Otokar employees, suppliers and partner. Similarly, UN Global Compact, to which Koç Holding is a party on behalf of all Group companies, is binding on Otokar's entire value chain. Therefore, Otokar strives to spread the ethical principles.

The employees are required to report any Code of Ethics violations they may witness using the available mechanisms. Reporting of such violations is treated in strict confidence. Otokar has implemented a Reporting and Notification Policy to encourage Otokar employees and stakeholders to notify Otokar of any actions that they suspect are in violation of Koç Group and Otokar Code of Ethics or applicable policies or legislation.

Otokar takes the necessary measures to prevent bribery and corruption. Otokar Anti-Bribery and Anti-Corruption Policy was drafted and implemented in 2021 to address bribery and corruption, which were previously covered by the Code of Ethics. This policy lays out the principles and rules to be applied within Otokar regarding corruption and bribery.

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

As part of its commercial activities, Otokar fulfils its obligations to comply with the economic sanctions and export controls imposed by the Republic of Turkey, United Nations, the United States of America, European Union, and other jurisdictions. Otokar implemented a Sanctions and Export Controls Policy in 2021 to defined a clear framework for this matter.

Otokar Gift and Entertainment Policy, implemented in 2021, lays out the rules and standards that Otokar employees and executives, acting on behalf of the company, are required to follow when receiving or offering gifts to business partners, hosting guests or accepting an invitation, and similar activities.

Training and development

Otokar offers various opportunities for its employees to build on their competencies and acquire new skills and knowledge. Otokar believes that providing training and development programs enhances employee motivation and contributes to Otokar's future success. Accordingly, the company supports the continuous development of its human resource with internal and external, in-person and online training programs as well as education programs made possible by Koç Holding and Koç University. In 2021, Otokar employees took 45,572 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 viable suggestions are duly implemented.

Supporting social life

Otokar believes that employees should pursue work-life balance and promotes a work environment where this can be possible. 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

Otokar aims to protect the health and safety of its employees through maximum measures and practices. The occupational health and safety (OHS) activities are carried out in accordance with the OHSAS 18001 Standard and Otokar OHS Policy. 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.

Raising awareness among the employees about the importance of occupational health and safety is as effective as management strategies in preventing workplace accidents and health conditions. Therefore, all Otokar employees are required to take the OHS training programs. In 2021, the OHS training time amounted to 12,862 person*hours.

Corporate responsibility

As a company cognizant of its corporate responsibilities, Otokar takes an active role in supporting the development of Turkey and society and protecting the environment.

Otokar also supports the "For My Country" project, which aims to encourage Koç Group companies, employees, dealers and suppliers to engage in social responsibility efforts and to launch projects to elevate the living standards by contributing to local development. Otokar's environment-focused efforts have been recognized with multiple awards by institutions such as the Ministry of Environment, Sakarya Governor's Office, Istanbul Chamber of Industry, Adapazarı Chamber of Commerce and Industry, and Kocaeli Chamber of Industry. Otokar is also one of the first automotive companies to be granted ISO 14001 certification.

Customer satisfaction

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

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

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

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

HUMAN RESOURCES

OTOKAR EMBRACES A PEOPLE-FOCUSED WORKPLACE APPROACH AND AIMS TO OFFER CONTINUOUS DEVELOPMENT OPPORTUNITIES FOR ITS EMPLOYEES WHILE PRESERVING THEIR MOTIVATION AND 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. Aiming to create a people-focused workplace and to provide its employees with continued development opportunities while motivating and ensuring their loyalty, Otokar also considers the importance of occupational health and safety in all its business processes.

Recruitment

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

end 2021, the number of Otokar employees was 2,286. In 2021, 123 new office employees – 115 in Turkey and 8 in international offices - started working at Otokar, with 62 employed as engineers, bringing the number of employees in the R&D Center to 574. During the year, Otokar also recruited 289 field employees, consisting of 287 for Turkey and 2 for international locations. As part of the OtoKariyer Long-term Youth Internship Program, 93 percent of the interns who completed their terms were recruited as employees.

Training

Otokar strives to develop its human resource continually. Based on the OtoRota online training and development catalogue, 16 behavioral

and nine technical training programs were hosted. In 2021, 304 different training programs were delivered in 55,939 hours, with each Otokar employee receiving 25.15 hours of training and expressing 90 percent satisfaction rate. Furthermore, Vocational Qualification Certificates were obtained for 222 field employees in their respective areas. For new employees “Development Journey” trainings were organized. Also Otokar employees took various training programs throughout the year.

Occupational health & safety

Having passed the second inspection for the TSI COVID-19 Safe Production Certificate, Otokar continued to implement pandemic measures. In addition to revising the Emergency Response plans according to the latest guidelines, Otokar also updated the case algorithm instructions regularly based on the data received from the Ministry of Health and Koç Holding. HES codes and vaccination information were entered into the Otokar employee mobile app while activities were organized to encourage the employees to get their Biontech or Sinovac vaccines. At Otokar, 99.8% of the employees had their two doses and boosters of the vaccines.

At Otokar, which has earned the ISO 45001 Occupational Health and Safety Management System Certification, 12 Occupational Health and Safety Committee meetings and six Contractor Occupational Safety Committee meetings were held in 2021. In addition to line manager training and job-specific training programs, 8,107 person*hours

of occupational health and safety training was provided.

Vocational high school-industry collaboration

In 2021, field employees earned qualification certificates as junior and master welders as part of the protocol with Adapazarı Vocational Training Center.

2,286

EMPLOYEES



Employee loyalty

Otokar, which recorded an increase of 11.5 percent in employee loyalty, was named “Kincentric Best Employer” for the third consecutive year by Kincentric, a global human resources and management consultancy firm. In addition, Otokar was awarded the title of “Great Place to Work Certified” in an employer perception survey, ranking among the top employers.

KINCENTRIC
Best Employers

INVESTOR RELATIONS

OTOKAR ALWAYS STRIVES TO INCREASE SHAREHOLDER VALUE THROUGH SUSTAINABLE GROWTH, CONSISTENT DIVIDEND DISTRIBUTION, 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 19 online meetings and 59 conference calls due to the pandemic measures, meeting with current and potential investors and updating the shareholders on the latest developments. The department also attended one online roadshow in 2021. 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 2021 activities was submitted to the Board of Directors on February 21, 2022.

General Assembly

The company's Ordinary General Assembly

will convene to review 2021 activities on Monday, March 21, 2022 at 10.30 am at Divan Istanbul Hotel, Asker Ocağı Cad. No. 1 Elmadağ, Şişli, Istanbul. The Board of Directors' Annual Report, which includes the Independent Auditor's Report, Profit Distribution Proposal, Corporate Governance and Sustainability Principles Compliance Reports, as well as the agenda items and the Information Documents containing necessary disclosures for compliance with Capital Markets Board regulations will be made available for the shareholders to review at the company's headquarters and on the corporate website (www.otokar.com), Central Depository Agency's Public Disclosure Platform and Electronic General Assembly systems three weeks prior to the Ordinary General Assembly meeting as required by law.

Corporate governance

Corporate Governance Rating is an indication that the company complies with corporate governance principles to a great extent and that it will continue to improve its efforts for further compliance. As announced to the public on March 23, 2021 with a material disclosure, Otokar's Corporate Governance Rating measured by SAHA Kurumsal Yönetim ve Derecelendirme Hizmetleri A.Ş. (SAHA) rose to 94.89 (9.49 out of 10). As a result of the compliance-focused efforts, the company introduced the following policies in 2021: Human Rights Policy, Gift and Entertainment Policy, Sanctions and Export

9.49

CORPORATE GOVERNANCE RATING SCORE

Controls Policy, Supply Chain Compliance Policy, Anti-Bribery and Anti-Corruption Policy, Compliance Policy, Competition Law Compliance Policy, Social Investment Policy, and Occupational Health and Safety Policy. These policies have been disclosed to the public on the corporate website: www.otokar.com

Credit Rating

JCR Avrasya Derecelendirme A.Ş. (JCR Eurasia Rating) evaluated the credit ratings and outlooks of Otokar and affirmed the company's Long-Term National Rating as "AA+(Trk)" and outlook as "Stable," Short-Term National Rating as "A-1+(Trk)" and outlook as "Stable," Long-Term International Rating (local and foreign currency rating) as "BB+" and outlook as "Negative," and Short-Term International Rating (local and foreign currency rating) as "B" and outlook as "Negative."

Company shares

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

In 2021, BIST 100 rose 26%, while Otokar shares were traded at lowest TL 263.50 and highest at TL 426.00, seeing 17% increase throughout the year. The company's market value on December 31, 2021 was TL 8.5 billion.

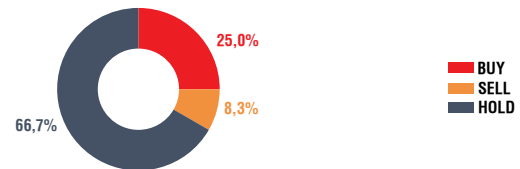
Analyst recommendations

Among the 12 investment firms that report actively on Otokar, three have recommended BUY, eight HOLD and one SELL, based on their latest reports issued in 2021.

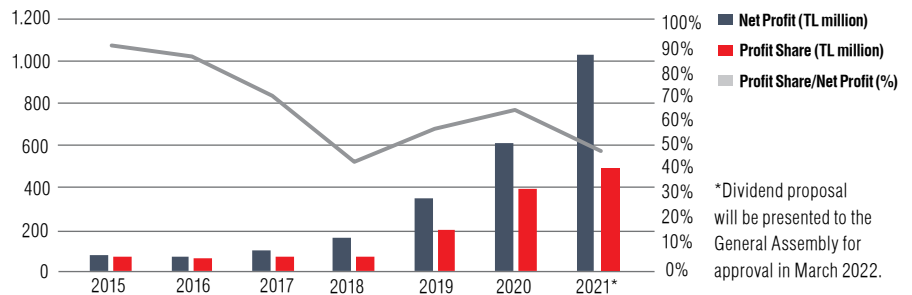
Profit share distribution

In 2021, Otokar paid out TL 400 million in gross dividends for 2020 profits. The company's Profit Distribution Policy is available on the corporate website and page 30 of this report. 2021 Profit Distribution proposal can be found on page 31 of this report.

ANALYSTS' RECOMMENDATIONS

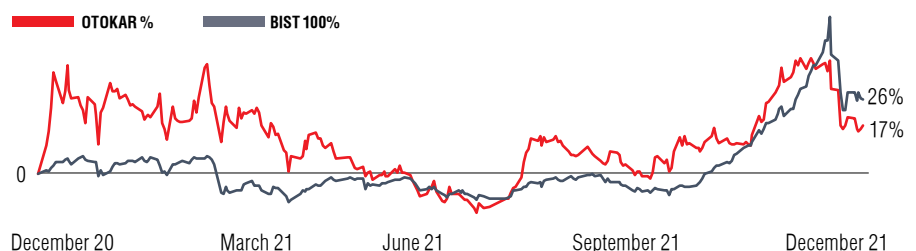


PROFIT SHARE DISTRIBUTION



Corporate Governance Rating Score	Weight	Score
Shareholders	25%	95.92
Public Disclosure and Transparency	25%	96.19
Stakeholders	15%	97.13
Board of Directors	35%	92.28
Total	100%	94.89

STOCK PERFORMANCE



R&D ACTIVITIES

OTOKAR'S R&D ACTIVITIES INCLUDE DEVELOPMENT OF ALTERNATIVE FUEL VEHICLES AND AUTONOMOUS VEHICLES.



Otokar operates with more than 500 R&D engineers at its Sakarya plant, spread on 552 thousand square meters, working to develop new products and services to meet the requirements of the future. As long years of development work on alternative fuel, electric, and autonomous vehicles continues, Otokar has allocated nearly 8 percent of its revenues for research and development (R&D) activities in the last decade, bringing R&D spending to TL 1.6 billion in this time period.

R&D Center

Otokar's R&D Center ranks among the leading automotive R&D centers worldwide. The company's R&D

capabilities include CAD programs for product development, prototyping workshops and software, computer-assisted analysis and simulation software, and test-focused apparatus and software. Otokar's R&D Center, which also serves as an independent accreditation center for all R&D activities of domestic and foreign companies that operate in automotive and defense industries, is equipped with simulators, test equipment and computer systems to generate and evaluate information for faster testing of manufactured vehicles with advanced technologies. The testing capabilities of the R&D Center are offered to various industries and companies as well.

500+ R&D
ENGINEERS

FUTURE

OTOKAR'S FUTURE PLANS ARE GEARED TOWARD BUILDING ON ITS STRENGTHS IN THE INTERNATIONAL ARENA.



Otokar, Turkey's leading commercial vehicle and defense industry manufacturer, produces buses and light trucks in the commercial vehicles segment, and various tactical wheeled and tracked armored vehicles and turret systems for the defense industry. With subsidiaries and joint ventures in France, United Arab Emirates, Romania and Kazakhstan, Otokar has an assertive position in the global markets. The company's engineering and R&D capabilities, qualified human resource, flexible production capacity, solutions tailored to client needs, and after-sales services lend to Otokar's global success. As a pioneer of many firsts in the commercial vehicle and defense industries, Otokar's future plans are geared toward building on its strengths in the international arena.

Commercial vehicles

In commercial vehicles, Otokar's main focus is on Europe, its primary export market as the company continues to provide comfortable and safe travels for millions of passengers with more than 35 thousand buses. The company's aim for the domestic

commercial vehicle market is to maintain its leading position. Otokar will continue to invest further to add new segments to its leadership and further grow its vehicle park and share in Europe, its primary bus market. Otokar will also maintain its successful growth trend in the truck market.

Ecofriendly vehicles

The shift toward environment-friendly alternative fuel vehicles in compliance with the latest European regulations presents an opportunity for Otokar. With a range of efficient, environment-friendly, innovative products, Otokar will work toward reducing its environmental impact and combating climate change, delivering results, and expanding its product lineup of electric vehicles, an area in which the company is a pioneer.

Autonomous bus development activities

As part of the research and development activities focused on smart mobility, intelligent technologies, and autonomous vehicles, Otokar is currently working on Turkey's first

smart Autonomous Bus. Developed by Otokar R&D engineers in collaboration with academics, researchers, PhD, graduate and undergraduate students at Okan University, the bus will be a testament to Turkey's qualified human resource and innovation strength. The Autonomous Bus will provide the infrastructure for the autonomous public transportation bus that the company will develop in line with the zero-accident goal as part of the European Union 2050 targets.

Defense industry

More than 33,000 military vehicles manufactured by Otokar are actively used in several countries in NATO and United Nations missions and serve more than 55 clients worldwide, including NATO countries. In the defense industry, Otokar will continue to offer its products, engineering and production capabilities and experience, always aiming to serve first and foremost Turkey. In international markets, Otokar's targets include higher exports to a vast geography and seizing opportunities for technology transfer and local production with international partners.





CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

LEGAL DISCLOSURES

Reporting Period:

01.01.2021 - 31.12.2021

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
Total	24,000,000.00	100.00

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

Organizational Changes within the Year:

Mustafa Kerem Erman has been appointed as Assistant General Manager – Commercial Vehicles, effective June 14, 2021.

Legal Actions Taken Against the Company:

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

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

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

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

The company does not procure any investment consultancy services. 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 2021:

There were no private or public audits completed in 2021.

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 17, 2021 have been implemented.

Extraordinary General Assembly Meetings Held During the Year:

None.

Evaluations with respect to Article 376 of the Turkish Commercial Code

Pursuant to Article 376 of the Turkish Commercial Code, the company's capital has been evaluated to ensure that it is preserved in the equity. Accordingly, it has been ascertained that the paid-in capital of TL 24,000,000 of Otokar Otomotiv ve Savunma Sanayi A.Ş. is preserved with TL 1,496,535 in shareholder's equity as of 31.12.2021 and that the company's debt structure is adequate for healthy running of its operations with a Net Financial Liability/Shareholder's Equity Ratio of 1,16.

CORPORATE GOVERNANCE

2021 REPORT ON AFFILIATED COMPANIES

The report, which explains the company's relations with majority shareholders in accordance with article 199 of the Turkish Commercial Code, was approved by the Board of Directors on February 23, 2022. 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 23, 2022: "The Board of Directors of Otokar Otomotiv ve Savunma Sanayi A.Ş. reached the conclusion that, in all transactions conducted in 2021 between Otokar Otomotiv ve Savunma Sanayi A.Ş. and its majority shareholder, as well as its subsidiaries, the transactions were either completed or the required measures were taken, and, in cases where the company refrained from taking the required measures, due consideration was provided based on all facts and conditions known to the company's Board at the time, and, in this context, that there were no measures taken, or which were refrained from, that could harm the company, and, accordingly, there were no transactions or measures that required balancing."

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Company") acts with utmost diligence to comply with the "Capital Markets Board Corporate Governance Principles" promulgated by the Capital Markets Board (CMB). The activities related to Corporate Governance in 2021 were executed in compliance with the Capital Markets Law, which includes regulations on CMB's corporate governance principles and the communiqués promulgated pursuant to this Law.

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

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

As an indication that the company has significantly 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 94.89 (9.49 over 10) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., as announced in our material disclosure on 23.03.2021. The Corporate Governance Rating Report can be found on the corporate website at 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 2021, 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 incongruity of the current market and corporate structure with some principles, full compliance has not been achieved so far. We are working on the principles yet to be implemented and we plan to apply them once the administrative, legal and technical infrastructure for the effective governance of the company has been completed.

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

- Regarding principle 1.3.10, 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 400,000, made to various institutions and organizations and that are not of material significance for investors. Donations lower than this amount are not followed by the investors and the company has plans to continue disclosing this materiality limit in the coming years.
- Regarding principle 1.5.2, 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.

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, these members also facilitate communication and increase the opportunities for cooperation between committees handling related subjects. Considering the efficient work of the Board members with their wealth of knowledge and experience, the current committee structure is deemed effective and no changes are anticipated in the near future.
- Regarding principle 4.6.5, remunerations provided to the Board members and executives with administrative responsibilities are provided in the notes to the financial statements and disclosed to the public as a total figure. Given that this matter is important due to the privacy of personal data, practices in the market are followed with plans to act in line with the 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 161-173) 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/4028e4a140ee35c70140ee4316b3001d>)

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 as 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 2021, the Investor Relations Department held 19 online meetings and 59 teleconferences, also participated in one online roadshow with local and international investors, analysts from stockbrokerage companies, and potential investors, and participated in an online road-show 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 pertaining to the last five years is available on the corporate website in Turkish and English languages. Numerous requests for information were submitted to the Investor Relations Department by analysts and investors regarding the company's financial reports and activities, and these were replied in line with publicly available information in a manner to avoid information disparities.

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 are the responsibility of the Investor Relations Department. The General Assembly Meeting held in 2021, call to meeting and meeting minutes were carried out in compliance with applicable regulations, articles of association and other relevant company bylaws.

All kinds of public disclosure obligations required by the regulations, such as financial reporting and disclosing of special situations to the public, are fulfilled by the Investor Relations Department. In 2021, 51 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 2021 was evaluated by the Corporate Governance Committee and the Board of Directors on February 21, 2021.

The company acts diligently to ensure compliance with legislation in satisfying investors' demands. In 2021, no complaints, or administrative or legal pursuit of exercising shareholders' rights in the company have been filed to the best of our knowledge.

BOARD OF DIRECTORS

The Structure and Formation of the Board of Directors

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

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

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

Duties of the Nomination Committee and the Remuneration Committee in the company are carried out by the Corporate Governance Committee. Three candidates were nominated for independent membership in 2021, and the declarations of independence and résumés of these individuals were evaluated by the Corporate Governance Committee and the Board of Directors on January 13, 2021, determining them to be independent member candidates. All independent board members submitted their statements of independence to the Corporate Governance Committee, and in the 2021 reporting period, no situation that would contravene their independence occurred.

Otokar Board Diversity Policy was approved in 2021, aiming to raise female membership ratio on the Board to 25 percent in the next five years. Currently, the Board of Directors has only one female member, which makes the female membership ratio on the Board 12.5 percent.

The table below provides an overview of the current Board members, elected at the General Assembly on March 17, 2021 to serve until the next General Assembly meeting to review the 2021 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. - Board Member and CEO; Chairman, Board Member and Committee Member at a Number of Koç Holding Companies
Selin Ayla ÜNVER	Member	Not independent	22.10.2018	1 Year		Ünver Holding A.Ş. - Chairwoman
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	Board Member and Committee Member at a Number of Koç Holding Companies
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 of Directors convenes for meetings as company business 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 per article 390, paragraph 4 of the Turkish Commercial Code. The Board of Directors passed 28 resolutions in 2021. In 2021, there were limited opportunities to hold the Board of Directors meetings in a physical setting due to the COVID-19 pandemic, and in this period, the majority of the Board resolutions were reached by passing them around, while the Board members were briefed reasonably in advance. The Board members were also regularly advised about the company's performance and developments. Furthermore, the Board convened three times with all members in attendance to address strategic matters and discuss the company's position and activities without passing any resolutions.

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

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

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 compliance with applicable regulations on related party transactions, Board of Directors also assesses potential risks for misconduct and diligently addresses the transactions of related parties.

The Committees formed under the Board of Directors

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IMPLEMENTATION

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

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

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

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

Operating principles of the committees are available on the corporate website:
(<https://www.otokar.com.tr/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 Markets Legislation.

The Board of Directors resolved on April 12, 2021 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 2021, 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 six times in 2021.

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 12, 2021 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, which would also serve as the Nomination Committee and the Remuneration Committee in accordance with the Communiqué.

The Corporate Governance Committee reviewed the company's corporate governance practices in 2021 and the Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Note (CGIN), drawn up according to the new reporting formats pursuant to CMB resolution no. 2/49 dated January 10, 2019 and also informed the Board of Directors on the activities of the Investor Relations Department. In addition, the committee drafted the Otokar Board Diversity policy and submitted it to the Board of Directors for approval. In 2021, 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 seven times in 2021.

Risk Management Committee

The Board of Directors resolved on July 11, 2012 to establish the Risk Management Committee to work on early detection of risks that could pose a threat to the company's existence, development and continuity, and implement the necessary measures to mitigate these risks 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 12, 2021 that the Committee would be composed of two members, with Kenan Güven, who is an independent member, as the Chairman, and İsmail Cenk Çimen as a member of the Committee. The committee convenes at least six times a year.

In 2021, 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 2021 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 2021. The report presented by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. on February 4, 2022 stated that Otokar's early risk detection system and the Risk Management Committee are adequate in all material aspects within the framework of article 378 of the TCC.

CORPORATE GOVERNANCE

MEMBERS OF THE BOARD OF DIRECTORS AND MEMBERS OF THE COMMITTEES

Board of Directors	Title	Term Start	Term End
Yıldırım Ali Koç	Chairman	17.03.2021	21.03.2022
Levent Çakıroğlu	Vice Chairman	17.03.2021	21.03.2022
Selin Ayla Ünver	Member	17.03.2021	21.03.2022
İsmail Cenk Çimen	Member	17.03.2021	21.03.2022
Ahmet Serdar Görgüç	Member-General Manager	17.03.2021	21.03.2022
Ali İhsan İlkbahar	Independent Member	17.03.2021	21.03.2022
Ali İhsan Kamanlı	Independent Member	17.03.2021	21.03.2022
Kenan Güven	Independent Member	17.03.2021	21.03.2022
Audit Committee	Title	Term Start	Term End
Ali İhsan İlkbahar	Chairman	17.03.2021	21.03.2022
Ali İhsan Kamanlı	Member	17.03.2021	21.03.2022
Corporate Governance Committee	Title	Term Start	Term End
Ali İhsan İlkbahar	Chairman	17.03.2021	21.03.2022
Levent Çakıroğlu	Member	17.03.2021	21.03.2022
Hüseyin Odabaş	Member	17.03.2021	21.03.2022
Risk Management Committee	Title	Term Start	Term End
Kenan Güven	Chairman	17.03.2021	21.03.2022
İsmail Cenk Çimen	Member	17.03.2021	21.03.2022

- Clauses pertaining to the Board of Directors have been resolved in accordance with articles 11, 12 and 13 of the Articles of Association and pursuant to the provisions of the Turkish Commercial Code.
- The principles of remuneration of Board of Directors and senior executives have been put in writing, and the Remuneration Policy prepared for this purpose has been included in annual reports and the company's corporate website (www.otokar.com.tr).
- The compensations provided to Senior Executives in 2021 have been included in note 27 of the financial statements for the 2021 fiscal year.
- Detailed information on committees and their operating principles have been provided on pages 69-70 of the annual report and the company's corporate website (www.otokar.com).
- As stated in Board Resolution no. 2022/09, the Board of Directors has been briefed on the activities of the Board Committees in 2021.
- In 2021, the Audit Committee convened 6 times, the Corporate Governance Committee 7 times, and the Risk Management Committee 6 times, respectively. The meetings were attended by all committee members.
- The résumés of the Board members are provided on pages 28-29.

CORPORATE GOVERNANCE

SENIOR MANAGEMENT



Ahmet Serdar Görgüç
General Manager

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



Hüseyin Odabaş
Assistant General
Manager – Finance

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



Uğur Sedef Vehbi
Assistant General Manager -
Military Vehicles

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



Mustafa Kerem Erman
Assistant General Manager –
Commercial Vehicles

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



Hasan Basri Akgül
Assistant General Manager –
Domestic Sales And Marketing

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

CORPORATE GOVERNANCE

RISK MANAGEMENT AND ACTIVITIES OF THE RISK COMMITTEE

a. Risk Management

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

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

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

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

Otokar monitors its risks 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: The company's foreign currency positions are monitored daily to ensure targeted levels and avoid risk exposure. Foreign currency risk is managed using derivative transactions and natural hedges.

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

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

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

Receivables Risk: Receivables are followed based on collateral limits. Conformity of debt-receivable days with 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.

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

CORPORATE GOVERNANCE

RISK MANAGEMENT AND ACTIVITIES OF THE RISK COMMITTEE

Operational Risks

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

Operational risks are monitored and managed by relevant internal departments. Necessary insurance for mitigating operational risks is secured through a central procurement system.

Legal Risks

Legal risks and opportunities are monitored by the internal legal team and external legal counsel with expertise in specific areas for compliance with applicable local and international laws, regulations and standards. Preventive legal services are regularly carried out through programs for competition compliance, compliance with the personal data protection law and general compliance. The risk groups identified through compliance programs take the necessary basic 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, to 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 to ensure compliance with article 378 of Turkish Commercial Code No. 6102, which entered into force on July 1, 2012. The Committee is chaired by Independent Board member, Kenan Güven, while the other member of the Committee is Board member 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 2021, evaluates the company's principles for the Risk Management System and risk reporting, examines the periodic risk reports and expresses views on measures deemed necessary to address areas where there is non-compliance with the limits stipulated in the Risk Management System. Reporting activities and the Committee's assessments are recorded as minutes of the meeting, and duly presented to the Board of Directors.

CORPORATE GOVERNANCE

INTERNAL CONTROL SYSTEM AND INTERNAL AUDITS

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

The Internal Control System is composed of standard descriptions, job definitions, authorization processes, policies and written procedures 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 Audit Committee.

Accounting records and financial tables and statements are inspected by the Audit Committee and the Internal Audit Department, and also audited by the independent audit firm PwC 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 "2021 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 2021.

CORPORATE GOVERNANCE

BOARD'S REVIEW OF THE COMMITTEES AND THEIR EFFECTIVENESS

All of the Board Committees have fulfilled the duties and obligations mandated by the Corporate Governance Principles and their own regulations and convened according to the annual meeting schedules in 2021. 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 69-70).

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. Otokar 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 implementing some of these principles, uncertainties in the overall national and international landscape, certain principles not fully aligning with the current structure of the company, and the fact that some compliance principles will be identified based on the findings of ongoing studies, 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 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 materiality analysis to identify priority aspects in light of the global and industry trends. Along with the materiality 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 a sustainability-specific policy in place, certain policies have been introduced in line with those of Koç Group. Otokar Compliance Policy, Otokar Competition Law Compliance Policy, Otokar Supply Chain Compliance Policy, Otokar Social Investment Policy, Otokar Sanctions and Export Controls Policy, Otokar Anti-Bribery and Anti-Corruption Policy, Otokar Gift and Entertainment Expenses Policy, Otokar Reporting and Notification Policy, Otokar Board Diversity Policy, and Otokar Human Rights Policy were implemented in 2021, and Otokar Personal Data Protection Policy in 2022.
- The company identifies the ESG Key Performance Indicators (KPIs) and discloses them in the annual Sustainability Reports with yearly comparison figures. 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.

CORPORATE GOVERNANCE

CAPITAL MARKETS BOARD SUSTAINABILITY PRINCIPLES COMPLIANCE

- Air quality and biodiversity parameters are followed diligently 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. Therefore, 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. The Company implements the Carbon Transformation Program within the scope of Koç Group's strategy for transitioning to a low carbon economy, continues its efforts to identify risks and opportunities according to different climate scenarios and to implement monitoring and mitigation strategies. However, a Science Based Target systematic has not yet been integrated into company practices as of the reporting period. It is planned to share detailed data with the 2021 Sustainability Report.
- 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.
- Koç Holding Code of Ethics and Implementation Principles include provisions on compliance with all laws and regulations of the Republic of Turkey and the international conventions to which Turkey is a party and statements that these are binding for Otokar as well. Otokar Code of Ethics, which aligns with Koç Holding Code of Ethics and Implementation Principles, regulate human rights and employee rights. Otokar Human Rights Policy, implemented in 2021, declares the company's commitment to meet the principles of the Universal Declaration of Human Rights and ILO Declaration on Fundamental Principles and Rights at Work.
- 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 2021, 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.

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
The company reports its environmental impact with comparable periodical data: Greenhouse gas emissions (Scope 1 (Direct), Scope 2 (Energy -indirect), Scope 3 (Others - indirect)), and 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 MARKETS BOARD COMMUNIQUÉ II-14.1 ARTICLE 9 ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

BOARD OF DIRECTORS' RESOLUTION ON APPROVAL OF FINANCIAL STATEMENTS

RESOLUTION DATE: 04/02/2022

RESOLUTION NUMBER: 2022/02

Regarding the consolidated financial statements pertaining to the period from 01.01.2021 to 31.12.2021, which were prepared by the company and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Financial Reporting Standards (TFRS) and formats determined by Capital Markets Board (CMB) in accordance with the CMB's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1, and include the consolidated statement of financial position, income statement, comprehensive income statement, statement of cash flow and statement of changes to equity as well as notes to year-end financial statements ("Financial Statements" as a whole), we hereby declare our responsibility for the following:

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

Sincerely,

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: 24.02.2022

RESOLUTION NUMBER: 2022/09

The 2021 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 to 31 December 2021, 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 2021 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,

04/02/2022

COMMITTEE RESPONSIBLE FOR THE AUDIT

Ali 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 2021 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 2021, 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 2021, 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 2021 AND INDEPENDENT AUDITOR'S REPORT

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Provision for Warranty Expenses</p> <p>As explained in Note 15, the Group has provision for warranty expenses amounting to TRY254,819 thousand as of 31 December 2021.</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"> We tested the controls related to reviewing and approving the Group's assumptions in establishing the accounting estimates used. We tested the remaining warranty period per vehicle as follows: <ul style="list-style-type: none"> Group management provided us with the 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. We tested the mathematical accuracy of the remaining warranty period calculated for each vehicle sold by recalculation. We tested the provision for warranty per vehicle estimated using the current and previous years' actual warranty expenses as stated below: <ul style="list-style-type: none"> We compared the consistency of the actual warranty expenses with the Group management's past estimations and assumptions. The Group calculates the current year's provision for warranty expense per vehicle in hard currency based on the actual warranty expenses realized in the current and previous periods taking into consideration the changes in 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. We tested the Group's actual warranty expenses for the current period using by sampling method.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021 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 2021 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 1 January to 31 December 2021 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 4 February 2022.

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

Cihan Harman, SMMM
Partner

Istanbul, 4 February 2022

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 2020

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

		(Audited)	(Audited)
	Notes	31 December 2021	31 December 2020
Assets			
Current assets			
Cash and cash equivalents	4	644,857	517,422
Trade receivables	8	1,761,233	1,188,748
<i>Due from related parties</i>	27	533,242	440,683
<i>Due from other parties</i>	8	1,227,991	748,065
Other receivables	9	1,212	450
Inventories	10	1,426,393	1,335,582
Derivative financial instruments	7	51	15,937
Prepaid expenses	17	20,045	19,444
Current tax assets		-	281
Other current assets	17	106,634	100,649
Total current assets		3,960,425	3,178,513
Non-current assets			
Trade receivables	8	421,129	130,567
Other receivables	9	4,474	2,656
Investments accounted for using the equity method	5	182,459	169,689
Financial investments	11	144	147
Property, plant and equipment	12	396,704	227,014
Right of use assets	12	33,946	19,485
Intangible assets	13	739,375	500,727
Deferred income tax asset	25	234,424	96,285
Prepaid expenses	17	16,446	9,092
Total non-current assets		2,029,101	1,155,662
Total assets		5,989,526	4,334,175

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 2021 AND 2020

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

	Notes	(Audited) 31 December 2021	(Audited) 31 December 2020
Liabilities			
Current liabilities			
Short-term borrowings	6	473,279	586,057
<i>Bank loans</i>	6	455,503	577,078
<i>Short-term lease liabilities</i>	6	17,776	8,979
Short-term portion of long-term borrowings	6	644,014	289,014
<i>Bank Loans</i>	6	644,014	289,014
Trade Payables	8	554,860	349,519
<i>Due to related parties</i>	27	70,714	58,964
<i>Due to other parties</i>	8	484,146	290,555
Employee benefit obligations	17	67,060	51,147
Other payables	9	46,547	48,012
Liabilities from customer contracts	17	602,791	538,712
Government promotion and subsidies	14	16,572	2,895
Short-term provisions	15	440,523	234,231
<i>Provisions for employee benefits</i>	16	20,705	15,880
<i>Other provisions</i>		419,818	218,351
Other current liabilities	17	6,688	27,097
Total current liabilities		2,852,334	2,126,684
Non-current liabilities			
Long-term borrowings	6	1,261,164	978,993
<i>Bank loans</i>	6	1,233,360	964,949
<i>Long-term lease liabilities</i>	6	27,804	14,044
Government promotion and subsidies	14	11,283	2,314
Long-term provisions	16	89,427	63,725
Provisions for employee benefits	16	89,427	63,725
Liabilities from customer contracts	17	278,783	155,116
Total non-current liabilities		1,640,657	1,200,148
Total liabilities		4,492,991	3,326,832
Equity			
Paid-in share capital	18	24,000	24,000
Inflation adjustment on share capital	18	52,743	52,743
Restricted reserves	18	133,530	93,650
<i>Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss</i>	18	(12,925)	(11,589)
<i>Defined benefit plans remeasurement losses</i>	18	(12,925)	(11,589)
<i>Accumulated other comprehensive income and expense that may be reclassified to statement of profit or loss</i>		(210,099)	(59,103)
<i>Currency translation differences</i>		(210,099)	(59,103)
Retained earnings	18	467,762	289,374
Net profit for the period	18	1,041,524	618,268
Total equity		1,496,535	1,007,343
Total liabilities and equity		5,989,526	4,334,175

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 2021 AND 2020

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

	Notes	(Audited) 1 January - 31 December 2021	(Audited) 1 January - 31 December 2020
Net Sales	19	4,508,874	2,908,711
Cost of sales (-)	19	(2,792,189)	(1,714,567)
GROSS PROFIT		1,716,685	1,194,144
Marketing expenses (-)	20	(596,356)	(382,208)
General administrative expenses (-)	20	(202,991)	(149,634)
Research and development expenses (-)	20	(109,841)	(87,325)
Other operating income	22	976,660	453,914
Other operating expenses (-)	22	(708,619)	(392,901)
OPERATING PROFIT		1,075,538	635,990
Income from investing activities		1,432	787
Share of profit/loss of investments accounted for using the equity method, net	5	107,451	98,288
OPERATING INCOME BEFORE FINANCIAL EXPENSES		1,184,421	735,065
Financial income	23	223,298	95,191
Financial expense (-)	24	(503,173)	(205,070)
PROFIT BEFORE TAX		904,546	625,186
Tax income/(expense) from continued operations			
Current tax expense (-)	25	(827)	(685)
Deferred tax income	25	137,805	(6,233)
PROFIT/LOSS FOR THE PERIOD		1,041,524	618,268
Items that will not be reclassified to statement of profit or loss			
Remeasurement (losses)/gains		(1,670)	(2,369)
Deferred tax income/(expense)		334	521
Items that may be reclassified to statement of profit or loss			
Currency translation differences of investments accounted for using the equity method		92,558	15,239
Currency translation differences		(243,551)	(61,962)
Other comprehensive income		(152,329)	(48,571)
TOTAL COMPREHENSIVE INCOME		889,195	569,697
Earnings per share (Kr)	26	4,340	2,576

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 2021 AND 2020

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

		Paid in share capital	Inflation adjustments	Restricted reserves	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	Retained earnings	Net income for the period	Total equity
					Remeasurement losses on defined benefit plans	Currency translation differences			
1 January 2020 – 31 December 2020	Beginning of the period	24,000	52,743	73,770	(9,741)	(12,380)	157,662	351,592	637,646
	Transfers	-	-	19,880	-	-	331,712	(351,592)	-
	Dividends paid	-	-	-	-	-	(200,000)	-	(200,000)
	Total comprehensive income	-	-	-	(1,848)	(46,723)	-	618,268	569,697
	End of the period	24,000	52,743	93,650	(11,589)	(59,103)	289,374	618,268	1,007,343
1 January 2021 – 31 December 2021	Beginning of the period	24,000	52,743	93,650	(11,589)	(59,103)	289,374	618,268	1,007,343
	Transfers	-	-	39,880	-	-	578,388	(618,268)	-
	Dividends paid	-	-	-	-	-	(400,000)	-	(400,000)
	Total comprehensive income	-	-	-	(1,336)	(150,996)	-	1,041,524	889,192
	End of the period	24,000	52,743	133,530	(12,925)	(210,099)	467,762	1,041,524	1,496,535

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 2021 AND 2020

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

	Notes	(Audited) 1 January - 31 December 2021	(Audited) 1 January - 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES		952,847	(51,942)
Net profit/(loss) for the period		1,041,524	618,268
Adjustments to reconcile income before taxes to net cash flows from operating activities:		558,721	310,247
Depreciation and amortization	12, 13	105,148	96,714
Adjustments in relation to impairment:		41,365	27,300
- Provision for doubtful receivables	8	34,488	14,942
- Provision for inventories	10	6,877	12,358
Adjustments in relation to provision:		319,290	166,522
- Provision for employee benefits		32,651	20,405
- Provision for warranty expenses	15	205,751	119,094
- Adjustments for other provisions		80,888	27,023
Adjustments in relation to interest income and expenses:		151,635	82,792
- Interest income	23	(31,490)	(37,526)
- Interest expense	24	183,125	120,318
Adjustments in relation to unrealised foreign exchange gains and losses	6	215,772	40,524
Adjustments in relation to fair value gains and losses		(28,294)	(11,448)
- Fair value losses/(gains) on financial derivative instruments, net		(28,294)	(11,448)
Adjustments for undistributed profits of investments accounted for using equity method		(107,451)	(98,288)
Adjustments for undistributed profits of joint ventures	5	(107,451)	(98,288)
Adjustments for tax income/(expenses)		(137,312)	6,918
Adjustments in relation to gains or losses on sales of property, plant and equipment		(1,432)	(787)
- Gain on sale of property, plant and equipment's		(1,432)	(787)
Changes in net working capital		(601,786)	(907,282)
Adjustments for increase/decrease in trade receivables		(898,907)	(387,218)
Adjustments for increase/decrease in inventories		(97,688)	(579,755)
Adjustments for increase/decrease in trade payables		205,341	93,328
Adjustments for other increase (decrease) in working capital		189,468	(33,637)
- Increase/(decrease) in other assets related to activities		(16,520)	(76,298)
- Increase/(decrease) in other liabilities related to activities		205,988	42,661
Cash flows from operations		998,459	21,233
Payments in relation to employee benefits	16	(3,794)	(4,149)
Payments in relation to other provisions	15	(85,172)	(62,751)
Deductions/(payments) in relation to income tax		(827)	(685)
Other cash collections/(payments)		44,179	(5,590)
CASH FLOWS FROM INVESTING ACTIVITIES		(311,441)	(310,688)
Proceeds from sale of property, plant and equipment and intangible assets		2,039	1,012
- Proceeds from sale of property, plant and equipment		2,039	1,012
Cash outflows due to purchase of property, plant and equipment and intangible assets		(500,722)	(311,700)
- Purchase of property, plant and equipment	12	(193,123)	(112,414)
- Purchase of intangible assets	13	(307,599)	(199,286)
Dividends Received	5	187,242	-
CASH FLOWS FROM FINANCING ACTIVITIES		(270,818)	719,425
Cash inflow from due to borrowings		2,031,827	2,049,296
- Proceeds from bank borrowings	6	2,031,827	2,049,296
Cash outflow due to repayment of borrowings		(1,763,430)	(1,047,513)
- Repayments of borrowings	6	(1,763,430)	(1,047,513)
Cash outflows related to loan payments arising from lease agreements		(16,502)	(10,984)
Dividends paid		(400,000)	(200,000)
Interest paid		(154,203)	(108,900)
Interest received		31,490	37,526
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		370,586	356,795
Currency translation difference on cash and cash equivalents		(243,151)	(62,095)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		127,435	294,700
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	517,422	222,722
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	644,857	517,422

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 2021 AND 2020

(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 34854 Maltepe/İstanbul

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

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

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

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

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

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

	31 December 2021		31 December 2020	
	Period end	Average	Period end	Average
Total personnel number	2,286	2,248	2,258	2,110

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

(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 2021 were authorized for issue and signed by the Board of Directors of Otokar on 4 February 2022. 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 2021, 27.85% of the shares are quoted on the BIST.

As of 31 December 2021, 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 2021 AND 2020

(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 2021 and 31 December 2020 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 2021 are consistent with those used in the preparation of financial statements for the year ended 31 December 2020.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

(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 2021:**

- **Amendments to 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 Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

b. **Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:**

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. 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.
- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

(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)

- **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'.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

(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)

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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

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:

- 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 2021, 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.
- The Group determines Provision for warranty expense by considering the past warranty expenses and remaining warranty period per vehicle.
- 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.
- The Group has made certain assumptions based on experiences of technical personnel in determining impairment for inventories.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

(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

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 2021 and 2020:

Subsidiaries	2021		2020	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Otokar Europe SAS	100.00	100.00	100.00	100.00
Otokar Land Systems LLC	100.00	100.00	100.00	100.00
Otokar Europe Filiala Bucuresti SRL	100.00	100.00	100.00	100.00
Otokar Central Asia Limited	100.00	100.00	100.00	100.00

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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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)

Joint Ventures

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

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

The table below sets out all joint ventures and shows the direct and indirect ownership and proportion of effective interest of the Group in these joint ventures at 31 December 2021 and 2020:

	2021		2020	
	Direct and indirect ownership (%)	Proportion of effective interest (%)	Direct and indirect ownership (%)	Proportion of effective interest (%)
Joint ventures				
Al Jasoor Heavy Vehicles Industry LLC (*)	49.00	49.00	49.00	49.00

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

Revenue recognition

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

Group recognizes revenue based on the following main principles:

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

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

2.4. Summary of significant accounting policies (Continued)

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

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

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

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

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

Revenue from sale of goods

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

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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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)

Revenue from sale of extended warranty

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

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).

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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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)

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).

Property, plant and equipment

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

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

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

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

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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)

Intangible assets

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

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

Research and development expenses

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

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

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

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

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.

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)

Taxes calculated on corporate income

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

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

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

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

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

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

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

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.

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)

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.

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.

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)

Financial instruments

Financial assets

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

Financial assets measured at amortised cost

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

Financial assets carried at fair value through profit or loss

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

Cash and cash equivalents

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

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

Trade receivables

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

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

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

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

2.4. Summary of significant accounting policies (Continued)

Trade receivables (Continued)

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

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

Trade payables

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

Borrowings

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

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the comprehensive income statement over the period of the borrowings.

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.

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

2.4. Summary of significant accounting policies (Continued)

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.

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:

- The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- 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.
- 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
- 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:

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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)

- 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.

Right of use asset

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

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

The Group measure the right of use asset:

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

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

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

Lease Liability

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

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

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

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

2.4. Summary of significant accounting policies (Continued)

Leases (Continued)

The Group - as a lessee (Continued)

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

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

Extension and termination options

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

Variable lease payments

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

As the Lessor

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

Earnings per share

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

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

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

2.4. Summary of significant accounting policies (Continued)

Subsequent events

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

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

Impairment of non-financial assets

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

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

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

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

Borrowing costs

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

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

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

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

(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.

NOTE 3 - SEGMENT REPORTING

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Banks		
- Time deposits	545,213	452,463
- Demand deposits	99,593	64,949
Other	51	10
	644,857	517,422

As of 31 December 2021, TRY545,213 thousand of the total amount of time deposits amounting to TRY209,292 thousand is denominated in foreign currency and the annual effective interest rate is 0.77% and has a maturity of 1 days. The annual effective interest rate of the remaining TRY335,921 thousand is 25% and has a maturity of 1 days.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

(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 2021, the Group has restricted bank deposit amounting to TRY0,2 thousand (31 December 2020: TRY0,2 thousand).

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of 31 December 2021 and 31 December 2020, the details of carrying value and consolidation rate subject to equity accounting of joint venture is as follows:

Joint ventures	2021		2020	
	(%)	Amount	(%)	Amount
Al Jasoor	49	182,456	49	169,689
		182,456		169,689

The movement of joint venture is as follows as of 31 December 2021 and 2020:

	2021	2020
1 January	169,689	56,162
Shares of profit/(loss)	107,451	98,288
Dividend paid	(187,242)	-
Currency translation differences	92,558	15,239
31 December	182,456	169,689

The summary of the financial statements of Al Jasoor as of 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Total assets	1,081,715	1,130,199
Total liabilities	(709,350)	(783,895)
Net assets	372,365	346,304
Ownership of the Group	%49	%49
Net asset share of the Group	182,456	169,689

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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

NOTE 6 - BORROWINGS

Short term borrowings

31 December 2021	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
RON credits	28 January 2022	5.16	454,573
TRY credits	3 June 2022	8.75	930
			455,503
Short-term lease liabilities			
EUR payables		2.00	12,242
TRY payables	-	25.00	5,534
			17,776
Total short term borrowings			473,279

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

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

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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

NOTE 6 - BORROWINGS (Continued)

Long term borrowings (*)

31 December 2021	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
TRY credits	5 August 2025	18.85	641,406
EUR credits	15 August 2023	3.15	591,954
			1,233,360
Long-term lease liabilities			
EUR payables	-	2.00	19,149
TRY payables	-	25.00	8,655
			27,804
Total long term borrowings			1,261,164

(*) Bearing fixed interest rate

Short term borrowings

31 December 2020	Maturities	Annual effective interest rate (%)	TRY equivalent
Bank loans			
RON credits	30 June 2021	5.18	304,455
TRY credits	7 June 2021	9.05	272,623
			577,078
Short-term lease liabilities			
EUR payables	-	2.00	6,399
TRY payables	-	10.00	2,580
			8,979
Total short-term borrowings			586,057

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

(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
Bank loans			
EUR credits	9 January 2023	2.73	181,330
TRY credits	4 October 2021	9.19	107,684
			289,014

(*) Bearing fixed interest rate

Long term borrowings(*)

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

Long-term lease liabilities

EUR payables	-	2.00	10,009
TRY payables	-	10.00	4,035
			14,044

Total long term borrowings	978,993
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(*) Bearing fixed interest rate

As of 31 December 2021, the Group has not provided any guarantees for the borrowings (31 December 2020: None).

The Group has no financial commitments arising from its borrowings.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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

NOTE 6 - BORROWINGS (Continued)

The movement of the borrowings for the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
1 January	1,854,064	801,849
Borrowing received during the period	2,031,827	2,049,296
Cash outflows from debt payments from lease agreements	(16,502)	(10,984)
Changes in lease liabilities within the scope of TFRS 16	27,804	9,474
Principal payments (-)	(1,763,430)	(1,047,513)
Change in interest accruals	28,922	11,418
Change in exchange rates	215,772	40,524
31 December	2,378,457	1,854,064

	31 December 2021		31 December 2020	
	Carrying values	Fair values	Carrying values	Fair values
Fixed interest	1,878,305	1,853,105	1,526,586	1,489,141
Floating rate (*)	454,572	454,572	304,455	304,455
	2,332,877	2,307,677	1,831,041	1,793,596

(*) 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
31 December 2021			
Forward transactions	132,090	6 January 2022	51
Short-term derivative financial instruments	132,090		51
Total derivative financial instruments	132,090		51

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade receivables

	31 December 2021	31 December 2020
Trade receivables, net	1,073,224	699,074
Notes receivables, net	252,151	110,515
	1,325,375	809,589
Less: provision for doubtful receivables	(97,384)	(61,524)
Short-term trade receivables	1,227,991	748,065
Trade receivables from related parties (Note 27)	533,242	440,683
Short-term trade receivables	1,761,233	1,188,748
Long-term notes receivable, net	421,129	130,567
Long-term trade receivables	421,129	130,567

As of 31 December 2021, the average maturity of trade receivables is between 60-90 days (excluding notes receivables) (31 December 2020: 60-90 days).

As of 31 December 2021 and 2020, the fair values of trade receivables approximate to their carrying values due to short term maturity of those receivables.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Guarantees received for trade receivables

Receivables of the Group are mainly composed of minibus and bus sales to dealers and trailer and armored vehicle sales. As of 31 December 2021, the total trade receivable from dealers amounting to TRY268,134 thousand (31 December 2020: TRY108,658 thousand), after provision provided for doubtful receivables, has been secured by mortgages and guarantees at the amount of TRY268,479 thousand (31 December 2020: TRY108,830thousand). The Group manages the credit risk of remaining balance in the manner described in the Credit Risk section of Note 28 to the consolidated financial statements.

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

31 December 2021

1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	-
Over 5 years past due	395

395

Amount secured with guarantees

395

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

325

Amount secured with guarantees

325

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 2021 and 2020 are as follows:

	2021	2020
As of 1 January	61,524	46,701
Collections	-	(699)
Currency translation differences	1,372	580
Exchange differences	34,488	14,942
31 December	97,384	61,524

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

	31 December 2021	31 December 2020
Trade payables, net	484,146	290,065
Notes payables, net	-	490

Short-term other trade payables	484,146	290,555
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Trade payables to related parties (Note 27)	70,714	58,964
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Short-term trade payables	554,860	349,519
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As of 31 December 2021, average payment term for trade payables is 45-60 days (31 December 2020: 45-60 days).

As of 31 December 2021 and 2020, 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 2021	31 December 2020
Due from personnel	582	291
Deposits and guarantees given	630	159
	1,212	450

Other long-term receivables

	31 December 2021	31 December 2020
Deposits and guarantees given	4,474	2,656
	4,474	2,656

Short term other receivables

	31 December 2021	31 December 2020
Other miscellaneous payables	46,547	48,012
	46,547	48,012

TRY 40,725 thousand (31 December 2020: 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 2021 AND 2020

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

NOTE 10 - INVENTORIES

	31 December 2021	31 December 2020
Raw material	576,526	535,169
Semi-finished goods	73,797	103,059
Finished goods	276,878	346,811
Merchandise goods	164,392	165,437
Goods in transit	363,397	206,826
Impairment for inventories (*)	(28,597)	(21,720)
	1,426,393	1,335,582

(*) TRY110 thousand of impairment is related to finished goods (31 December 2020: -), TRY 4,026 thousand related to finished goods (31 December 2020: TRY 862 thousand), TRY24,461 thousand is related to raw materials (31 December 2020: TRY 20,858 thousand). The impairment has been accounted for under cost of sales.

The movements of impairment for inventories in 2021 and 2020 are as follows:

	2021	2020
1 January	(21,720)	(9,362)
Reversal of provisions	(6,877)	(12,358)
31 December	(28,597)	(21,720)

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.

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

(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 2021.

	1 January 2021	Additions	Currency translation differences	Disposal	Transfers	31 December 2021
Cost						
Land	37,437	-	-	-	-	37,437
Land improvements	8,920	9,192	-	-	-	18,112
Buildings	60,781	19,840	-	-	27,893	108,514
Machinery and equipment	134,800	42,311	2,125	(2,291)	69,141	246,086
Motor vehicles	14,561	5,760	-	(452)	-	19,869
Furniture and fixtures	74,749	55,918	1,371	(433)	68	131,673
Leasehold improvements	1,132	583	-	-	-	1,715
Construction in process	74,109	59,519	-	-	(97,102)	36,526
	406,489	193,123	3,496	(3,176)	-	599,932
Accumulated depreciation						
Land improvements	(5,027)	(324)	-	-	-	(5,351)
Buildings	(48,582)	(2,110)	-	-	-	(50,692)
Machinery and equipment	(93,657)	(11,916)	(1,479)	2,094	-	(104,958)
Motor vehicles	(6,970)	(1,218)	-	126	-	(8,062)
Furniture and fixtures	(24,240)	(8,153)	(1,046)	349	-	(33,090)
Special costs	(999)	(76)	-	-	-	(1,075)
	(179,475)	(23,797)	(2,525)	2,569	-	(203,228)
Net book value	227,014					396,704

There is no mortgage on property, plant and equipments as of 31 December 2021 (31 December 2020: None).

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

(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 2020.

	1 January 2020	Additions	Currency translation differences	Disposal	Transfers	31 December 2020
Cost						
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
	293,996	112,414	1,367	(1,288)	-	406,489
Accumulated depreciation						
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)
	(164,924)	(14,959)	(655)	1,063	-	(179,475)
Net book value	129,072					227,014

The distribution of depreciation and amortization expenses of tangible and intangible assets for the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
Research and development expenses	66,089	70,698
Right of use assets	12,400	10,657
Cost of goods sold	10,905	6,029
General administrative expenses	4,871	3,836
Depreciation on inventories	4,582	2,300
Development projects in process	5,181	2,222
Selling and marketing expenses	1,120	972
Currency translation differences	2,525	655
	107,673	97,369

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Right of use assets

In 2021, while 30,886 thousand TL new inflows and 3,082 thousand TL outflows were made to right-of-use assets; 12,400 thousand TL depreciation expense was incurred.

The balances of right of use assets as of 31 December 2021 and 2020 and the accumulated depreciation amounts in the relevant periods are as follows:

31 December 2021	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	20,393	44,202	595	65,190
Accumulated depreciation	(11,073)	(19,750)	(421)	(31,244)
	9,320	24,452	174	33,946
31 December 2020	Buildings	Motor vehicles	Furniture and fixtures	Total
Cost	21,369	16,399	561	38,329
Accumulated depreciation	(7,386)	(11,072)	(386)	(18,844)
	13,983	5,327	175	19,485

NOTE 13 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation for the years ended 31 December 2021.

	1 January 2021	Additions	Currency translation differences	Disposal	Transfers	31 December 2021
Cost						
Other intangible assets	26,463	9,603	-	-	-	36,066
Development costs	574,432	-	-	-	157,047	731,479
Developments projects in progress	286,464	297,997	-	-	(157,047)	427,414
	887,359	307,600	-	-	-	1,194,959
Accumulated amortization						
Other intangible assets	(17,142)	(2,868)	-	-	-	(20,010)
Development costs	(369,490)	(66,083)	-	-	-	(435,573)
	(386,632)	(68,951)	-	-	-	(455,583)
Net book value	500,727					739,376

In 2021, the Group has capitalised TRY6,930 thousand (2020: TRY3,129 thousand) of its borrowing costs in relation to its qualifying asset.

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NOTE 13 - INTANGIBLE ASSETS (Continued)

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

	1 January 2020	Additions	Currency translation differences	Disposal	Transfers	31 December 2020
Costs						
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
	688,073	199,286	-	-	-	887,359
Accumulated amortization						
Other intangible assets	(14,693)	(2,449)	-	-	-	(17,142)
Development costs	(300,841)	(68,649)	-	-	-	(369,490)
	(315,534)	(71,098)	-	-	-	(386,632)
Net book value	372,539					500,727

NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES

	31 December 2021	31 December 2020
Short-term	16,572	2,895
Long-term	11,283	2,314
	27,855	5,209

Government incentives have been originated from deferral of research and development incentive premiums provided to support research and development expenditures of the Group's various projects by the Scientific & Technological Research Council of Turkey (TUBITAK). The related balance will be recognized as income in line with the amortization of the respective R&D costs.

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NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	31 December 2021	31 December 2020
Provision for warranty expenses	254,819	134,240
Employee benefits		
short-term provisions (Note 16)	20,705	15,880
Litigation provisions	3,667	2,674
Purchases costs provisions	41,890	4,732
Other cost allowance	119,442	76,705
	440,523	234,231

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 2021 and 2020 are as follows:

	2021	2020
1 January	134,240	77,897
Additional provisions	205,751	119,094
Disposals/payments (-)	(85,172)	(62,751)
31 December	254,819	134,240

Provision for warranty expenses

As of 31 December 2021 and 2020, the tables which represent the position of guarantees, pledges and mortgages are as follows:

	31 December 2021	31 December 2020
a. Total amount of guarantees, pledges and mortgages given the name of legal entity	1,856,622	1,584,476
b. Total amount of guarantees, pledges and mortgages given in favour of the parties which are included in the scope of full consolidation	567,653	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	-	-
	2,424,275	1,924,397

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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 2021		31 December 2020	
	Original currency	TRY equivalent	Original currency	TRY equivalent
USD	85,823	1,113,770	147,855	1,085,331
EUR	58,640	860,970	58,823	529,870
TRY	308,493	308,493	191,425	191,425
RON	47,814	141,042	46,450	85,343
CNY	-	-	29,000	32,428
		2,424,275		1,924,397

a) Guarantees given as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Bank letters of guarantee	1,888,371	1,595,609
Surety	535,904	328,788
	2,424,275	1,924,397

b) Guarantees received as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Bank letters of guarantee	700,650	443,378
Guarantee notes	6,191	12,619
Guarantee cheques	-	270
Mortgages received	20	20
	706,861	456,287

Contingent asset

The lawsuits related to the years 2011-2012-2013 and 2014, for which tax relief could not be benefited from within the scope of R&D deduction, were concluded in favor of the company. Within the scope of the R&D deduction, lawsuits were filed for the 2015 transactions that could not benefit from the tax deduction, and these cases, which were concluded in favor of the group, are at the stage of appeal as of 31.12.2021.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOTE 16 - EMPLOYEE BENEFITS

	31 December 2021	31 December 2020
Provision for employment termination benefits	89,427	63,725
Provision for unused vacation	20,705	15,880
	110,132	79,605

Employment termination benefits

The amount payable consists of one month's salary limited to a maximum of TRY8,284.51 in full for each year of service as of 31 December 2021 (31 December 2020: TRY7,117.17 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 TRY10,596.74 in full (1 January 2021: TRY7,638.96 in full), which is effective from 1 January 2022, 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 2021	31 December 2020
Net discount rate (%)	4.45	4.63
Turnover rate to estimate the probability of retirement (%)	97.61	97.80

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

	2021	2020
1 January	63,725	48,460
Interest expense	5,767	4,386
Charge for the period	22,059	12,659
Remeasurement differences	1,670	2,369
Payments	(3,794)	(4,149)
31 December	89,427	63,725

Provision for unused vacation

The movements of provision for unused vacation are as follows:

	2021	2020
1 January	15,880	12,520
Charge for the period, net (Note 21)	4,825	3,360
31 December	20,705	15,880

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NOTE 17 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES

a) Prepaid expenses

Short- term prepaid expenses	31 December 2021	31 December 2020
Prepaid expenses	20,045	19,444
	20,045	19,444
Long-term prepaid expenses	31 December 2021	31 December 2020
Advances given	16,446	9,092
	16,446	9,092

b) Other non-current assets

	31 December 2021	31 December 2020
Value added tax receivables	97,129	96,884
Other	9,505	3,765
	106,634	100,649

c) Deferred revenues

Deferred revenues - short term	31 December 2021	31 December 2020
Advances received	552,711	508,165
Deferred maintenance revenues	50,080	28,750
Other	-	1,797
	602,791	538,712
Deferred revenues - long term	31 December 2021	31 December 2020
Deferred maintenance revenues	278,783	155,116
	278,783	155,116

d) Employee benefits obligation

	31 December 2021	31 December 2020
Payables to employees	23,330	22,978
Social security payables	22,002	14,802
Taxes and funds payable	21,728	13,367
	67,060	51,147

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NOTE 17 - PREPAID EXPENSES, DEFERRED REVENUE, OTHER ASSETS AND LIABILITIES (Continued)

e) Other current liabilities

	31 December 2021	31 December 2020
Taxes and funds payable	3,985	25,370
Deferred special consumption tax	1,101	418
Other	1,602	1,309
	6,688	27,097

NOTE 18 - EQUITY

Share capital

As of 31 December 2021 and 2020, the principal shareholders and their respective shareholding percentages are as follows:

	31 December 2021		31 December 2020	
	TRY	(%)	TRY	(%)
Koç Holding A.Ş.	10,723	44.68	10,723	44.68
Ünver Holding A.Ş.	5,955	24.81	5,955	24.81
Other	7,322	30.51	7,322	30.51
	24,000	100.00	24,000	100.00
Inflation adjustment on equity items	52,743		52,743	
	76,743		76,743	

The legal reserve consists of first and second legal reserves, allocated in accordance with the Turkish Commercial Code.

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

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

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

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOTE 18 - EQUITY (Continued)

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 2021	31 December 2020
Paid-in share capital	24,000	24,000
Inflation adjustment on equity items	52,743	52,743
Restricted reserves	133,530	93,650
Accumulated other comprehensive income and expense that is not subject to reclassification to income or loss	(12,925)	(11,589)
Accumulated other comprehensive income and expense that is subject to reclassification to income or loss	(210,099)	(59,103)
Retained earnings		
- <i>Extraordinary reserves</i>	456,812	278,424
- <i>Inflation adjustments on legal reserves</i>	10,950	10,950
Net income for the year	1,041,524	618,268
	1,496,535	1,007,343

As of 31 December 2021 and 2020, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

31 December 2021			
	Historical value	Inflation adjustments on equity items	Restated value
Share capital	24,000	52,743	76,743
Legal reserves	133,530	10,950	144,480
	157,530	63,693	221,223
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
	117,650	63,693	181,343

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NOTE 18 - EQUITY (Continued)

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

	31 December 2021	31 December 2020
Legal reserves	133,530	93,650
Extraordinary reserves	204,709	193,566
	338,239	287,216

Year's net income per statutory financial statements	400,000	200,000
Dividend paid per share (piaster)	1,667	0,833

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

NOTE 19 - REVENUE AND COST OF SALES

Net sales

	1 January - 31 December 2021	1 January - 31 December 2020
Domestic sales	1,251,396	714,312
Export sales	3,282,799	2,210,216
Gross Sales	4,534,195	2,924,528
Less: sales discounts and returns	(25,321)	(15,817)
Net sales	4,508,874	2,908,711

Sales of the Group for the years ended 31 December 2021 and 2020 in terms of the products are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Commercial vehicle	1,931,260	1,208,828
Armored vehicle	2,011,010	1,359,452
Other sales (*)	566,604	340,431
	4,508,874	2,908,711

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

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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

NOTE 19 - REVENUE AND COST OF SALES (Continued)

Cost of sales

	1 January - 31 December 2021	1 January - 31 December 2020
Cost of finished goods sold	(2,584,143)	(1,583,840)
Cost of merchandise goods sold	(208,046)	(130,727)
	(2,792,189)	(1,714,567)

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

	1 January - 31 December 2021	1 January - 31 December 2020
Sales and marketing expenses	(596,356)	(382,208)
General administrative expenses	(202,991)	(149,634)
Research and development expenses	(109,841)	(87,325)
	(909,188)	(619,167)

NOTE 21 - EXPENSES BY NATURE

	1 January - 31 December 2021	1 January - 31 December 2020
Cost of raw material and consumption goods	1,924,724	1,547,333
Personnel expenses	444,701	317,846
Cost of merchandises sold	446,153	130,727
Provision for warranty expenses (Note 15)	194,314	119,094
Sales, incentives and premiums	121,064	101,203
Depreciation and amortization expense	101,135	91,027
Administrative expenses	118,183	84,362
Operational expenses	87,527	49,140
Transportation, distribution and storage expenses	69,426	44,365
Advertising, promotion and promotion costs	38,107	9,402
Change in finished and semi-finished goods	99,195	(179,349)
Other expenses	56,848	18,584
	3,701,377	2,333,734

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOTE 21 - EXPENSES BY NATURE (Continued)

The breakdown of personnel expenses for the years 2021 and 2020 is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Based on the account it's recorded:		
Cost of sales and inventories on hand	222,393	158,420
Sales and marketing expenses	125,929	88,256
Capitalized development expenditures	117,921	86,218
General administrative expenses	86,869	64,284
Research and development expenses	9,510	6,886
	562,622	404,064
	1 January - 31 December 2021	1 January - 31 December 2020
By nature:		
Wages and salaries	435,179	312,881
Social security premiums	49,996	37,998
Other social benefits	39,205	30,889
Provision for employment termination benefits	27,832	17,059
Provision for vacation pay liability	4,825	3,360
Other	5,585	1,877
	562,622	404,064

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

The Group's explanation regarding the fees for the services rendered by the independent audit firms, which is based on the KGK's letter dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Fees for tax advisory services	782	620
Fee for other assurance services	17	23
Fees for services other than independent auditing	14	13
	813	656

The fees above have been determined by including the legal audit and other related service fees of all subsidiaries, and the foreign currency fees of foreign subsidiaries have been converted into TL using the annual average rates of the relevant years.

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOTE 22 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
Other operating income		
Foreign exchange gains on operating activities	705,886	345,173
Gain on forward transactions	120,768	64,170
Revenue from charge of due date receivables	108,030	14,195
Other income	41,976	30,376
	976,660	453,914
	31 December 2021	31 December 2020
Other operating expenses		
Foreign exchange loss on operating activities	(611,854)	(326,737)
Loss on forward transactions	(92,474)	(55,469)
Expected credit losses on trade receivables	(3,240)	(7,064)
Other expenses	(1,051)	(3,631)
	(708,619)	(392,901)

NOTE 23 - FINANCIAL INCOME

	1 January - 31 December 2021	1 January - 31 December 2020
Interest income from time deposits	163,752	35,619
Foreign exchange gains on deposits	31,490	37,526
Foreign exchange gains on bank borrowings	28,056	22,046
	223,298	95,191

NOTE 24 - FINANCIAL EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange losses on bank borrowings	(257,996)	(59,539)
Interest expense on bank borrowings	(183,125)	(120,318)
Foreign exchange losses on deposits	(58,314)	(22,793)
Other	(3,738)	(2,420)
	(503,173)	(205,070)

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOT 25 - TAX ASSETS AND LIABILITIES

The Company is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey. The Group's subsidiaries located abroad are subject to taxation in accordance with the tax regulations and laws of the relevant countries.

Regarding the tax regulations of the Law No. 7316 published in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate; It has been determined to be applied as 25% for 2021 corporate earnings and 23% for 2022 corporate earnings. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant year and is paid in a single installment until the end of the relevant month. In accordance with the tax legislation, 25% temporary tax is calculated and paid on quarterly earnings, and the amounts paid in this way are deducted from the tax calculated on the annual income.

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

By the Presidential Decree No. 4936 dated 21.12.2021, by joint stock companies residing in Turkey; The income tax withholding rate has been reduced from 15% to 10% in dividend payments made to real persons residing in Turkey, non-income and corporate taxpayers or exempted from these taxes, and real and legal persons who are not resident in Turkey. Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to tax withholding. In addition, if the profit is not distributed or added to the capital, no tax deduction is made.

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

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

As a result of its research and development expenditures made in 2021 amounting to TRY266,854 (2020: TRY179,123). 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 2021 and 2020, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	31 December 2021	31 December 2020
Income tax payable	827	685
Prepaid taxes (-)	(827)	(685)
	-	-

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOT 25 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of total tax expense for the years ended 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Current tax charge	(827)	(685)
Deferred tax income/expense reflected in profit or loss		
Charged to profit for the period	137,805	(6,233)
Charged to other comprehensive income	334	521
	137,312	(6,397)

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

	1 January - 31 December 2021	1 January - 31 December 2020
Profit before tax	904,546	625,186
Income tax charge at effective tax rate	(226,137)	(137,541)
Disallowable expenses		(7,442)
Discounts and exceptions	84,616	129,039
Tax effect on gain on investments accounted for using the equity method		21,623
Impact of foreign companies subject to different tax rates		(15,030)
Other differences	278,833	2,433
Total	137,312	(6,918)

Within the scope of the Law No. 7316 on 'The Law on the Collection of Public Claims and Amendments to Certain Laws' published in the Official Gazette dated April 22, 2021 and numbered 31462; Instead of 20%, the corporate tax rate will be 25% for 2021 and 23% for 2022. Within the scope of the said law, deferred tax assets and liabilities in the consolidated financial statements are calculated with a 25% tax rate for the portion of temporary differences that will have a tax effect in 2021, and 23% in 2022. In the deferred tax calculation for the year after 2022, the tax rate is considered as 20%.

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOT 25 - TAX ASSETS AND LIABILITIES (Continued)

As of 31 December 2021 and 2020, 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 2021	31 December 2020	31 December 2021	31 December 2020
Property, plant and equipment	(94,471)	(42,416)	(15,413)	(5,002)
Intangible assets	(123,144)	(98,580)	(24,629)	(19,716)
Deferred financial expenses	(3,144)	(2,620)	(786)	(576)
Inventories	40,541	24,359	9,538	5,311
Provision for warranty expenses	254,819	134,240	63,705	26,527
Provision for employment termination benefits	89,427	63,725	22,357	12,745
Deferred financial income	49,520	16,098	12,380	3,542
Other provisions	55,663	77,169	13,916	15,793
Deferred maintenance income	196,887	132,143	60,225	30,495
Investment incentives (*)	86,238	32,787	86,238	32,787
Other	23,019	(26,712)	6,893	(5,621)
Deferred tax assets, net			234,424	96,285

(*) 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 TRY591,812 thousand was issued for the modernization investment envisaged to be made in the next 4 years.

The movement of deferred tax asset for the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
1 January	96,285	101,997
Deferred tax income/loss		
Charged to profit for the period	137,805	(6,233)
Charged to other comprehensive income	334	521
31 December	234,424	96,285

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. In line with the Law No. 7352, inflation adjustment will be applied to the financial statements dated 31 December 2023, and the profit/loss difference arising from the inflation adjustment will be shown in the previous years' profit/loss account and will not be taxed.

On January 20, 2022, the Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies.

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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 2021	31 December 2020
Net income attributable to shareholders	1,041,524	618,268
Weighted average number of issued shares	24,000,000,000	24,000,000,000
Earnings per share (Piastre)	4.340	2.576

NOTE 27 - RELATED PARTY DISCLOSURES

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

i) Due from and due to related party balances as of 31 December 2021 and 2020:

Due from related parties	31 December 2021	31 December 2020
Al Jasoor Heavy Vehicles Industry LLC (3) (**)	303,111	175,866
Ram Dış Ticaret A.Ş. (1) (*)	229,946	264,814
Other (1)	185	3
	533,242	440,683

(*) 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

Due to related parties	31 December 2021	31 December 2020
Ram Dış Ticaret A.Ş. (1)	22,323	11,661
Koç Holding A.Ş. (2)	19,066	15,833
Zer Merkezi Hizmetler A.Ş. (1)	16,530	8,689
Setur Servis Turistik A.Ş. (1)	5,312	874
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	4,005	6,092
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	2,916	1,135
Eltek Elektrik Enerji İth. İhr. Top. Tic. A.Ş. (1)	2,242	954
Opet Fuchs Madeni Yağ A.Ş. (1)	1,798	1,190
Divan Turizm İşletmeleri A.Ş. (1)	1,157	45
RMK Classic Giyim Tekstil Tic. A.Ş. (1)	823	10
Akpa Dayanıklı Tük.Paz. A.Ş.	525	378
Other (1)	2,320	12,103
	79,017	58,964

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Advances received from related parties	31 December 2021	31 December 2020
Ram Dış Ticaret A.Ş. (1)	421,792	53,564
Al Jasoor Heavy Vehicles Industry LLC (3) (*)	6,271	336,848
	428,063	390,412

(*) These are the advances received due to sales to Al Jasoor Heavy Vehicles Industry LLC, which is a Joint Venture of the Group.

ii) Significant sales to related parties and significant purchases from related parties:

Sales of products and services	1 January - 31 December 2021	1 January - 31 December 2020
Al Jasoor Heavy Vehicles Industry LLC (3)	1,665,582	1,204,065
Ram Dış Ticaret A.Ş. (1) (*)	473,018	216,836
Other (1)	410	249
	2,139,010	1,421,150

(*) 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 2021	1 January - 31 December 2020
Ark İnşaat A.Ş. (1)	12,373	26,099
Koç Sistem Bilgi ve İletişim Hiz. A.Ş. (1)	13,178	9,681
Zer Merkezi Hizmetler A.Ş. (1)	6,743	1,036
Other (1)	562	297
	32,856	37,113

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

Inventory purchases	1 January - 31 December 2021	1 January - 31 December 2020
Zer Merkezi Hizmetler A.Ş. (1)	67,617	57,448
Ford Otosan A.Ş. (2)	23,303	4,950
Ram Dış Ticaret A.Ş. (1)	9,820	26,540
Opet Fuchs Madeni Yağ A.Ş. (1)	6,229	4,867
Opet Petrolcülük A.Ş. (1)	4,215	2,796
Akpa Dayanıklı Tük. Paz. A.Ş. (1)	2,873	2,896
Bal Kaynak Su İth. İhr. San ve Tic A.Ş. (1)	945	-
Other (1)	577	3,232
	115,579	102,729

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Service purchases	1 January - 31 December 2021	1 January - 31 December 2020
Ram Dış Ticaret A.Ş. (1)	76,394	8,872
Koç Holding A.Ş. (2) (*)	24,229	18,609
Setur Servis Turistik A.Ş. (1)	14,430	4,631
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	12,721	8,586
Koç Sistem Bilgi ve İlt. Hiz. A.Ş. (1)	11,671	8,011
Eltek Elektrik Enerji İth. İhr. Top. Tic. A.Ş. (1)	11,452	8,405
Ram Sigorta Aracılık Hiz. A.Ş. (1) (**)	10,147	6,775
Ark İnşaat A.Ş. (1)	3,167	-
Ingage Dijital (1)	2,356	1,718
Other (1)	4,600	3,695
	171,167	69,302

(*) 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 2021 in accordance with insurance policies signed between insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is an insurance agency.

Banks deposits	31 December 2021	31 December 2020
Yapı ve Kredi Bankası A.Ş. (1)		
- Time deposits	365,436	44,161
- Deposit deposits	2	16
	365,438	44,177

(1) Related parties of the parent company

(2) Shareholder

Credits	31 December 2021	31 December 2020
Yapı ve Kredi Bankası A.Ş. (1)	141,828	141,531
	141,828	141,531

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

For the years ended 31 December 2021 and 2020, financial income and expense with related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
Trade receivables and payables		
foreign exchange gains		
Ram Dış Ticaret A.Ş. (1)	214,544	111,995
Other (1)	1,534	473
	216,078	112,468

	1 January - 31 December 2021	1 January - 31 December 2020
Trade receivables and payables		
foreign exchange expenses		
Ram Dış Ticaret A.Ş. (1)	179,021	43,656
Other (1)	2,082	1,107
	181,103	44,763

For the years ended 31 December 2021 and 2020, financial income and expense with related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
Interest income		
Yapı ve Kredi Bankası A.Ş. (1)	2,694	10,203
	2,694	10,203

(1) Related parties of the parent company

	1 January - 31 December 2021	1 January - 31 December 2020
Interest expense		
Yapı ve Kredi Bankası A.Ş. (1)	13,149	13,909
	13,149	13,909

(1) Related parties of the parent company

(2) Shareholders

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains		
Yapı ve Kredi Bankası A.Ş. (1)	23,362	12,580
	23,362	12,580

(1) Related parties of the parent company

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange expenses		
Yapı ve Kredi Bankası A.Ş. (1)	13,010	8,829
	13,010	8,829

(1) Related parties of the parent company

Benefits provided to senior executives

For the year ended 31 December 2021, the total amount of benefits provided to senior management is TRY29,972 thousand (31 December 2020: TRY20,437. 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 2021 AND 2020

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

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

31 December 2021	Receivables		Bank deposit	Derivative instruments
	Trade receivables	Other		
Maximum credit risk exposure as of reporting date				
(A+B+C+D+E) (1)	2.374.028	5.686	644.806	-
- Maximum risk secured by guarantee (2)	478,548	-	-	-
A. Net book value of financial assets neither overdue nor impaired	2,372,357	5,686	644,806	-
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-
C. Net book value of assets overdue but not impaired	395	-	-	-
D. Net book value of impaired assets	1,276	-	-	-
- Overdue (gross book value)	98,660	-	-	-
- Impairment (-) (Note 8)	(97,384)	-	-	-
- Net value under guarantee	1,276	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-

31 December 2020	Receivables		Bank deposit	Derivative instruments
	Trade receivables	Other		
Maximum credit risk exposure as of reporting date				
(A+B+C+D+E) (1)	1,319,315	3,106	517,412	-
- 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	-	-	-	-

(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 2021 AND 2020

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

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

As of 31 December 2021 and 2020, maturities of gross trade payables and financial liabilities are as follows:

31 December 2021

Maturities per agreements	Book value	Total cash outflow per agreements (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	2,332,877	2,823,104	692,772	640,943	1,489,389	-
Trade payables	554,860	554,860	554,860	-	-	-
Lease Liabilities	45,580	45,580	-	17,776	27,071	733

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

Other payables	46,547	23,707	23,707	-	-	-
Other short-term liabilities	6,688	6,688	6,688	-	-	-

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

	51	51	51	-	-	-
Derivative cash inflows	66,071	66,071	66,071	-	-	-
Derivative cash outflows	(66,020)	(66,020)	(66,020)	-	-	-

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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

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

31 December 2020

Maturities per agreements	Book value	Total cash outflow per agreements (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	1,831,041	1,963,894	38,476	937,312	988,106	-
Trade payables	349,519	352,157	351,666	491	-	-
Lease Liabilities	23.023	23.023	-	8.979	13.663	381
Expected maturities	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 years	Over 5 years
Non-derivative financial liabilities						
Other payables	48,012	23,223	23,223	-	-	-
Other short-term liabilities	27,097	27,097	27,097	-	-	-
Expected (or maturities per agreement)	Book value	Total expected cash outflow	Less than 3 month	Between 3-12 month	Between 1-5 years	Over 5 years
Derivative financial liabilities (net)	15,937	15,937	15,937	-	-	-
Derivative cash inflows	353,600	353,600	353,600	-	-	-
Derivative cash outflows	(337,663)	(337,663)	(337,663)	-	-	-

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

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

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 2021	TRY equivalent (functional currency)	USD	EUR	GBP
1. Trade receivables	1,171,588	35,458	48,442	11
2a. Monetary financial assets (including cash, bank accounts)	319,360	21,648	2,617	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	26	2	-	-
4. Current assets (1+2+3)	1,490,974	57,108	51,059	11
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	1,490,974	57,108	51,059	11
10. Trade payables	(357,876)	(16,798)	(9,495)	(27)
11. Financial liabilities	(2,173)	-	(148)	-
12a. Monetary other liabilities	(544,449)	(35,147)	(6,016)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(904,498)	(51,945)	(15,659)	(27)
14. Trade payables	-	-	-	-
15. Financial liabilities	(591,961)	-	(40,318)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(591,961)	-	(40,318)	-
18. Total liabilities (13+17)	(1,496,459)	(51,945)	(55,977)	(27)
Net balance sheet position (9+18)	(5,485)	5,163	(4,918)	(16)
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	51	(5,087)	4,500	-
19a. Hedged total assets amount	66,068	-	4,500	-
19b. Hedged total liabilities amount	(66,017)	(5,087)	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(5,434)	76	(418)	(16)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(5,511)	5,161	(4,918)	(16)
22. Total fair value of financial instruments used for foreign currency hedging	(51)	(51)	-	-
23. Export	3,269,963	219,714	103,911	31
24. Import	1,145,085	43,180	67,679	551

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

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. Current assets (1+2+3)	1,027,038	76,477	51,689	5
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	1,027,038	76,477	51,689	5
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. Current liabilities (10+11+12)	(574,959)	(33,170)	(36,753)	(41)
14. Trade payables	-	-	-	-
15. Financial liabilities	(180,149)	-	(19,999)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(180,149)	-	(19,999)	-
18. Total liabilities (13+17)	(755,108)	(33,170)	(56,752)	(41)
Net balance sheet position (9+18)	271,930	43,307	(5,063)	(36)
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. Net foreign currency asset/(liability) position (9+18+19)	(65,733)	(2,693)	(5,063)	(36)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	271,915	43,305	(5,063)	(36)
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

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NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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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 2021 and 2020:

	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign foreign currency
31 December 2021		
<i>In case 10% appreciation of USD against TRY:</i>		
1- USD net asset/liability	99	(99)
2- Amount hedged for USD risk (-)	-	-
3- USD net effect (1+2)	99	(99)
<i>In case 10% appreciation of EUR against TRY:</i>		
4- EUR net asset/liability	(614)	614
5- Amount hedged for EUR risk (-)	-	-
6- EUR net effect (4+5)	(614)	614
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(28)	28
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(28)	28
Total (3+6+9)	(543)	543
	Profit before tax Appreciation of foreign currency	Profit before tax Depreciation of foreign foreign currency
31 December 2020		
<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 (-)	-	-
3- USD net effect (1+2)	(1,977)	1,977
<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 (-)	-	-
6- EUR net effect (4+5)	(4,561)	4,561
<i>In case 10% appreciation of GBP against TRY</i>		
7- GBP net asset/liability	(36)	36
8- Amount hedged for GBP risk (-)	-	-
9- GBP net effect (7+8)	(36)	36
Total (3+6+9)	(6,574)	6,574

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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 2021 and 2020, 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 2021	31 December 2020
Total financial liability	2,378,457	1,854,064
Less: Cash and cash equivalents (Note 4)	(644,857)	(517,422)
Net financial liability	1,733,600	1,336,642
Total equity	1,496,535	1,007,343
Financial debt/shareholders' equity factor	116%	%133

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED YEARS ENDED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 AND 2020

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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 2021 and 2020:

31 December 2021

Assets	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	51	-	51
	-	51	-	51

31 December 2020

Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	15,937	-	15,937
	-	15,937	-	15,937

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The Group considers that carrying amounts reflect fair values of the financial instruments.

Monetary assets - Short term monetary assets are considered to approximate their respective carrying values due to their short-term nature and low level of credit risk.

Monetary liabilities - Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of long-term bank borrowings with fixed interest rates are noted that it is close to approximate their respective carrying values, since the interest rate as of balance sheet date is used. The fair values of short-term bank borrowings are considered to approximate their respective carrying values due to their short-term nature.

NOTE 30 - SUBSEQUENT EVENTS

None.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

INFORMATION DOCUMENT CONCERNING THE GENERAL ASSEMBLY TO CONVENE ON 21.03.2022 TO REVIEW 2021

1. INVITATION TO THE ORDINARY GENERAL ASSEMBLY ON 21.03.2022

The Ordinary General Assembly will convene to review 2021 activities of the company and to discuss the agenda detailed below at 10:30 am on Monday, 21.03.2022 at the Divan İstanbul Hotel, Asker Ocağı Cad. No: 1, Elmadağ, Şişli, İstanbul (Phone: 0 212 315 55 00).

The Annual Report, which includes Financial Statements related to the year 2021, Independent Audit Report prepared by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., Dividend Distribution Proposal, Corporate Governance and Sustainability Principles Compliance Reports, and the detailed Information Note that includes these agenda items and the required disclosures for compliance with the Capital Markets Board Regulations will be made available for the shareholders to view within the legal period of 3 weeks before the Annual General Meeting at head office of the company, on the corporate website www.otokar.com.tr, and Public Disclosure Platform and the Electronic Annual General Meeting System of Central Registry Agency.

Shareholders who will not personally attend the Annual General Meeting, without prejudice to the rights and obligations of shareholders who will participate electronically, must submit their 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, 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 or from the company Headquarters (Phone: 0 216 489 29 50) to ensure that they comply with the provisions of the applicable regulations and communiqués.

Pursuant to article 415 clause 4 of the New Turkish Commercial Code No. 6102 and article 30 clause 1 of the Capital Markets Law, the right to participate and vote in the Annual General Assembly Meeting is not dependent on the condition to deposit the shares. Accordingly, shareholders who wish to participate in the General Assembly Meeting are not required to block their shares.

In accordance with the Law No. 6698 on Protection of Personal Data, detailed information on processing your personal data by our company is provided in the Personal Data Protection and Processing Policy of Otokar Otomotiv ve Savunma Sanayi A.Ş. which is available on www.otokar.com.tr

At the Ordinary General Assembly Meeting, the voters will use open voting system by a raise of hands, without prejudice to the provisions of electronic voting regarding the voting of each item on the agenda.

We would like to advise that the meeting will be organized with the health and safety measures imposed by the authorities due to the effects of the COVID-19 pandemic on the world and our country and the shareholders are asked 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, the shareholders will have priority in entering the General Assembly Meeting venue to protect public health.
- 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.

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 21.03.2022 TO REVIEW 2021

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş. BOARD OF DIRECTORS

Headquarters Address: Aydınevler Mahallesi, Saygı Caddesi No. 58 34854 Maltepe – İstanbul

Trade Registry and Number: İstanbul – 83467

Mersis No: 0649001827200034

2. ADDITIONAL DISCLOSURES IN ACCORDANCE WITH CMB REGULATIONS

Pursuant to Capital Market Board's (CMB) Corporate Governance Communiqué II-17.1, the additional required disclosures regarding the agenda topics are provided in the relevant item below and other mandatory general disclosures in this section:

2.1. Shareholding Structure and Voting Rights

There are no distinctions in terms of privileged share groups in our company. 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
Total	24,000,000.00	100.00	2,400,000,000.00	100.00

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:

There were no changes in the management or operations in 2021 that could materially affect the activities of the company or its subsidiaries. No material changes are planned in management and operations for upcoming accounting periods. Material disclosures made by our company according to applicable legislation can be found at www.kap.org.tr.

2.3. Information concerning the Requests of Shareholders for Inclusion of an Issue in the Agenda

Information on shareholders' written requests submitted to the Investor Relations Department for inclusion of a topic in the agenda, rejected requests and 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 2021 activities will be discussed.

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3. REMARKS ON THE AGENDA TOPICS OF THE ORDINARY GENERAL ASSEMBLY ON 21.03.2022

1. Opening and election of the Chairman to Preside over the Meeting

The election of the Chairman who will preside over the Ordinary General Assembly will be carried out in accordance with the provisions of the Turkish Commercial Code No. 6102 (TCC) and the Regulation on the Procedures and Principles Applicable to Ordinary General Assemblies of Joint Stock Companies and the Representatives of the Ministry of Customs and Commerce to Attend Ordinary General Assembly (the "Regulation" or the "General Assembly Regulation"), and article 7 of the General Assembly Internal Directive. The Chairman of the General Assembly will appoint at least one Secretary to record the minutes of the meeting in accordance with the General Assembly Internal Directive. The Chairman may also select sufficient number of vote collectors.

2. Presentation for reading, discussion and approval of the 2021 Annual Report prepared by the Board of Directors

Information on the 2021 Annual Report, made available for shareholders to review at the company's Headquarters, on the Electronic General Assembly portal of the Central Registry Agency and on our company's website at www.otokar.com.tr for three weeks preceding the Ordinary General Assembly, in accordance with the TCC, the Regulation and the regulations concerning the Capital Markets Law will be provided, and the 2021 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 2021 fiscal year

Information concerning the Independent Auditor's Report, prepared pursuant to the regulations of the Capital Markets Board and the TCC and made available three weeks prior to the General Assembly meeting at the company's Headquarters, on the Electronic General Assembly portal of the Central Registry Agency and on our company's website at www.otokar.com.tr, will be presented to the General Assembly.

4. Presentation, reading, discussion and approval of the Financial Statements of the Company for the 2021 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.tr for three weeks preceding the Ordinary General Assembly pursuant to the TCC, the Regulation and the regulations concerning the Capital Markets Law will be presented for discussion and approval of the shareholders.

5. Release of each member of the Board of Directors individually for the affairs of the Company in 2021

Release of the members of the Board of Directors individually with respect to the activities, transactions and accounts in 2021 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 for the year 2021 prepared in accordance with the Company's profit distribution policy

According to the financial statements for the accounting period of 01.01.2021-31.12.2021, the company has earned a Consolidated Net Profit for the Period amounting to TL 1,041,523,170. The table showing our profit distribution proposal, which was prepared by taking into account our Profit Distribution Policy, long-term strategies, investment and financing policies, and the profitability and liquidity position in line with the Communiqué on Dividends II-19.1 and the Profit Distribution Guidelines announced in accordance with this Communiqué is provided in **ATTACHMENT/1**.

7. Resolution of the number of 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.

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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 31.01.2022.

The résumés of the nominees for the Board of Directors and the declarations of independence of the independent members are provided in **ATTACHMENT/2**.

8. Presentation of the Remuneration Policy for the members of the Board of Directors and the Senior Executives and payments made thereof pursuant to the Corporate Governance Principles to the shareholders for approval

Pursuant to CMB's mandatory Corporate Governance Principle 4.6.2, principles applicable for remuneration of the members of the Board of Directors and the senior management must be in writing and presented to the shareholders as a separate agenda topic, and the shareholders must be given the opportunity to express their views. The revised remuneration policy prepared for this purpose is provided in **ATTACHMENT/3**. Otokar Otomotiv ve Savunma Sanayi A.Ş. has disclosed information about the benefits provided to the Board Members and Senior Executives in 2021 in note 27 of the financial statements for the 2021 fiscal year.

9. Resolution of the annual gross salaries to be paid to the members of the Board of Directors

The amount of the annual gross salaries to be paid to the members of the Board of Directors during the 2022 fiscal year in accordance with the Remuneration Policy, presented to the approval of the shareholders in line with agenda item 8 will be determined by the shareholders.

10. Approval of the appointment of the Independent Audit Firm selected by the Board of Directors pursuant to the provisions of the Turkish Commercial Code and the Capital Markets Board regulations

In its 10.02.2022 dated resolution, the Board of Directors, in consultation with the Audit Committee, has resolved to appoint Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi to audit the financial statements of the company pertaining to the 2022 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.

11. Presentation of the donations made by the Company in 2021, and resolution of an upper limit for donations to be made in 2022

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 Ordinary 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 Ordinary General Assembly. The donations made to foundations and associations in 2021 amounted to TL 7,246,083 TL. Of this amount, TL 6,645,651 was donated to Vehbi Koç Foundation, and the remainder to various other institutions and organizations. These other donations are each lower than TL 400,000 and are not materially significant for investors. The upper limit for donations in 2022 will be determined by the General Assembly.

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12. Pursuant to Capital Markets Board regulations, informing the shareholders about the income or benefits obtained in 2021 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 dated 31.12.2021.

13. 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 2021 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 2021, there was no transaction requiring information within the scope of the principle number 1.3.6 of the Corporate Governance Communiqué.

14. Wishes and opinions

ATTACHMENTS:

ATTACHMENT/1	Profit Distribution Policy and the proposal of the Board of Directors related to the Profit Distribution of 2021 and proposed Profit Distribution Table (See pages 30-31)
ATTACHMENT/2	Résumés of the Candidates for the Board of Directors and the Declarations of Independence of the Independent Member Candidates (See pages 32-33)
ATTACHMENT/3	Remuneration Policy for Members of the Board of Directors and Senior Management (See page 34)

CORPORATE GOVERNANCE COMPLIANCE REPORT

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE COMPLIANCE REPORT

I. CORPORATE GOVERNANCE COMPLIANCE REPORT (URF)

	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	No such transaction has been reported.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				Donations made by the company are provided in a separate item on the General Assembly agenda and the details of the donations with the highest amounts are included in the General Assembly information document. The remaining amount, not detailed in the information document, consists of various donations, each lower than TL 400,000 made to various institutions and organizations and that are not of material significance for investors. Donations lower than this amount are not followed by the investors and the company has plans to continue disclosing this materiality limit in the coming years.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	Otokar Otomotiv ve Savunma Sanayi 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
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Minority rights for shareholders holding less than one twentieth of the capital have not been defined in the articles of association, and the rights have been defined within the frame of general provisions in the legislation. The investors have not expressed any interest in this matter while the company follows the best practices and does not foresee any changes in the near future.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	Dividends have been paid out.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
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3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY

3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					

4.1. ROLE OF THE BOARD OF DIRECTORS

4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					

4.2. ACTIVITIES OF THE BOARD OF DIRECTORS

4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					

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CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					

4.3. STRUCTURE OF THE BOARD OF DIRECTORS

4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	X					
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					

4.4. BOARD MEETING PROCEDURES

4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.		X				A minimum period of time has not been defined to communicate the information and documentation about the agenda topics to the Board members. The timing of when to provide information to the Board members is determined based on the topics and processes on the Board agenda and the members are advised reasonably in advance. Even though an urgent need to define such a period is not apparent, given the effective functioning of the Board, this topic may be revisited in the times to come.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	Even though expressing an opinion in writing is possible, Board members who were unable to attend the meetings have not communicated such a request.
4.4.4 - Each member of the board has one vote.	X					

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.4.5 - The board has a charter/ written internal rules defining the meeting procedures of the board.			X			Committees are formed by considering the knowledge and experience of the Board Members, with some serving on multiple committees. Board members serving on more than one committee facilitate communication and increase the opportunities for cooperation between committees handling related subjects. Considering the efficient work of the Board members with their wealth of knowledge and experience, the current committee structure is deemed effective and no changes are anticipated in the near future.
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Considering that Board members contribute significantly to the Board with their business experience and industry knowledge, they are not restricted in terms of assuming other duties outside the company. The résumé of each Board member and their other duties outside the company are provided in the annual report. Given the effective functioning of the Board, no changes to the current practice are anticipated in the near future since no negative consequence has been observed in terms of corporate governance.

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CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Board members serving on more than one committee facilitate communication and increase the opportunities for cooperation between committees handling related subjects. Considering the efficient work of the Board members with their wealth of knowledge and experience, the current committee structure is deemed effective and no changes are anticipated in the near future.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	Such a consultancy service has not been procured.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Remunerations provided to the Board members and executives with administrative responsibilities are provided in the notes to the financial statements and disclosed to the public as a total figure. Given that this matter is important due to the privacy of personal data, practices in the market are followed with plans to act in line with the wide-spread preferences.

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

II. CORPORATE GOVERNANCE INFORMATION FORM (KYBF)

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/etc.) organised by the company during the year

In 2021, 19 online investor meetings and 59 teleconferences took place due to the COVID-19 pandemic. The department also participated in one online roadshow.

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/Bildirim/909438>

Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time

Yes, available.

The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9

There is no such transaction.

The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)

There is no such transaction.

The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)

Material disclosure regarding common and continuous transactions can be found at: <https://www.kap.org.tr/Bildirim/908919>

The name of the section on the corporate website that demonstrates the donation policy of the company

The Donation and Sponsorship Policy, proposed by the Board of Directors resolution on March 3, 2021 and approved by the annual General Assembly resolution on March 17, 2021, is available on the corporate web site's Investor Relations/Corporate Governance section.

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved

Material disclosure about the general assembly meeting where the upper limit for donations and aid was approved: <https://www.kap.org.tr/Bildirim/918881>

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

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OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

General Assembly Meetings	
General Meeting Date	17.03.2021
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	-
Shareholder participation rate to the General Shareholders' Meeting	75,56%
Percentage of shares directly present at the GSM	0,062%
Percentage of shares represented by proxy	75,50%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Investor Relations – General Assembly Meetings
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	No question has been communicated with respect to Corporate Governance Principle 1.3.5.
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	-
The number of declarations by insiders received by the board of directors	0
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/tr/Bildirim/918881
2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations- Corporate Information - Shareholder Structure
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	General Assembly and Corporate Governance Practices Section
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Corporate Governance Practices Section
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance Practices Section
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Legal Disclosures Section
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Legal Disclosures Section
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Legal Disclosures Section
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Legal Disclosures Section
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Sustainability and Human Resources

OTOKAR OTOMOTİV VE SAVUNMA SANAYİ ANONİM ŞİRKETİ

CORPORATE GOVERNANCE INFORMATION FORM

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Even though a dedicated severance policy is not available, all Koç Group companies and Koç Holding manage the rights of stakeholders to severance in accordance with national and international laws and norms.
The number of definitive convictions the company was subject to in relation to breach of employee rights	7
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Audit Department and Ethics Board
The contact detail of the company alert mechanism.	https://www.otokar.com.tr/contact/contact-form

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. https://www.otokar.com.tr/investor-relations/corporate-governance/ethical-code The required qualifications are specified in each job posting. The Code of Ethics also emphasizes equal opportunity in recruitment. https://www.otokar.com.tr/investor-relations/corporate-governance/ethical-code https://www.otokar.com.tr/sustainability/human-rights
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	-

3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations – Corporate Governance – Code of Ethics
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Sustainability
Any measures combating any kind of corruption including embezzlement and bribery	Principles on these topics are covered in the Anti-bribery and Anti-corruption Policy. https://www.otokar.com.tr/getmedia/aa6798c7-0e90-45d1-a5f5-5d1f5ab0da1d/otokar_anti-bribery-and-corruption-policy_07052021 Otokar Code of Ethics also includes relevant principles.

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CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS - I

4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	31.12.2021
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	https://www.otokar.com.tr/investor-relations/corporate-governance
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				
Levent Çakıroğlu	Non-Executive	Not Independent	26.03.2015				
Selin Ayla Ünver	Non-Executive	Not Independent	22.10.2018				
İsmail Cenk Çimen	Non-Executive	Not Independent	18.03.2019				
Ahmet Serdar Görgüç	Executive	Not Independent	20.04.2006				
Ali İhsan İlkbahar	Non-Executive	Independent	16.03.2020	https://www.kap.org.tr/tr/Bildirim/926318	Considered	No	Yes
Ali İhsan Kamanlı	Non-Executive	Independent	15.03.2018	https://www.kap.org.tr/tr/Bildirim/926318	Considered	No	Yes
Kenan Güven	Non-Executive	Independent	15.03.2018	https://www.kap.org.tr/tr/Bildirim/926318	Considered	No	

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CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS - II

4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	3
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	There is no such practice.
The name of the section on the corporate website that demonstrates information about the board charter	There is no such practice.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is no such practice.

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented.	Members of the Board of Directors and Members of the Committees
Link(s) to the PDP announcement(s) with the board committee charters	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

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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%	6	6
Corporate Governance Committee	-	67%	33%	7	7
Risk Management Committee	-	100%	50%	6	6

GLOSSARY

- BIST:** Istanbul Stock Exchange (Borsa İstanbul)
- CMB:** Capital Markets Board
- DPB:** Bratislava Transport Company (DPB (Dopravný Podnik Bratislava))
- DSEI:** Defence and Security Equipment International
- EBITDA:** Earnings before Interest, Taxes, Depreciation and Amortization
- EBRD:** European Bank for Reconstruction and Development
- EGO:** Ankara Electricity, Gas and Bus Operations Organization
- ESHOT:** İzmir Electricity, Water, Gas, Bus and Trolleybus Directorate
- IAA:** International Motor Show
- IDEF:** International Defence Industry Fair
- IDEX:** International Defence Exhibition & Conference
- ILO:** International Labour Organization
- IoT:** Internet of things
- İETT:** Istanbul Electric Power, Funicular, and Streetcar Board
- KAP:** Public Disclosure Platform
- KGK:** Public Oversight Accounting and Auditing Standards Authority
- MESS:** Turkish Employers Association of Metal Industries
- OHS:** Occupational Health and Safety
- OHSAS:** Occupational Health and Safety Management Systems
- OSD:** Automotive Manufacturers Association
- POA:** Public Oversight Accounting and Auditing Standards Authority
- R&D:** Research and Development
- TAS:** International Accounting Standards
- TFRS:** Turkish Financial Reporting Standards
- TSI:** Turkish Standards Institution
- TSK:** Turkish Armed Forces
- TUMSIS:** X-Band Tactical Satellite Communication System
- TÜSİAD:** Turkish Industry and Business Association
- UN:** United Nations

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